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**INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION SERIES**

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

**JANUARY 5-7, 1993
ANAHEIM**

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January 5-7, 1993

Anaheim

JOHN F. BURTON, JR., EDITOR

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PREFACE

The 45th Annual Meeting of the Industrial Relations Research Association was held in Anaheim, California from January 5-7, 1993.

The program reflected the diverse interests of IRRA members. Traditional labor relations topics were examined, including a session on "Strategies for Revitalizing the Labor Movement." The longstanding interest of many IRRA members in labor economics was reflected in the session on "Efficiency Wage Theory: Work Force Costs, Performance, and the Market," offered jointly with the American Economic Association. And the persistent involvement of the IRRA in international and comparative industrial relations matters was represented in the sessions on "Consensus, Participation, and Conflict: The German Industrial Relations Model Under Stress" and "Workplace Justice: Discharge and Discipline in Ten Countries." The boundaries of industrial relations are expansive, which is a phenomenon evident in several of the IRRA sessions, including the examination of "Causes, Outcome, and Measure of Employee Pay and Benefit Satisfaction."

The diversity of topics portends well for the continuing vitality of the IRRA. Another aspect of the IRRA annual meeting designed to maintain the vigor of the Association was the continuation of the recent practice of opening sessions to more participants. The Dissertations session was based on a competition among recent recipients of the Ph.D. to have their results published, albeit in summary fashion. Four Refereed Papers sessions (up from two such sessions as recently as 1990) consisted of papers selected from entries in response to requests for submissions on "Human Resources and Behavioral Studies," "Collective Bargaining, Labor History, and Comparative IR," "Employee Rights," and "Labor Markets."

The annual meeting also included several special sessions that are included in this volume, including the IRRA Presidential Address by Ernest J. Savoie on "New Leadership Imperatives in Industrial Relations" and a moving tribute to Jack Barbash by his colleagues and past students.

The annual meeting was also enlightened by workshops on several topics for which the Orange County and Inland Empire IRRA Chapters were responsible, including, respectively, "Rebuilding Los Angeles: Evaluation of a Private Multipartite Approach" and "Employment Consequences of Rapid Regional Growth." There were, in addition,

two poster sessions at which papers on a variety of topics were available. Although the workshop and poster sessions papers are not published in the *Proceedings* of the annual meeting, the sessions are a valuable component of IRRA annual meetings. (The table of contents lists the participants in the workshops and the poster sessions, and several of the most outstanding papers from the poster sessions are available from the IRRA Madison office as "IRRA Working Papers.")

The papers included in this year's *Proceedings* were subject to a variant of a screening procedure that has been in use for three years in order to ensure high quality. Kay Hutchison, serving in the capacity of managing editor, reviewed each paper for substance, and in several instances, the authors were required to revise their papers before they were published. In addition to this substantive review, the papers were carefully copyedited for style and form by Jeanette Zimmerman, the IRRA *Proceedings* copy editor.

There are numerous individuals who are crucial to the success of the 1993 annual meeting and these *Proceedings*. The IRRA Program Committee, chaired by Ernest Savoie, was responsible for the diverse and valuable sessions. The Orange County Chapter provided excellent assistance in making arrangements for social events and for various parts of the program, including a workshop. Marlene Heyser, Orange County chapter liaison; Dee Zasio; and other local chapter members worked hard and enthusiastically to ensure the success of the meetings. The Inland Empire chapter contributed financially to the well-attended reception arranged and hosted by the Orange County Chapter. On behalf of the Executive Board of the Association, I express our appreciation for this assistance.

I would also like to express the gratitude of the IRRA Executive Board to all staff members of the national office. Kay Hutchison and Jeanette Zimmerman did an excellent job of editing the *Proceedings*, especially considering this was the first year that they were responsible for the multistage review process.

My term as editor-in-chief of the IRRA expires in 1993 and I wish to express my appreciation to the presidents of the Association whom I have served (Robert McKersie, Jim Stern, Ernest Savoie, and George Strauss) and to the staff and officers of the IRRA located in Madison, especially David Zimmerman, Marion Leifer, and Kay Hutchison. I wish Paula Voos, my successor as editor-in-chief, great success.

John F. Burton, Jr.
Editor-in-Chief

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Frank Spreeman, Presiding

Participants: Harold Pagel and Ethel Stevenson

*Selected Working Paper

I. PRESIDENTIAL ADDRESS

New Leadership Imperatives in Industrial Relations: Something More Must Be Added

ERNEST J. SAVOIE
Ford Motor Company

Not since the founding of our Association in 1947, has so much been demanded of our profession. This is indeed ironic—even bemusing—because the demands are being made at the same time that many people are tolling the bell for collective bargaining.

Our domain extends, of course, beyond just collective bargaining and always has. We embrace the entire subject of the labor market, including the myriad of public policies and actions, direct and indirect, that affect it. We have much to say about economic, political, trade, and technological forces. We are not shy about addressing the shape and conditions of organizational life, the interplay and competing needs of interest groups, or the plight of the forgotten.

We do not hesitate to address the ever-volatile social, educational, and community environments that impact the world of work. And now, with the advent of “globalese,” we have added that sphere to our vocabulary, if not always to our investigations. In each of these domains—however we might individually wish to define, circumscribe, enlarge, or rewrite them—there are burning leadership challenges for researchers, teachers, practitioners, activists, debaters, and visionaries.

I promise to resist the temptation to produce a comprehensive Wallenchinsky-type *Book of Lists* of industrial relations leadership challenges. I fear that exercise would be like serving a bowl of salted

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peanuts at a bar. My academic colleagues, however gracious in their personal lives, could not stay away from the peanuts. They would quickly elbow me out of the way. I would be outshouted and outshone, my Delphic projections shredded to sophomoric tatters along with my pride. It could be a shattering experience. Given the current restructuring of health care plans (a euphemism we all understand), I might wind up “on the couch” seeing a psychoanalyst not of my own choice, with an out-of-pocket deductible, a thought-inducing copay, and the need to recover in a maximum of six sessions.

Since I have no heart to run these risks and no wizard to give me a heart, I will focus instead on a few areas of special concern to me and, I hope, to our profession at large. I will concentrate on leadership imperatives in three areas: (1) reinventing collective bargaining, (2) the social control of work, and (3) education and development in industrial relations.

As I share some thoughts with you on these matters, I know I need not offer yet another paragraph on how our world is no longer what it was. We have all written and rewritten such paragraphs, trying to convey the notion in fresher or in more acceptable ways, and trying not to purloin too much. Some of us have even expanded our glittering paragraphs into whole, if not wholesome, books, articles, and speeches. An undaunted few have produced sequels and godfathered reruns.

So let us simply acknowledge our wide and deep familiarity with the cumulative forces that have created a post-industrial society. The fact is that it is yet to be adequately named, and like a chameleon it is changing its colors just as we think we have spotted it and can explain it.

Reinventing Collective Bargaining

I have labeled my first topic, “Reinventing Collective Bargaining,” shamelessly borrowing the first word from John Naisbitt’s title, *Reinventing the Corporation*.

Kochan, Katz, and McKersie use the word “transformation” in their chronicle, *The Transformation of American Industrial Relations*. And the Collective Bargaining Forum, a private group of union and company presidents and officers who meet regularly to discuss ways to improve the conduct of American industrial relations, talks of “new directions for labor and management.”

All of these terms—reinventing, transformation, and new directions—are right on target. They have a much deeper meaning than

“restructuring,” which implies a rearrangement of the same parts. More simply and less provocatively we often speak of the “new labor relations.” Whatever label we choose, the formidable leadership challenge is to create a new set of working arrangements and relationships that requires changes in deeply imbedded beliefs, practices, and values. This leadership task must be undertaken in a climate of ceaseless turmoil and great uncertainty for the organizations and the people involved.

In the past twenty years the Fortune 500 companies’ share of total nonfarm employment has steadily declined from 20 percent to 11 percent and in absolutes from 15 million workers to 12 million. One-third of the Fortune 500 companies have disappeared, been fundamentally reorganized, or fallen off the list.

At its peak, the organized labor force represented 35 percent of working Americans. Union-represented workers are now barely 16 percent of the total, and even that figure is a result of growth in public-sector unionism. Only 12 percent of the private sector is represented, less than before the 1935 Wagner Act. And few observers predict any future expansion of union representation in the industrial sector.

The “golden age” of collective bargaining from the 1950s to the 1970s owed a good deal of its success to the national and, to some extent, to the world-competitive dominance of American industry and American labor. Labor contracts during that era created a widely cherished private welfare state. Pattern bargaining and labor-management relations were headline and household news, and they did, in truth, immensely influence our lives.

Though subject to booms and busts, collective bargaining operated quite well in this environment of growth. Whatever its strains, after every crisis there seemed to be a return to normalcy, and both labor and management believed they could manage their affairs with a fair degree of mutual success, if not approbation.

All that began to change in the 1970s. Through much of that decade, large segments of American industry and American labor were hammered by powerful new competitive forces—forces to which they closed their eyes or underestimated. Markets disappeared, profits withered, plants closed, and work forces shriveled. But for the most part, it was collective bargaining as usual. On both sides of the bargaining table there remained the feeling: all we have to do is wait it out.

The ’80s proved to be a decade of turmoil and dilemma for labor and management. Some business and union leaders resisted the new

forces with fear and antagonism, and in some quarters there was a resurgence of bitter warfare. Others stayed indifferent and complacent, still too frozen, uncaring, or unwise to act. Still others, on the other hand, began to chart a new course for their mutual destiny. For them, slowly, sometimes agonizingly, a "new" labor relations began to emerge.

This new labor relations rested on sound principles of cooperation and mutual purpose. In creating it, managements and unions began to openly share information to increase their understanding of each other, to jointly support the goals of the enterprise, to build mutual trust, and to share responsibility and appropriate decision making.

The new labor relations is, of course, not entirely new. It has long roots in American collective bargaining, and today pieces of it can be found in many settings. But only in a relatively few places has it been at the center of sustained, large-scale transformation such as the UAW and Ford, the Communications Workers and AT&T, the UAW and Saturn, and the Amalgamated Clothing and Textile Workers and Xerox. I believe there are two paramount reasons for this narrow band of success.

First, in many cases too much is expected too fast. The new labor relations is a long-term process for introducing change and creating more responsive organizations. It is only one strategy in the whole array of strategies needed to be competitive in the global economy. The new labor relations cannot make up for poor marketing, outdated technology, lack of capital, excessive regulation, unwise trade policies, backward management, economic cycles, or sheer bad luck.

The second reason is that there is no template for the new labor relations. It must be created by the parties and tailored to individual situations. Industry-wide patterns, the past stuff of so much collective bargaining, are inadequate guides because the new labor relations reaches far beyond the bargaining room and into the way the work force is managed—even into the heart of the business: product quality, the efficient use of resources, education and upskilling of the entire work force, health and safety, and service and customer satisfaction.

This is hard work, and for many of us it is new work. It requires time, money, and energy. There is no sure road. Many attempts have been half-hearted, self-serving, or ill-sustained. Labor relations and quality are in the same boat—painful and costly over the short run but "free" over the long term. In both areas we seek the gain without the pain, but it does not happen that way.

Learning about the new labor relations is for the most part a helter-skelter affair for practitioners and includes visits to successful locations, happenstance seminars and workshops, and sporadic admonitions. A few unions and a few employer associations have formal bodies for educating their members, but these are sparsely populated and resource poor. Organizations such as The Work in America Institute, The American Productivity and Quality Center, area labor-management committees, and university industrial relations centers offer needed awareness and stimulation but cannot provide ongoing support and find themselves preaching to the converted. The U.S. Department of Labor and the Federal Mediation and Conciliation Service began to play an important seed role, but this effort was totally underfunded and then, sadly, virtually eliminated.

Much more needs to be done to help America promote the new labor relations. One possible initiative would be an organization such as a National Labor-Management Relations Academy where experienced people could systematically share their learnings with national, industry, and local collective bargaining leaders. Ideally it would be federally funded as a social contribution to American competitiveness. Such an academy, however, to be effective would have to be "owned" by labor and management. It would require active and continuing sponsorship by union and management groups and should have appropriate government and consumer representation. In many respects it would be a counterpart to the National Labor Relations Board and other agencies that were established to make the "old" collective bargaining work.

One problem that will not be remedied by learning, increased goodwill, or more resources is the growing mismatch between organizational structures and collective bargaining units. Companies and unions alike are in many different industries. Indeed for some the concept of industry is an interesting relic at best, an albatross at worst. With a growing array of alliances, joint ventures, partnerships, and long-term supplier and dealer interconnections, bargaining units are seldom the freestanding competitive units they once might have been. This fact requires a new look at standards, effectiveness, fairness, competitive capability, business results, and the relevance and consequences of macro regulation on micro units.

John Dunlop has called decentralization the most significant characteristic of the American collective bargaining system. Since he has done so—and more than once—the system has become even more complex. Reinventing collective bargaining in such environments is a leadership task of the highest order.

The Social Control of Work

My second topic is "The Social Control of Work." Let me simply raise a few questions and offer a few observations. This is an area where we are all experts, of course, whether by inclination and interest or just as citizen subjects.

Whatever their other impacts, the laws that shape American industrial relations and the existing social contract have been kind to lawyers, jurists, regulators, and to our profession. Along with complexity the laws have generated employment in industrial relations and have strengthened our jobs. They have clogged our courts and our libraries. They provide security and ossification to our governing agencies, to a legion of third parties, and to the supporting institutions of higher learning. With the laws power is shifted and resources reallocated.

While Americans generally have taken kindly to the law, others have not. Luke 11:46 had this lament: "Woe unto you also, ye lawyers, for ye lade men with burdens grievous to be borne, and ye yourselves touch not the burdens with one of your fingers." Surely, Luke must have meant to include the U.S. House of Representatives and the U.S. Senate. We have it on the authority of experience that man-made law is impervious to the economic law of competitive equilibrium and to Schumpeter's vision of creative destruction. Fortunately, our economy had been growing sufficiently to absorb it all.

What has all this done to our producing systems and to the wellsprings of our growth? What has been the value added of it all? Has our profession been central, helpful, and evenhanded? Or has it been myopic, content to shepherd our micro interests and leave the cumulative macro to someone else?

In the second presidential address to this Association, Sumner Slichter pointed out our responsibility to fashion and continually recalibrate the appropriate balance of individual and market incentives and social controls. This should be an enduring theme. It means we have our work cut out for us.

We will be facing heady and contentious issues including, among others, the provision and the private/public balance of health care costs, the performance of organizations, the design and distribution of work, the education of our people, and entirely new levels of global interaction. This is a truncated list and may not turn out to be the most central.

What certainly is central is that we must no longer be content with analyzing issues as single phenomena. We must see issues as living in

complex, contradictory, changing, and interlinked systems. We must deepen our understanding of the ever-shifting configurations of industries, companies, unions, and producing/distributing/financing bodies and mechanisms. We must track down and lay bare the differential impacts and unintended consequences of legislative, judicial, executive, and regulatory actions. We must assess broad social costs, organizational costs, and individual costs, whether incurred through taxes, incentives, orders, standards, or punishments.

We must ask ourselves, where is the proper place for the social burden, and what is the cumulative impact of individually desirable regulation on economic activity and individual motivation? While we fashion approaches for the majority (and hopefully not for the powerful), we must, in the best tradition of our democratic values, be ever watchful and protective of the minority. We must build the respect and trust necessary for human progress, which should know neither majority nor minority.

Our Association is considering sponsoring a periodic national meeting on labor market policy issues every two years, replacing (or in conjunction with) one of the spring meetings. Because we must reflect our broad constituency, our current meetings, as good as they are, range far and wide, as well as high and low. We have no mechanism, other than an occasional research volume, to focus intensively on the social regulation and the molding of rights, fairness, productivity, effectiveness, and growth. A public policy-oriented meeting, sponsored by the IRRA singly or in conjunction with other groups, would contribute to the public debate and hopefully to the betterment of our society.

Education and Development in Industrial Relations

My third leadership topic is "Education and Development in Industrial Relations." I will be succinct: We have won the battle, and we are losing the war. We have much to be proud of in our profession and have many accomplishments to celebrate. But while we have locked ourselves in the cozy enclaves of our industrial relations and labor studies centers, the teaching of industrial relations and collective bargaining has declined precipitously in our business schools. And we have yet to make even a dent in humanities and social studies teaching. We have lost customers and market share. We have as yet no turnaround vision and no agenda.

In this regard the current trend to renaming and reorganizing our centers—fueled by economic pressures and the changing emphases

and needs of the post-industrial society—may be salutary in the long run. How can we achieve excellence in industrial relations if the vast majority of our operating managers learn by omission that the efforts of our profession really do not matter to the bottom line or to social meaning? This is an issue searching for leadership.

We do not do much better in executive education or in lifelong learning. We have not lost market share here because we never had much. Recently I reviewed a compendium of executive education centers and their curricula. In this booming business of executive education, we have minuscule representation if we exclude the areas of organizational improvement and leadership development.

It has always been a mystery to me why industrial relations teaching and research have focused so little attention and energy on leadership development. Perhaps it is because of the institutional and economics bias of our origins. The majority of our world is populated with policies, processes, programs, institutions, and group actions. Traditionally these define who we are and what we do. And they all seem to occur without people.

We have a few heroes in labor history, but those we have are usually justice seekers, strike leaders, or pattern setters. Not too many are celebrated for having saved their firms or for preserving their membership. On the management side of the process there are even fewer heroes. In fact, you are much more likely to find antiheroes. Perhaps justly so.

New imperatives and opportunities for the education and training of industrial relations professionals in the workplace will emerge in the next few years. The function is being stripped, reorganized, and refocused. Management looks to human resources to lead the transformation process and the management of change. Industrial relations people will have to learn more subjects, faster, and in a more timely fashion. In the leaner organizations they will have fewer mentors and a shorter experience base. Just-in-time education and development will be necessary for survival and for best-in-class performance. In our field it is easier to raise questions and issues than to fashion responses. Understanding will not, of itself, propel progress or inspire the type of behavior needed to sustain fundamental change. Healthy leadership is what makes the deciding difference.

The successful new leaders of the organizations of tomorrow will foster transition. Their entry point will be the disconnects between the present and the vision of the possible that they create. They will provide the common vocabulary so that participants from different

backgrounds and different views can share in the new common effort. Healthy leaders will not arrogate the exercise of leadership to themselves but will spread it widely through all levels, recognizing the human need to seek fulfillment and share achievement.

This is why I believe industrial relations and collective bargaining must focus attention on leadership development and issues. In this regard I encourage each of us, in the spirit of the new year, to explore leadership objectives for ourselves and for our groups for the next three to four years in the areas of greatest concern or interest to us. This time frame is close enough to produce meaningful priorities, yet far enough to permit marshalling appropriate internal and external resources to accomplish tasks and to fashion visions. I would hope that we embody some of these in our professional papers, in free-ranging discussions, in our teaching, and in some of the monthly sessions of our local chapters.

Leadership has a great deal to do with nurturing expectations. It also has much to do with enabling the future and inspiring hope. Leadership, moreover, recognizes that our true professional currency is our values, not our expertise. Healthy leaders have a deep respect for the people and the covenants entrusted to their care. Since the avid exchange of information among individuals and groups is so critical to continuous improvement and innovation strategies—and so significant to a healthy sense of individual belonging—healthy leaders build information accessibility and the spirit of open sharing into their organizations. In this all-important matter they lead by example. In my own work over the years, I have found the concept of participation and human development to be a unifying one in building a better workplace, better relationships, better collective bargaining, and a better community.

In surveying the social landscape of England in the '30s, Winston Churchill urged British labor and management to discard their historic antagonisms and find new avenues of mutual effort. The old ways, Churchill warned, were not working. "Something more must be added," was his cry to parliament. The British largely ignored his plea, and have paid a terrible price for it.

Something more must be added here too. That is surely the case for us today. The additive factor is leadership—the yeast that brings the loaf to its full size. In adding more to the lives of our fellow human beings and to the generations to come, there is plenty of work to be done and more than enough leadership to share. I invite you to join in the work; share in the leadership.

II. RETHINKING THE INTENT AND EFFECT OF HIRING AND PROMOTION STRATEGIES

What Do We Know About Probationary Periods?

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Although labor economists often use employee search models to interpret their findings about wages and other conditions of employment, we know surprisingly little about the employer's side of the search process (Devine and Kiefer 1991, 285). This paper provides an exploratory foray into the wide topic of screening by employers and the consequences of the methods used. We focus particularly on formal, post-hire evaluation periods, usually referred to as probationary periods (PPs). In principle, during employment probation a firm monitors or tests a new hire to inform its decision on whether to retain the worker.

This paper briefly reviews the previous literature on the topic, describes some facts about PPs, and considers the questions raised by the prevalence and characteristics of this employment institution. We also consider the implications and directions for future research generated by those facts. For the empirical work, we draw on primarily two complementary data sets (described in the second section)—the National Center for the Study of Vocational Education (NCRVE)

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Employer Survey and the Federal Reserve Bank of Cleveland Community Salary Survey (CSS). These data are rare in their focus on employers and unique in the questions asked about probationary periods. Although we focus on the characteristics of probationary periods for nonprofessional workers in this paper, we also note that a variety of professional jobs also feature PPs, such as faculty tenure tracks, and law firm and accounting associateships.

Previous Literature and New Directions

The absence of empirical work on firms' post-hire screening and the small volume of work on pre-hire screening stem partially from the dearth of data on these topics. A few authors have examined pre-hire screening efforts, such as the number of applicants interviewed for a vacancy and the number of hours spent interviewing each applicant (Barron et al. 1987, 1989). A number of theoretical studies in labor economics have noted the role of employment probation as a form of screening: for example, in models of the wage-tenure relationship (Hashimoto 1981), adverse selection (Guasch and Weiss 1981), internal labor markets (Barron and Loewenstein 1985), labor turnover (Jovanovic 1979), and up-or-out rules of promotion (O'Flaherty and Siow 1990).

However, few studies focus on employment probation itself. PPs may serve to screen out either workers with "bad" characteristics (which employees know about but have no incentive to reveal) or those with bad matches (i.e., which worker and employer learn about only after hire). If workers know their own productivity and employers can ultimately detect it, then PPs may be a means of forcing self-selection. If workers are not informed, then we have a matching model. In either case, PPs may be the means through which many employers sort carefully among workers on the basis of differences that are not easily observed.

Loh (1992) models and tests the hypothesis that PP employers that fire low-productivity workers attract more productive applicants. Using the NCRVE data, Loh finds that jobs with PPs attract workers with a lower propensity to quit, but that evidence for sorting by other quality measures is weak. Also, unionized, full-time, and nonprofessional jobs, along with those in large or manufacturing companies are more likely to have PPs, while sales, agricultural, construction, and mining jobs are less likely to have them.

Loh (forthcoming) models reasons for variation in PP length among jobs and employers as a function of the training provided to

workers, the level of responsibility on the job, and employer characteristics. In the NCRVE data, longer PPs are associated with extensive on-the-job training, larger firms, more intensive pre-hire screening, and salaried, permanent jobs. Industry and cost of physical capital are significant determinants of length, while occupation and unionization are not.

Theoretical papers by Bull and Tedeschi (undated) and Guasch and Weiss (1981) study firms' use of tests as worker-sorting mechanisms. In Bull and Tedeschi's model, the optimal PP lasts the smallest number of monitoring periods needed to eliminate the incentive "lazy" workers have to mimic "hardworking" employees. A firm's optimal strategy includes firing any workers they detect as providing low effort during the PP. Similarly, Sadanand et al. (1989) show that a scheme where continued employment in the second period depends on satisfactory first-period performance is, under specific conditions, Pareto superior to a guaranteed recontracting scheme in each period. As a result, workers found to be unsuitable face dismissal rather than reassignment to new positions or wage renegotiation.

More recently Weiss and Wang (1990) extend the sorting model to explain within-firm wage growth, turnover of new employees, and mandatory retirement rules. In their model the length of the testing period is an explicit choice variable for the firm. Optimally, a PP lasts just long enough to equate the marginal costs with the benefits of testing workers. Unlike others, this model allows the result that a strict firing strategy need not be optimal in all cases.

This previous work leaves unanswered many questions about PPs. For example, the formal models ignore the question of why employers institute formal PPs when the common law doctrine of employment-at-will still prevails in the U.S. That is, from one point of view, probationary periods imply that monitoring or performance standards are lower for workers after the period is over. Why should a company admit to such a lowering of standards by having a formal probationary period? All the non-self-selection models proposed could function without the worker being informed about the period of probation. Indeed, since the strength of the prevailing legal doctrine of employment-at-will is being eroded by the proliferation of unjust dismissal legislation and equal employment opportunity regulations, it is not clear why employers make their probationary policies explicit, since under this interpretation they seem to further erode the ability to fire employees at will.

Another intriguing question is the link between PPs and employer wage differentials. It has long been argued that the reason some employers (such as large, unionized, or manufacturing firms) pay high wages is that they have more able, more productive workers than do low-wage firms. If this is the case, high-wage firms must actively identify and avoid hiring or retaining low-productivity workers. Previous tests of this hypothesis (using observable characteristics, econometric probes for unobserved quality, or quality differences as the null hypothesis) have yielded mixed results. An alternative, more direct test of the hypothesis would attempt to link unexplained employer wage premia to observable differences in the employers' pre- and post-hire screening intensity, providing that such intensity is related to resultant worker quality.

Finally, PPs need to be considered in the context of other means of screening. In particular, before length or existence of PPs can be considered a reliable indicator of workplace productivity, it is important to know whether it complements or substitutes for intensity of pre-hire screening, such as length of interviews.

Data Sources

Although we draw mostly from the NCRVE and the CSS, in 1979 the Conference Board (CB) surveyed a sample of companies about many of their personnel practices. A subset was asked about their PP policy after hiring. The micro-level data from the survey have not been preserved; however, the tabulations of the 523 responses appear in Gorlin (1981). We present the tabulations for comparison to those in the other two samples whenever possible.

National Center for the Study of Vocational Education (NCRVE)

The second source for this study is the 1982 NCRVE survey, which followed the employer survey collected in 1981 by the Employment Opportunity Pilot Project and asked owners or managers about their firms and the last person they hired prior to August 1981. Two questions ask whether the employer has a formal PP and, if so, how long it lasts. These data have been used for papers (e.g., Barron et al. 1987, 1989; Bishop 1987) on employer hiring and search behavior.

Because the survey focuses largely on new employees and under-represents high-level, white-collar jobs, the sample of jobs is not random. Therefore, the results reported and discussed in the following sections apply strictly to the firms in the NCRVE data set. Nonetheless

the findings should be indicative of the general trend in the labor market at large. In the NCRVE data set each response represents a job in a firm. Since the vast majority of these jobs are in different firms, it is likely that "jobs" and "firms" are interchangeable in these survey responses.

The Community Salary Survey (CSS)

The personnel department of the Federal Reserve Bank of Cleveland (FRBC) conducts an annual community salary survey which covers employers in Cleveland, Cincinnati, and Pittsburgh. In return for their participation, surveyed companies are issued result books for their own use. For this analysis we use a supplemental questionnaire about probationary period practices that the participants were asked to complete in June 1990.

The FRBC chooses participants that it considers representative of large employers in the cities. Each employer judges which establishments to include in the survey according to its internal organization. Some include all branches in the metropolitan area, while others report wages for only a single facility. The industries included vary widely, although the emphasis is on obtaining employers with many "matches" (i.e., employees in the occupations surveyed). Of the 98 employers covered by the CSS in 1990, 63 completed the supplementary survey and are included in the tabulations reported here. The CSS covers 75 occupations each year; each employer reports wages for an average of 28 of these. The surveyed occupations are nonproduction jobs that are found in many industries. Each observation in the original data set gives the salary (including bonuses, but not fringes) of an individual employed in a surveyed occupation by a surveyed employer.

A Synopsis of Stylized Facts about Probation Periods

Table 1 shows the prevalence of PPs in each sample. First fact: by any measure, formal PPs are very common, occurring in 60 to 75 percent of U.S. companies. In both the NCRVE, which is dominated by small employers, and the CSS, which includes larger companies, most employers have PPs. The next rows show that most PPs last from three to six months, and according to the CSS survey, the average proportion of workers successfully completing probation is 77 percent. While successful completion does not usually lead to a promotion or to higher pay, in almost half the companies it does lead to full fringes and to a relaxation of dismissal standards.

TABLE 1
 Characteristics of Employment Probationary Periods in Three Data Sets

	NCRVE	CB	CSS
Year	1982	1979	1990
Unit of observation	Worker	Employer	Employer
Number of observations	3486	523	63
Geographic distribution	National	National	Cleveland, Cincinnati and Pittsburgh
Sample selection criteria	Hired an EOPP worker in 1981	Responded to CB Survey	Employ many workers in FRBC CSS occupations
Size of employers	Majority > 25	Minimum level for inclusion varies	Larger employers
Percentage of sample with a formal PP	72.1%	75.6%	60.3%
Distribution of length of probationary period			
none	27.9%		39.7%
1- 4 weeks	25.3%		0.0%
5- 8 weeks	10.2%		1.5%
9-12 weeks	20.4%		0.0%
13-26 weeks	12.2%		47.6%
27-52 weeks	0.6%		14.9%
> 52 weeks	0.3%		1.5%
Of employers with a PP:			
Mean percentage of workers completing PP			77.4
Percentage giving raise after PP			26.8
Percentage giving promotion after PP			2.4
Percentage with fewer fringe benefits during PP			43.9
Percentage reporting that dismissal standards are lower during PP			48.8
Percentage with the same length PP for all employees			74.4
Percentage listing main purpose of PP is to identify and fire unsatisfactory employees			84.8

From the CSS we also learn that about three-quarters of large employers apply their PP policy uniformly to all workers regardless of occupation. This fact is encouraging for researchers looking for an employer-wide measure of hiring selectivity. It also suggests that occupational characteristics (such as length of training) may not be the primary determinant of length of PP.

Table 2 examines the incidence and duration of PPs by industry, occupation, firm size, and unionization. The industry- and occupation-based cross-tabs are somewhat inconsistent among surveys, perhaps owing to the different employer-size ranges covered in the surveys.

TABLE 2
The Incidence and Duration of Employment Probation Periods

	NCRVE			CB			CSS		
	Cases	% With PP	Median Weeks	Cases	% With PP	Median Weeks	Cases	% With PP	Median Weeks
Major Industry Group									
Constr. & Mining	305	52.8	9	0	—	—	1	0.0	—
Manuf.	435	83.0	9	294	68.0	13	21	33.3	13
TCU	138	75.4	12	41	92.7	26	6	66.7	39
W. Trade	322	75.2	12	0	—	—	0	—	—
R. Trade	1070	66.4	4	0	—	—	2	100.0	10
Services	1154	71.1	12	188	84.0	13	29	72.4	13
Gov't.	0	—	—	0	—	—	9	100.0	52
Occupational Group									
Exempt	402	64.7	12	523	66.5	13	60	61.7	17
WC nonex.	1886	35.3	8	523	75.7	13	59	64.0	17
BC-nonex.	1102	70.7	8	335	89.6	13	56	62.5	13
Firm Size Range									
1-20	1931	62.2	6				0	—	—
20-200	1189	81.3	12				0	—	—
200-1000	231	84.8	12				5	83.3	26
1000-2500	34	64.7	6				4	75.0	17
> 2500	0	—	—				37	64.9	15
Percent Unionized									
0%	2903	68.5	8						
1%-50%	134	85.1	12						
> 50%	348	78.3	8						

Within the NCRVE sample, manufacturing jobs are more likely to have PPs, while in the other two data sets PPs are less prevalent among manufacturers. Similarly, blue-collar employees have higher PP rates in the NCRVE and CB surveys, but not in the CSS. These findings suggest that small and large firms may differ fundamentally in their human resources strategies.

However, the results do highlight some interesting facts. The CSS results suggest that a very high proportion of government employers institute very long PPs. Perhaps greater job security in the government or civil service codes for choosing among applicants necessitate a longer post-hire period of evaluation. White-collar employees may be somewhat less likely to have PPs, but they are longer if they have them. Most surprising of all (and consistent between the NCRVE and the CSS), the probability of having a PP appears to decline with firm size beyond the smallest firms.

One important consideration in the interpretation of these figures is that none of the surveys probed for the reason why these jobs used no PPs. Thus, we cannot distinguish between companies that have essentially permanent probation (i.e., continual close monitoring, reevaluation, and stringent standards) and those that offer a normal (or high) degree of job security after hire.

Since PPs might either substitute for or augment intensive pre-employment screening, Table 3 summarizes the links between PPs and employers' policies on wage levels and screening intensity. Conditional on having a PP, starting and current wages appear to rise with PP length. However, on average, firms with PPs have lower wages than those without it. This relationship is consistent with the interpretation that many of the non-PP companies are infinite probation companies.

The relationship between PPs and interview extensiveness and intensity seems to depend crucially on size. In the CSS, where all the employers are large, companies with long PPs tend to interview few applicants per jobs. This could arise because of self-selection or because of employers' substitution of post-hire for pre-hire screening. Also, as we found with wages, the non-PP firms behave more like long duration PP companies with respect to interviewing extensiveness than they do like short PP companies. Interview intensity (measured by the hours spent per interview) is not clearly related to PP length in the large CSS companies but is longer for employers without formal PPs.

In the NCRVE (where we observe small employers), employee selection techniques appear to be more complementary. That is, small firms with longer PPs have more intensive and extensive interviews,

TABLE 3
Correlations Between Probation Period Policies and Measures of Wages
or Other Selection Methods

	NCRVE	CSS
1. Correlation between real starting wages and PP length	0.111 (0.000)	
2. Ratio of mean starting wages in jobs with PP to jobs without PP	0.89	
3. Correlation between current wages and PP length	0.120 (0.000)	0.245 (0.114)
4. Ratio of mean current wage in jobs with PP to wages in jobs without PP	0.93	0.96
5. Correlation between real wage growth and PP length	0.044 (0.055)	
6. Ratio of wage growth in jobs with PP to wage growth in jobs without PPs	1.16	
7. Correlation between number of applicants interviewed in jobs with PP and PP length	0.035 (0.114)	-0.351 (0.042)
8. Ratio of number of applicants interviewed in jobs with PP to number interviewed in jobs without PPs	1.51	0.81
9. Correlation between hours spent per interview in jobs with PP and PP length	0.081 (0.000)	0.097 (0.578)
10. Ratio of hours spent per interview in jobs with PP to hours per interview in jobs without PPs	1.47	0.83

Note: Number in parentheses report levels of statistical significance for correlation coefficients.

and those with PPs interview more intensively and extensively than those that don't, suggesting that having PPs (especially long ones) is a feature of companies that screen intensively in other ways.

Conclusions

From this very preliminary look we conclude the following: (1) PPs are very common, are certainly not limited to the unionized employees, and are most used in medium-size companies and in government and service jobs; (2) PPs are usually applied fairly uniformly by employers across occupational groups; (3) length of PPs appear to be positively related to wage levels; (4) use of and length of PPs appear to be related to pre-hire screening methods in ways that differ by size of employer (evidence of substitution versus complementarity among selection techniques seems to be size dependent); and (5) employers with no probation are probably heterogeneous. By some but not all measures they behave like employers with very long PPs.

These results highlight the importance of controlling for size of employer in all future research. They also suggest that further research

into employment probation may provide valuable insight into employer screening methods, employer wage differentials, and job security issues.

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Is Learning-By-Doing the Source of the Experience Curve?

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It is well known that cumulative output is related to lower average cost and increased labor productivity. This relationship is generally referred to as the experience curve. On the other hand, there is little evidence that cumulative output or learning-by-doing (or more precisely learning-by-producing) *causes* falls in average cost or increases in labor productivity.¹ Despite the absence of evidence of a causal relationship running from cumulative output to reductions in average cost, the learning-by-doing hypothesis as an explanation of the learning curve has been widely accepted among prominent business consultants, advocates of industrial policy, and economic theorists.²

We shall provide evidence that for one large sample of production workers, increases in labor productivity were due to factors other than learning-by-doing by the workers themselves.

The general finding of the thousands of previous case studies is that every doubling of cumulative output is accompanied by a decline in average costs of between ten and 30 percent (see Ghemawat 1985). The vast majority of these studies measure cumulative output and average cost with respect to the output of a particular product by a single firm.

The wide acceptance of the negative relationship between cumulative output and average cost has led business consultants (particularly those associated with the Boston Consulting Group) to advise clients to forego current profits in favor of market share—"moving down the learning curve"—as a means of lowering future average costs and gaining greater profits in the future. Some advocates of *industrial policy* go farther. They argue that not only do individual firms achieve cost savings from their own cumulative output, but that the costs of other domestic firms are also decreased by the cumulative output of their domestic competitors. These arguments have been made by advocates of import quotas, subsidies for "infant industries," and other forms of government assistance targeted to specific industries. These policy

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prescriptions are generally based on the implicit assumption that the factors *causing* decreases in average cost are dependent on cumulative output. To know if this assumption is correct, we need to know *why* cumulative output is negatively correlated with average cost. We need to know which (if any) factors associated with cumulative output cause the decline in average cost.

Reasons for the Experience Curve

Only if the factors causing declines in average cost are supplied in fixed proportions to cumulative output, would decision makers at the firm or national level be uninterested in the cause of the experience curve. There are several plausible explanations for the negative correlation between cumulative output and average cost, each suggesting different policies.

One explanation for the experience curve is that changes in average cost of production are due in part to productivity shocks that are positively correlated over time. Firms or products that have had decreases in average cost will have lower prices, leading to greater sales. Because of the positive correlation of productivity shocks, these increases in sales will be associated with future increases in productivity. The key assumption is that productivity shocks are positively correlated over time. This assumption seems plausible. Some products or services seem inherently more likely to experience positive productivity shocks than others. If this "story" was behind the experience curve relationship, there would be no role for government policy in favoring one industry over another or for individual companies to strive to move down their "learning curve."

A second plausible explanation for the experience curve is economies of scale in production, combined with a positive correlation between current scale and cumulative output. Firms with more capital are likely to have greater cumulative output. If there are increasing returns to scale in production, these large firms will also have lower average costs.³ It is, of course, possible to correct for scale economies when estimating the effects of cumulative output on productivity. However, because of the biases introduced by measurement error of the capital stock, it is notoriously difficult to make these corrections. In addition, difficulties in measuring the adjustment costs associated with introducing new capital exacerbate the problems of distinguishing between the effects of scale economies and cumulative output.

As with positively correlated productivity shocks, economies of scale would not justify recommendations for firms, industries, or even

nations to subsidize particular products in order to "move down the learning curve." Those policy recommendations require that learning explains the negative correlation between cumulative output and average cost and that the most efficacious way of increasing learning is by increasing output.

A third explanation for the experience curve is a positive correlation between learning and cumulative output. It may be engineers, managers, or production workers who are learning. However, it matters whose learning is causing the cost reductions. It is far easier to vary engineering or managerial inputs independently of production than to vary the total hours worked by production workers independently of output. Thus arguments in favor of increasing production as a means of increasing learning are best justified if the learning is being done by production workers. There is compelling evidence that the productivity improvements that have been associated with cumulative output are due to engineering effort.^{4, 5} Of course engineering effort and output can be complements in the learning process, in which case cumulative output can enhance the learning by engineers.⁶ Also to the extent that production workers make contributions to the design of the production process, cumulative engineering will be linked with cumulative hours worked by production workers, which are in turn linked with cumulative output. Engineering by production workers is rare in the U.S. We ignore the role of workers as engineers in this paper. However, in Japan firms report significant productivity improvements from suggestions of production workers. Production-linked engineering may explain the greater willingness of Japanese firms to sacrifice present profits in order to increase market share. Those policies may be optimal in the Japanese context but not in other contexts.

Further (indirect) support for the importance of engineering effort in generating the experience curve is provided by Dutton, Thomas, and Butler (1984). They found that cost reductions were often better explained by cumulative investment than by cumulative output, and that cost reductions are often greater in machine-intensive manufacturing. Since engineering effort is frequently embodied in new capital, these relationships would be a direct consequence of engineering effort being the determining factor behind productivity improvements.

Cumulative Engineering and Cumulative Output

There are three reasons to expect that cumulative engineering effort would be positively correlated with the cumulative output of a

product. The first is profit-maximizing behavior by firms. Consider a firm producing several products. Suppose that the firm expects to sell large volumes of one of those products (the "big runner") and only small quantities of the other products. Lowering the average cost of the "big runner" will give greater savings to the firm than will similar reductions in the average cost of the other products. A profit-maximizing firm will tend to put more engineering inputs (and give more managerial attention) into those products in which it expects the greatest future sales. This greater engineering effort will cause those "big runners" to have lower average costs (see Weiss 1984b). There are likely to be diminishing returns to engineering effort, resulting in a convex and decreasing relationship between cumulative output and average cost. This is the relationship found in empirical studies of experience curves.

A second way in which cumulative output will be associated with cumulative engineering effort stems from the potential for transferring technical innovations across establishments. Suppose establishments randomly assign engineers to jobs. The more often a job is performed, the more likely it is that an engineer will be assigned to that job. If the cost-reducing innovations introduced by the engineers are adopted by other workers doing the same job, then products with the most cumulative output will have had the most cumulative engineering inputs.

Finally, cumulative engineering can be positively correlated with cumulative output through the effect of price on demand and the positive correlation of engineering effort over time. (This is a special case of positively correlated productivity shocks.) Even if firms randomly assign engineers to products, those products that get better engineers will tend to have the greater decreases in average costs and hence larger sales. The correlation between cumulative output and average cost will be due to low average cost stimulating sales, rather than high sales causing cost reductions. Some empirical studies have attempted to correct for the problem of reverse causality. I am not aware of any attempts to correct for the previous two effects.

Performance and the Experience Curve

We now turn to explanations of the experience curve that would justify subsidizing present production to lower future costs. Increases in cumulative output generally correspond to increases in the cumulative inputs of production workers. Thus if total man hours of production work is generating lower costs either through learning-by-doing or through improvements in the production process suggested

by production workers, then a legitimate case could be made for subsidizing production. We will not address the question of whether productivity improvements are due to engineering suggestions by production workers. Large Japanese manufacturers often report large productivity gains from the suggestions of workers (see Weiss 1984b). However, for the plants studied below we saw no evidence that production workers had any impact on the design of the production process or of any suggestions of production workers being implemented. Consequently we shall focus on the question of how the performance of workers changes with their experience on a job.

Typically economists infer rates of change in individual productivity from the relationship between wages on the one hand and experience or tenure on the other.⁷ However in order to infer productivity changes from wage changes, the ratio of wages to labor productivity cannot vary with productivity or tenure. In a human capital model, for the ratio of wages to productivity to remain fixed, the ratio of firm-specific human capital to general human capital must not change with tenure or experience. Similarly, in sorting models with no learning on the job, the ratio of wages to productivity is likely to vary with tenure. (See Salop and Salop [1976], Guasch and Weiss [1982], and Greenwald [1986].)

Study Data

Our data enable us to avoid these problems by providing records of the output of newly hired production workers. Our sample consists of workers hired in 1977, 1979, and 1980 and three assembly plants of a large telecommunications manufacturer. A description of the sample appears in Appendix A.

Telecommunications manufacturing has had exceptionally rapid rates of growth in both total factor productivity and in labor productivity from 1977 to 1982.⁸ If the growth in labor productivity is due to learning-by-doing, we would expect to find a strong effect of experience on the output of the workers in our sample.

Table 1 describes the differences in the output of various tenure groups. Note that workers with different amounts of tenure in the same cohort are not all the same workers. There was some attrition in each of the first six months of employment. Workers who left the firm were included in the computation of median and mean productivities for the months before they quit or were laid off, but not for the month they were laid off (or any later month). Consequently, the data in Table 1 include both the effects of changes in the composition of the work force as well as changes in the performance of individual workers.

TABLE 1
Changes in Productivity with Tenure:
Sorting and Learning Effects

	Change in Median Output/Hr.	Change in Mean Output/Hr.
Month 1 to 2 [*]	+23.2%	+43.9%
Month 2 to 3	+5.0%	+11.7%
Month 3 to 4	+2.1%	+6.0%
Month 4 to 5	+1.0%	+3.5%
Month 5 to 6	+0.27%	+1.7%
Month 6 to 18 (Plant A) ^{**}	-1.01%	-0.002%
Month 6 to 7 (Plant C)	+0.1%	-0.6%
Month 7 to 8 (Plant C)	-0.6%	-0.7%
Month 5 to 6	+1.1%	+5.0%

* Only workers requiring less than four weeks of training are included in the 1st row.

** Plant A workers in bottom quartile during 1st month on job

While the expected productivity of a labor force with two months of job experience is 44 percent greater than that of a labor force with one month of experience, these productivity improvements decline rapidly as we compare more experienced cohorts.⁹ For instance, the expected output of a randomly selected worker with three months of tenure is 11.7 percent higher than that of a randomly selected worker with two months of tenure. The mean productivity of workers with six months of tenure is 1.7 percent greater than workers with only five months of tenure. Workers with more than six months of experience are not any more productive than workers with six months of experience.

Previous experience curve studies have not adjusted for changes in the composition of a firm's labor force over time. Thus for firms that are not hiring new workers, the data in Table 1 can be directly compared with results from those studies. Of course, firms that continued to hire new workers would be expected to have *smaller* increases in productivity than shown in Table 1. The data in Table 1 suggest that the experience curve cannot be explained by either favorable selection or learning-by-doing of production workers. Both learning and selection effects cease by the end of the sixth month of employment.¹⁰

Table 2 describes the medians of the percentage changes in the physical output of individual workers (rather than percentage changes of the median output), thus eliminating the effects of differences in the

TABLE 2
Median Percentage Change in Productivity

Months	Plant A 1977	Plant A 1979	Plant B	Plant C
1 to 2	10.8	18.5	45.2	35.4
2 to 3	2.0	2.0	13.0	8.3
3 to 4	0.8	0.8	6.4	3.2
4 to 5	0.4	0.4	3.0	1.9
5 to 6	0.0	0.4	1.0	0.3
6 to 7	N/A	N/A	N/A	0.1
7 to 8	N/A	N/A	N/A	-0.6
6 to end of records	-1.0	N/A	N/A	N/A

Note: N/A denotes data not available. Because of layoffs, sample sizes after month 8 at plant C were too small to be useful; we only had data on three workers for their tenth month of employment in plant C.

attrition rates of high- and low-productivity workers.¹¹ (In computing the median change in output for a particular cohort between two months, we omitted workers for whom we did not have data in both those months.)¹²

For workers hired in 1977 at plant A and who remained with the firm for six months, the median change in output between their fifth and sixth month on the job was precisely zero. The median change in output from their sixth month on the job to the last period for which we had records was negative 1 percent. (This last period varied across workers depending on when in 1977 they were hired but was never greater than 18 months after their hiring date.) For workers hired in plant A in 1979 the median change in productivity between the fifth and sixth months was 0.4. This contrasts with a median increase in productivity of 18 percent from the first to second months of employment. To give some idea of the sample sizes, in the 1977 cohort at plant A we had usable output data for 585 workers during their sixth month on the job; for the 1979 cohort we had usable output data for 308 workers during their sixth month on the job.

The second location in our study (plant B) had much more rapid changes in individual worker productivity. The management at this plant had a reputation for pressing workers to work at a very fast pace. The demands on the workers were reflected in a relatively high attrition rate of 22 percent during the workers' first six months of employment, compared with attrition rates of 9 percent and 12 percent at plants A and C respectively. The high quit rate at plant B is likely to lead to overestimates of the effects of learning-by-doing.

Only workers who can meet the performance standards in this plant stay. Given the low initial levels of performance in this plant, these are more likely to be workers whose productivity grew rapidly. Despite this attrition bias, by the sixth month measured productivity growth had fallen to 1 percent. Extrapolating from trend, we would again expect almost no growth in productivity after the sixth month on the job. Unfortunately, we did not have data on individual output after the sixth month for workers in this plant. At this plant we had usable output data for 182 workers during their fourth month on the job.

Workers in plant C had the most sophisticated jobs of any workers in our sample. In that plant the median increase in output was 35 percent from the workers' first to second month on the job. By the sixth month, productivity changes had effectively ceased. At this plant we had usable data for the output of 178 workers during their sixth month on the job.

Concluding Remarks

The data we have presented suggests that learning-by-doing by production workers makes only a small contribution to the experience curve. Despite the very rapid rates of productivity growth in the industry being studied, there was almost no net change in the output of workers after they gained four to six months of experience on their jobs. These data, along with previous studies showing a great impact from engineering effort on productivity growth, suggest that the emphasis on learning-by-doing in guiding industrial strategy may be misdirected.¹³ There are, however, three caveats. The first and most obvious one is that the sample may not be representative of production workers. One obvious way in which these workers are not representative is that their output is carefully measured. This may place more pressure on those workers not to exceed some implicitly accepted measure of output. Weiss (forthcoming) presents evidence that output of both the most and least productive workers converges to the same standard. This reluctance to break the rates may explain the lack of growth in productivity with experience. Our results will not generalize to plants in which there is significantly less pressure to hit a pre-determined performance level (that is not a function of experience). We have no good data on the importance of peer pressure not to "break the rates" in U.S. manufacturing as a whole. Anecdotal evidence concerning peer pressure to shirk is widespread, but as Thomas Paine said, "A compendium of gossip is still gossip."

The second caveat is that production workers may be suggesting useful changes in the production process, and these suggestions may be dependent on the volume of output. As we pointed out above, we have no useful data on the importance of worker-initiated technological innovations for U.S. manufacturing, thus we do not know the importance of that caveat.

Finally, cumulative output may benefit a firm or even a country by generating network externalities: early production encourages other producers to make complementary products raising the value of one's own product. This is a different argument than learning-by-doing but may provide a valid justification for striving for market share at the expense of current profits.

This paper raises more questions than it answers. It is intended to encourage future research into the details of firm-level production decisions to see what precisely are the sources of the experience curve. My conjecture is that these causes vary widely across industries. Corporate and national policy should be linked to the particular features of the relevant industries.

APPENDIX A

Study Sample

Because the workers in our study were assigned to "bench" jobs rather than assembly-line jobs, they had considerable control over the pace at which they worked. Newly hired workers were paid piece-rate until they had worked for a calendar month in which their output was 82.5 percent of the expected output for an experienced worker on that job. At that point the worker was assigned to a pay group and paid according to the output of her group. (Almost all workers joined pay groups by their third or fourth month on the job.) Output was measured relative to the expected output of an experienced worker. Thus each job had its own standard. Because of the direct connection between performance and pay, great care was taken to normalize expected output across jobs so that the physical output at different jobs can be compared.¹⁴

TABLE A
Characteristics of the Sample

	Mean	Standard Deviation
Mean age	25.00	7.3
Mean education	12.10	1.2
Fraction male	0.43	
Fraction married	0.44	
Fraction employed when hired	0.51	
Median pay increase	103%	

Sample size: Usable output data for approximately 2,000 workers depending on the independent variable being considered.

Endnotes

¹ Perhaps the most forceful proponents of the experience curve as an important consideration for corporate decision making has been the Boston Consulting Group (BCG). As early as 1973 BCG maintained, "It [the experience curve] is so universal that its absence is almost a warning of mismanagement or misunderstanding." Yet the same report goes on to state, "The basic mechanism that produces the experience curve effect is still to be adequately explained." This conclusion remains valid.

² Spence (1981) states, "The learning curve creates entry barriers and protection from competition by conferring cost advantages on early entrants and those who achieve large market shares." Arrow (1962) takes a somewhat more sophisticated approach to the experience curve than is discussed here; he uses cumulative gross investment rather than cumulative gross output as an index of experience.

³ Recent work by Valerie Ramey and others has found empirical evidence of important scale economies.

⁴ Hirsch (1952) analyzes productivity changes in a machine manufacturing establishment before and after a six-month strike. Before the strike, productivity was increasing by roughly 1.7 percent per month. At the end of the strike, productivity resumed at its pre-strike level but then increased by 6.5 percent between the second and third month. According to Hirsch this rapid increase in productivity was due to "labor implemented improvements made by management and engineers during the strike." This learning without production is consistent with Hirsch's assertion elsewhere in the same paper that "87 percent of changes in direct labor hours were associated with changes in technological knowledge." Interestingly, instead of asserting the importance of cumulative engineering effort in increasing labor productivity (which is what his evidence suggests), Hirsch concludes by asserting that lot frequency (which is closely related to cumulative output) appears most important in explaining productivity improvements. Hirsch draws this conclusion despite the contrary evidence he had presented. This mistake of attributing cost reductions to cumulative output while ignoring the effects of engineering inputs appears frequently in this literature.

⁵ In a proprietary study for Western Electric Co., Bruce Greenwald investigated the effects of changes in the number of process engineers on total factor productivity in two factories of the same firm producing the same item. At the beginning of his sample period, labor productivity, the growth in labor productivity, and output were roughly the same at the two factories. Each factory had six engineers assigned to the product line. In anticipation of a consolidation of production at one of the factories the number of engineers at the other factory was reduced to three. Greenwald found that after the reduction in engineering effort the production line with six engineers maintained its previous high rate of productivity growth, while productivity growth ceased at the production line with only three engineers.

⁶ Engineers and managers get more precise information about the distribution of outcomes when cumulative production is greater. This information will help them direct their efforts to areas in which they will be most fruitful. However, for plausible ranges of outputs the contribution of cumulative output to the knowledge gained by engineers is likely to be small relative to the contribution of the engineers' own efforts. One exception is when the engineers are experimenting with different inputs (including capital) to find which are most suitable. In that case cumulative output could be a good measure of the number of input combinations that have been tried. Establishments with greater cumulative output of a particular product would have experimented with more input combinations and will (in expectation) be closer to the optimal mix of inputs.

⁷ Wages are used in most empirical work because data on total compensation is rarely available. However, the ratio of total compensation to wages often changes dramatically with tenure, causing additional distortions in the wage/productivity relationship.

⁸ In the telecommunications industry, value added per worker grew 80.6 percent between 1977 and 1982, and value added per hour grew by 84.2 percent. In the manufacturing sector as a whole those growth rates were 63 percent and 66.7 percent respectively.

⁹ Large productivity gains between the first and second month of employment should be viewed with skepticism. All workers spent some of their time watching other workers during their first month of employment. Therefore, for many of the workers, changes in output from month one to month two involve a comparison of their hourly output during the first three weeks they were producing anything with their output during their next four weeks on the job.

¹⁰ The only group whose measured productivity shows significant growth even after five months on the job were workers whose initial productivity placed them in the lowest quartile (adjusting for the difficulty of learning their job). Those workers are likely to be ones for whom the industrial engineers grossly underestimated how long it should take to learn their job. This measurement error could distort the measured change in output from their fifth to sixth month of employment.

¹¹ Weiss (1984a) finds that for this sample the low-productivity workers are more likely to quit.

¹² We have not completely eliminated effects of different attrition rates. If percentage changes in productivity (rather than levels) are correlated with attrition rates, then sorting effects remain. It seems likely that workers whose productivity is improving most slowly will be more likely to be induced to quit thus leading to an upwardly biased estimate of the effects of learning-by-doing. However, if these attrition effects occur generally, they would be a component of the experience curve that we wish to explain, and it would be incorrect to adjust for them.

¹³ On the other hand, arguments for subsidizing particular industries that are based on interindustry wage differentials have not been addressed in this paper.

¹⁴ These standards are set by the industrial engineering staff at each location. Engineers from the firm's headquarters review the standards. The typical revision of a job standard involves a correction of less than two and a half percent. Standards that workers perceive as unusually demanding can be appealed through a union grievance procedure. The industrial engineers are probably more interested in achieving uniformity of rates within a plant than across plants. It is difficult for workers or officials of the union local to know if their rates are more onerous than rates at a plant 1,000 miles away. Within a plant a worker can directly observe how hard her fellow workers are working. Thus workers exert more pressure on industrial engineers to achieve rate uniformity within a plant. Second, the nature of jobs can differ radically across plants. In some plants workers are adjusting microswitches under a microscope. In another plant the workers may be installing the plastic covers on a piece of equipment. Because of possible measurement problems across plants, we have analyzed both pooled data across plants and separate data for each plant.

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Incentive Structures and Market Outcomes: The Case of Law Firms

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The *efficiency wage hypothesis* is often given as an explanation for persistent employment rents. According to this hypothesis, firms pay wages above the opportunity cost of labor in order to elicit productivity-enhancing behaviors from their employees. These behaviors may include reduced absenteeism or turnover, increased cooperation with coworkers, and heightened levels of work effort or attention to quality.

The efficiency wage explanation of employment rents has attracted the attention of economists and human resource specialists because of the far-reaching implications it has for the analysis of labor markets. Labor markets in which employers regularly pay wages significantly above the opportunity cost of labor are likely to be characterized by involuntary unemployment and/or a scarcity of high-wage jobs (see, e.g., Shapiro and Stiglitz 1984; Rebitzer and Taylor 1991; and Bulow and Summers 1986).

Much of the theoretical debate about efficiency wage models revolves around the arcane issue of performance bonds. To understand this debate, imagine a situation where employees agree to post a bond to employers that will only be returned if the employee engages in the behavior that the firm is interested in eliciting. If the bond is sufficiently large, the worker's incentives will be aligned with the firm, and the firm will not find it necessary to pay any employment rents.

For many economic theorists, the fact that the worker incentive problem can be solved by performance bonds strikes a severe (perhaps fatal) blow to efficiency wage theory. How can one explain an important phenomenon such as unemployment on the basis of an

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incentive structure that is necessarily more costly than another feasible alternative? Other analysts find the bonding argument less compelling. If full bonding were possible, firms would never need to monitor the work activities of their employees. The threat of losing the bond would prevent substandard effort as surely as supervision (and at lower cost). Since employees are monitored and firms devote considerable resources to such supervision, it follows that bonding, however useful in theoretical models of incentives, does not play much of a role in actual labor markets. Discussions of these issues can be found in Carmichael (1989), Dickens, Katz, Lang, and Summers (1989), and Ritter and Taylor (1992).

Both sides to the bonding debate agree that in circumstances where workers do post bonds, conventional efficiency wage explanations for employment rents are untenable. This theoretical concord suggests the usefulness of an empirical investigation of wage differentials in situations where workers post substantial performance bonds. If sizable employment rents persist in a market where employees post substantial bonds, then a reevaluation of conventional efficiency wage theory would be in order. On the other hand, a finding that the usual patterns of employment rents disappear in this context would then return us to the old debate about the size and ubiquity of performance bonds.

The Institutional Setting for an Empirical Investigation

In this paper, we report an empirical investigation of employment rents in the market for legal jobs. There are several institutional features of the job market for lawyers that make it an attractive vehicle for exploring employment rents. First, law firms are generally run and managed by lawyers who are themselves owners of the firms. This aspect of law firms makes unlikely the possibility that any wage premium paid to associates results from managers pursuing their own self-interest at the expense of owners. Second, unlike nonprofessional labor markets, the threat of unionization is truly nonexistent in large law firms, so employment rents are unlikely to arise from this source. Third, and for our purpose most important, large law firms rely almost exclusively on a distinctive type of personnel policy to manage their associates, the "up-or-out promotion tournament." These promotion tournaments involve the employment of young lawyers for a predetermined number of years, after which the firm makes the decision to either fire the associate or to promote him/her to a partnership position in the firm. Partnership status conveys job security and the right to share in the profits of the firm.

Economists and legal scholars suggest that the up-or-out promotion tournament is a response to incentive problems characteristic of the employment relationship in law firms (Gilson and Mnookin 1989; Galanter and Palay 1991; Kahn and Huberman 1988). Firms want to create incentives for associates to provide high levels of effort and to make required investments in firm-specific human capital. To do this, firms make the lucrative promotion to partnership contingent on achieving certain levels of performance during the associate years. However, this type of incentive scheme may not be workable because it gives firms an incentive to cheat and keep qualified lawyers at the associate level indefinitely rather than promoting them to partnership. Firms can eliminate this possibility by committing themselves in advance to firing associates not retained as partners. Put differently, law firms use up-or-out promotion tournaments because they are an incentive-compatible means of inducing associates to post-performance bonds in the form of deferred compensation (Malcomson 1984; Gilson and Mnookin 1989). Thus by studying the market for associate lawyers, we are focusing on a labor market in which employees are posting large performance bonds. An empirical finding of employment rents in this context would therefore require us to rethink the microeconomic basis of persistent employment rents.

Our empirical strategy (following Brown and Medoff 1989; Rebitzer and Robinson 1991, and many others) is to examine the relationship between employer size and wages. In a companion paper (Rebitzer and Taylor 1992) we develop a simple model of promotion tournaments in order to clarify the relationship between law firm size and the salaries paid to associates and partners. Using this model we demonstrate two propositions. First, under reasonable conditions firms with favorable positions in the market for legal services will tend to be large. These firms will typically provide high returns to their owners, the partners. High earnings levels among partners in large law firms are thus to be expected and are not at all anomalous from the perspective of conventional theory. Second, the salaries paid to associates should not increase with firm size.

The logic of this second proposition is really quite simple. All firms, large and small, must establish policies regarding promotion, associate salaries, and the compensation received by partners. These policies may vary widely from firm to firm but, in the absence of employment rents, the *ex ante* utility of employment must be the same at *every* firm. Since promotion to partnership works like a performance bond, the expected value of the promotion (the value of the promotion

to partnership times the probability of promotion) must be just high enough to induce associates to provide the desired level of effort. This being the case, all firms will pay associates the same wage. A finding to the contrary would indicate that the *ex ante* utility of employment is not the same across firms and therefore some firms are paying rents.

Empirical Results

This section of the paper presents empirical evidence concerning the relationship between firm size and compensation in the legal labor market. The data for the analysis come from the *National Survey of Career Satisfaction/Dissatisfaction*, the first nationally representative survey of the legal profession. Lawyers in this study were surveyed in 1984 and then again in 1990. We thus have both the cross-sectional and longitudinal samples from which to draw inferences. (For a complete description of the survey, see American Bar Association, Young Lawyers Division [1991].)

Our analysis involves estimating earnings equations. Because the annual earnings data in this survey were collected in categories,¹ the earnings equations we estimated are ordered probits. However we find nearly identical results if the equations are estimated using ordinary least squares, with earnings being assigned to the midpoint of the earnings category. Similarly, estimates of ordered probits in which the category cutoffs were assigned to be the log of the income category cutoffs produced results very close to those reported below.

Data on our key independent variable, firm size, were also collected in categories. For the purpose of estimation, a continuous firm-size variable was constructed by assigning to each respondent a firm size corresponding to the log of the midpoint of provided size category.² The average firm size in the top category was estimated by fitting the size data to a log normal distribution and using the resulting parameter estimates to calculate the expected size of firms in the top category.³

TABLE 1
Average Predicted Partners' Income by Firm Size

Hypothetical Firm Size	[1]	[2]
2 Lawyers	\$ 55,514	\$ 60,778
15 Lawyers	\$ 92,025	\$ 84,799
228 Lawyers	\$161,422	\$127,286

Table 1 presents point estimates of the effect of firm size on the earnings of attorneys in private practice who were partners in law firms having at least two lawyers.⁴ The estimates in column 1 of Table 1 were taken from an earnings equation in which 1983 earnings were specified to be a function of the log of firm size and the number of hours a lawyer usually works. The table should be interpreted as follows: All else equal, if the partners in the 1984 sample were to find themselves working in a firm with two lawyers, their average annual income in 1983 would be \$55,514. In contrast, if all the partners were in firms with 15 lawyers then, *ceteris paribus*, their average predicted incomes in 1983 would be \$92,025. If all the partners in the average-size firm were in the top-size category (i.e., in firms having 228 lawyers), the average predicted income would be \$161,422. Thus the move from the lowest to the highest firm-size categories increases the earnings of partners by \$105,908 in 1983.

The estimates reported in column 1 of Table 1 do not control for differences in ability, human capital investments, or working conditions across firm-size categories. They should therefore be interpreted as "upper bound" estimates of the firm-size wage effect for partners.

Column 2 of Table 1 follows the same procedure as in column 1 but makes use of the parameter estimates from an equation containing additional control variables. These include variables capturing the effects of gender, age, tenure with the firm, prestige of the law school, participation in a law review when in law school, law school class rank, geographic location, prestige of undergraduate college, academic performance in college, and score on the law school aptitude test (LSAT). In addition, the earnings equation also included variables indicating the proportion of time devoted to 15 types of legal practice and 11 types of legal tasks. Finally, the equations included variables measuring the respondent's degree of satisfaction with their legal practice and tasks.⁵

When the wage equation underlying the estimates in column 2 of Table 1 include this large number of control variables, the magnitude of the earnings effect directly attributable to firm size falls relative to that presented in column 1. *Ceteris paribus*, if all the partners worked in firms with two lawyers, their average predicted 1983 incomes would be \$60,778. However, if firm size were increased to 228 lawyers, the income of the partners would increase to \$127,286. Thus the move from the smallest- to the largest-size category increases partners' annual earnings by \$66,508. This is 63 percent of the increase calculated in

column 1 of Table 1. Put differently, the additional control variables can account for only 37 percent of the effect of firm size on earnings.

Based on the figures in Table 1, the wage premia received by partners in big firms is quite substantial. Let us assume that an associate in a large firm who is not promoted to partner immediately finds subsequent employment as a partner in a firm of two lawyers. From column 2 of Table 1, the annual income of partners in large firms is roughly \$66,000 greater than that of equivalent partners in small firms. Under the assumptions that this income differential persists over 25 years and that lawyers have a discount rate of 5 percent, the discounted present value of the wage premium accruing to a newly promoted partner in a large firm is \$930,200 in 1983 dollars. If the alternative employment for associate lawyers not made partner in large firms were a partnership position in firms of 15 lawyers, then the discounted present value of promotion to partnership in a large firm would be \$598,809 in 1983.

TABLE 2
Average Predicted Associate Income by Firm Size

Hypothetical Firm Size	[1]	[2]
2 Lawyers	\$25,889	\$28,967
15 Lawyers	\$32,593	\$33,246
228 Lawyers	\$45,018	\$40,085

Table 2 presents estimates of the employer-size wage effect for associate lawyers in private practice. Column 1 of Table 2 is analogous to column 1 of Table 1 and the underlying earnings equations includes as dependent variables hours of work and size of the firm. The results in column 1 therefore indicate an average annual 1983 earnings of \$25,889 if all the associates in the sample were, *ceteris paribus*, employed in firms having two lawyers. If the same group of associates were employed by the average firm in the largest firm-size category (228 lawyers), their annual incomes would increase to \$45,018.

Introducing the set of additional right-hand-side variables described above had the effect of reducing the firm-size effect for associates. This can be seen in column 2 of Table 2. The average predicted income of associates employed in firms of two attorneys in 1983 is \$28,967. If they were employed in the largest firms, the average predicted income of this group of attorneys would increase to \$40,085.

This increase of \$11,118 dollars is 68 percent of the increase in the absence of control variables. Put differently, approximately 42 percent of the increase in earnings associated with firm size can be attributed to differences in ability, human capital, and working conditions across firm-size categories.

The employment-size wage effect for associate lawyers in large firms is quite substantial. Following column 2 of Table 2, we assume that an associate lawyer in the largest firm-size category makes roughly \$11,000 more per year than his/her counterpart in the smallest firm-size category. If this premium persists over a six-year tenure as an associate lawyer (and assuming a discount rate of 5 percent) the discounted present value of the premium in large firms is \$55,833 in 1983 dollars.

Explanations for our Empirical Anomaly

The empirical results reviewed above identify an interesting and potentially important empirical anomaly. If the *ex ante* expected utility of all law jobs is identical, then the salaries of partners may well increase with firm size, but associate salaries should not. The finding of a positive firm-size wage effect for both associates and partners suggests that the *ex ante* utility of all law jobs is not the same; the expected utility of employment in large firms exceeds that for other firms by a substantial margin. The employment rents associates are receiving appear at the same time that these associates are posting large performance bonds through up-or-out promotion tournaments.

If conventional efficiency wage models and bonding models cannot explain our empirical findings, what does? We note three possibilities.

First, the wage premia we find may simply be the result of compensating wage differentials. If associate lawyers in large law firms perform work that is inherently more distasteful than that performed by associates in small firms, normal competitive forces would lead to an equilibrium where associates in large firms are paid higher wages. It is always difficult to rule out explanations based on unobserved variables. However, the wage equations estimated above include detailed controls for the nature of legal practice and legal tasks together with variables indicating respondents' level of satisfaction with their legal practice and tasks. In estimates presented in our companion paper (Rebitzer and Taylor 1992) we use the longitudinal nature of our data to estimate a "fixed-effects" model to control for

unobserved, time-invariant characteristics of individuals. These fixed-effects models produced results very similar to those presented in Table 2 above.

A second possible explanation may be that our results are due to the posting of performance bonds that are in some sense "too small." If performance bonds are not large enough to elicit all the desired behaviors from associates, then law firms may still find it necessary to pay efficiency wages. Since it is impossible to directly measure the minimum necessary size of performance bonds, this explanation cannot be ruled out on empirical grounds. However, it is important to note that the promotion contests in large firms generate very large rewards to those who win the contest, which makes less likely the viability of this explanation.

The third explanation for our results is the one that we find most compelling. Large firms may be paying efficiency wages, but they do so to motivate behaviors that are not elicited by the performance bonds posted in the promotion tournament. Examples of this sort of behavior would be the decision of potential associates to apply for work at a given firm. If it is costly for a law firm to have a job vacancy remain unfilled, firms might be willing to pay an employment rent in order to increase the probability that their desired applicants accept the job offer. Similarly if the quality of the match between partners and associates is important, a law firm might be willing to pay an employment rent to induce potential associates to queue up for jobs. The higher the employment rent, the larger the queue, and the greater the odds that the law firm will find a good match between lawyers currently employed and the incoming associates. The optimal employment rent would be found by balancing, at the margin, the costs of the employment rent against the benefits of reduced vacancies or superior matches generated by larger job queues.

Theoretical models in which firms pay efficiency wages to avoid vacancies or improve match quality have recently appeared in the economics literature (Lang 1991; Montgomery 1991). These models have been used to explain the empirical finding that industry wage effects increase with the capital intensity of the industry. The argument is that in capital-intensive industries, job vacancies or poor outcomes resulting from a poor job match can idle very expensive capital equipment. Firms using a capital-intensive production technology would therefore be willing to pay wage premia to reduce expected vacancies or to ensure a good match.

Similar arguments apply, perhaps more forcefully, in the case of law firms. In law and other professional services, productivity is critically determined by the presence of qualified professionals able to work well together. A vacancy at a law firm that charges a very high per-hour fee for an associate's time, costs more than a vacancy at firms with lower per-hour fees. Similarly, if bad matches decrease lawyer productivity, firms charging higher prices for their legal services will be willing to pay more for a good match than other firms. If, on average, big firms enjoy a stronger product-market position than small firms, the optimal *ex ante* employment rent for big firms would be, on average, greater than for small firms. These employment rents could, in principle, take the form of higher salaries for partners or associates. If, however, the marginal utility of income declines as income rises, law firms may find that the minimum cost means of increasing the *ex ante* utility of employment is to increase associate salaries. In equilibrium, associates in large law firms therefore enjoy higher earnings than equally productive associates in smaller firms.

If correct, this explanation implies that efficiency wage considerations do matter for understanding employment rents, but they matter for reasons quite different from those conventionally cited in the literature. In future research we hope to examine more directly the role that wage premia in law firms play in the processes of recruiting and job matching. Much work remains to be done to elaborate micro-economic explanations for persistent employment rents.

Endnotes

¹ Income categories are: less than \$15,000; \$15,000-24,999; \$25,000-39,999; \$40,000-54,999; \$55,000-74,999; \$75,000-99,999; \$100,000-199,999; and \$200,000 or more.

² The size categories are: solo practice (which is omitted from our analysis), 2-3 lawyers, 4-9 lawyers, 10-20 lawyers, 21-30 lawyers, 31-60 lawyers, 61-90 lawyers, and more than 90.

³ This method of constructing firm-size variables is conventional in the literature (Brown and Medoff 1989). Very similar results are found using the level rather than the log of firm size. Based on the parameter estimates, the size of the average law firm (excluding solo practitioners) is 11 and the size of the average law firm in the top category is 228. However, the estimates presented in Tables 1 and 2 are not qualitatively changed by even large changes in the size assigned to this top category.

⁴ The actual parameters of the earnings equations underlying Tables 1 and 2 are reported in Rebitzer and Taylor (1992).

⁵ The types of legal practice included in the earnings equation are antitrust; real estate; criminal law; municipal law; poverty law; taxation; civil rights; natural resources; probate and trust; torts and insurance; family law; patent, trademark and copyright, public utility law; corporate, banking and business, and labor and employment. The types of legal tasks include client contact; research and memo writing; trials, court, and administrative appearances; internal administration; nonlaw related work; negotiating; client development; drafting instruments; clerical work; taking depositions; miscellaneous/personal and telephone contact.

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III. REFEREED PAPERS—HUMAN RESOURCES AND BEHAVIORAL STUDIES

The Effect of Work Unit Climate on Performance

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Improving business performance is an ongoing management task. While many performance determinants are outside the control of work unit managers, the way in which employees are managed is substantially within their control. In this study we seek to explain differences in the performance of work units. In particular we ask if the way in which employees perceive management practices affects work unit performance.

The type of performance that we explain is the financial performance of work units in one company. We suggest that financial performance depends on the way in which the work unit is managed as well as on economic conditions in the marketplace and the capital and labor resources available to the work unit. One reflection of the way in which the work unit is managed is the climate of the work unit. We suggest that a work unit's climate affects its performance. The key to understanding how climate affects performance is the interaction between climate variables.

Work Unit Climate

Work unit climate is defined as the perceptions of employees about the setting where work is done, including formal and informal systems, practices, and procedures (e.g., Kopelman, Brief, and Guzzo 1990; Click 1985; Schneider 1983; Jones and James 1979). Employees'

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perceptions about the work environment that make up its climate refer to the nature of interpersonal relations (e.g., consideration and supportiveness), and to relationships between employees and their work (e.g., task orientation and decision making) (Pritchard and Karasick 1973). Accordingly most empirical climate studies include indicators for human relations variables and task variables. These studies have measured dozens of climate indicators because there is no single taxonomy of climate; nevertheless a small number of dimensions can adequately describe climate (Hansen and Wernerfelt 1989).

Climate emerges from people's activities and behaviors at work. The human resource practices of managers are important sources of climate (Kopelman, Brief, and Guzzo 1990). Climate results from an interaction between the person and the work setting. As such, climate is not likely to be fully consistent with objective characteristics of the workplace (Lawler, Hall, and Oldham 1974; Payne and Pugh 1976). Empirical research suggests that objective organizational structure is not a strong determinant of climate perceptions, while organizational processes and managerial behavior are important (James, Hater, Gent, and Bruni 1978; Jones and James 1979; Schneider 1983).

Climate is a property of the group, which may be the firm or a work unit of the firm. It is the aggregation of the perceptions of all the individuals in the group (Glick 1985). Work units within a firm vary in managerial behavior even if they share some structural traits that apply to the larger organization. Therefore, the work unit is a suitable unit of analysis for climate research. Process and managerial behaviors are a chief focus of attention.

Work Unit Financial Performance

We distinguish between two types of financial performance that correspond to two goals that may be pursued by the business. One common business goal is to maximize profits. The corresponding measure of profitability is net income relative to some measure of business size such as assets or sales, yielding performance indicators such as rate of return on assets or rate of return on sales. These are measures of efficiency of resource use.

A different business goal is to maximize growth, usually for the purpose of increasing market share or market power. The corresponding measure of growth is rate of change in revenue. It is not likely that a business can achieve both profitability and growth goals simultaneously, and thus the explanations of profitability and growth performance are likely to differ.

The Relationship Between Climate and Performance

Our main hypothesis is that climate variables interact to affect performance. Specifically we expect that a positive interpersonal climate will only reliably improve performance when it is combined with another set of management practices that ensure that employees have a clear understanding of the high-performance tasks that are expected of them. Positive interpersonal relations—fairness, participation, respect for individuals, and concern for employee welfare—need to be balanced with clear task expectations. This means that the climate also needs to be task oriented and that employees are clear about the results that are expected of them. An interactive relationship between interpersonal climate and task climate means that neither is sufficient alone. Increasing one without increasing the other is ineffective because they are not independent influences. Both must be increased together to yield performance increases; their effect on performance is multiplicative.

Among studies of which we are aware that relate the climate of an organization to its financial performance in a multivariate analysis, one demonstrates a positive link between interpersonal climate and performance (Hansen and Wernerfelt 1989), and one shows a positive link from both interpersonal climate and task climate to performance (Denison 1990). Other studies find no relationship (Gladstein 1984; Capon et al. 1992; Gordon 1987). In a study using individual managers rather than organizations, there was no effect of interpersonal climate on performance (Pritchard and Karasick 1973). In all of these studies climate variables were entered as independent influences in a linear, additive model.

If the measure of performance is a manager's rating of work group effectiveness, then a positive effect of interpersonal climate on performance can be more easily found (Day and Bedeian 1991, Jones and James 1979). However such results are likely to stem partly from the subjectivity of the performance measure and a positive halo associated with a positive interpersonal climate (Siehl and Martin 1990).

The failure of empirical research to consistently find a positive effect of climate on performance is not surprising once the theoretical argument for this relationship is made. To achieve high performance requires specific behaviors. Climate affects behavior via motivation and satisfaction. A good interpersonal climate, which comes from good human resource management practices, raises motivation and satisfaction, which in turn causes individual high-performance behaviors.

While there is little doubt theoretically that a good interpersonal climate is a source of satisfaction, there is little evidence empirically that high satisfaction produces high performance. Years of job satisfaction research demonstrate that the relationship between satisfaction and performance is contingent on a variety of other variables. In a wide-ranging study of the effects of human resource management on the performance of the firm, Gershenfeld (1987) concluded that organizational performance was raised by programs such as employee participation in less than half the empirical studies he reviewed. In sum, previous empirical research suggests that a simple, direct effect of climate on performance is unlikely; the relationship is contingent and, we suggest, interactive.

Analytical Model

We suggest that work unit financial performance can be explained by three factors: (1) work unit climate as a reflection of perceived management practices, (2) market conditions facing the work unit, and (3) physical and human resources.

Aspects of work unit climate, aside from interpersonal relations and task orientation, may affect performance. If the measure of performance is profitability, minimizing costs is as important as maximizing revenues. High-profit work units must make efficient use of their resources. Therefore we expect that managers who create a stronger climate of efficiency will have higher profitability. If the measure of performance is growth of revenue, success requires ever-increasing sales. Work units must respond to customers' needs and changing market conditions. Therefore we expect that managers who create a customer-oriented climate will have higher revenue growth. Since costs do not enter the calculation of revenue growth, it is less likely that high-growth work units have efficiency-oriented climates.

The ability of a business to sell its products and services depends in part on the buoyancy of the marketplace and the strength of its competitors. Work units in more rapidly growing markets are more likely to increase their revenue over the previous year and in turn to earn higher net income and achieve high profitability.

Work units that have superior capital and labor should have superior performance. Physical capital consists of assets of equipment and space; the more productive these assets are, the better the unit's performance. Labor is best represented as human capital that includes the skill embodied in employees arising from their education, training, and experience. We expect that work units with an experienced work

force will have higher performance than work units with an inexperienced or an aging work force.

In cross-sectional analysis, the dependent variable in a model may be affected by unobserved, unmeasurable, or omitted explanatory variables. If unobserved variables are correlated with included explanatory variables, then the estimated effects of those variables on the dependent variable will be biased. To account for unobserved forces we control for prior financial performance (Jacobson 1990). If unobserved variables and performance are correlated through time and prior performance is correlated with current performance, then prior performance accounts for the effects of unobserved variables and reduces bias in the estimated effects of included explanatory variables on current performance.

Methods

Data from 92 work units in foreign locations of one large U.S.-based multinational corporation in the computer applications and business products industries are used in this study. The units range in size from five to over 200 employees, with a mean size of 56. The functions of the work units are sales and service. Product lines range from high-technology computers and integrated systems to routine business products and office supplies. Only units with measurable revenue, costs, and assets are included. Staff departments are excluded.

Measures of Work Unit Performance

Work unit performance is measured in the current year (1989) and in a prior year (1987). These data are obtained from the company's accounting function.

Profitability performance is measured in two alternative ways: return on assets (ROA) and return on sales (ROS). ROA is net income before taxes divided by assets, and ROS is net income before taxes divided by revenue. These indicators are highly correlated ($r = 0.741$) as expected because they are linked to each other by capital productivity.¹ Growth performance is measured as the change in revenue during the year divided by last year's revenue.

Because the work units in the sample are in diverse businesses ranging from selling business forms to servicing data processing systems, some work units have brighter opportunities and fewer constraints on their performance than other work units in other businesses. To account for business-specific performance outcomes, we measure each performance indicator for the work unit as the difference of its performance from the mean performance for all work units in its business.

Measures of Work Unit Climate

To ascertain work unit climate we use data from the firm's regular employee attitude survey. Each unit in the study has a survey response rate exceeding 65 percent. The surveys were administered in 1988 and early 1989 and therefore occur in time before the measure of current performance and after prior performance. Because climate is a characteristic of the work unit, not the individual, responses were aggregated to the work unit level.

Interpersonal climate is a seven-item scale (reliability coefficient = 0.90) that measures employee perceptions of management interest in their ideas and welfare, fairness, and the dignity and respect with which they are treated. Task climate is a three-item scale (reliability coefficient = 0.69) that measures employee perceptions of performance expectations and clarity of goals. Climate interaction is the product of the interpersonal and task climate variables. (Because all three of these variables are in the regression equation and are colinear, the indicator we use for the climate interaction is the standardized residual from the regression of climate interaction on both of its components.) Efficiency orientation is a single question on which employees rate their work unit on its efficiency. Customer orientation is a four-item scale (reliability coefficient = 0.79) that measures employee understanding and sense of responsibility toward customers.

Other Performance Determinants

Capital is measured as capital productivity indicated by revenue divided by assets. The data come from the company's accounting function. Labor is measured by employee experience, the share of the work force with four to 20 years of experience with the company. This indicator comes from a categorical response question on the attitude survey. Market conditions are measured by the rate of change of GDP in the past year in the country in which the work unit is located for the industry in which the work unit operates. The sources for these data are official statistics from the OECD and the Asian Development Bank. Prior performance is indicated by return on assets, return on sales, and revenue growth, respectively, in 1987, two years prior to current performance.

The work group that is the unit of analysis must be aggregated at a meaningful level for climate and performance considerations. Our level of aggregation is based on physical location and type of work performed. The work units are business units that are geographically

proximate (everyone in a work unit works in the same place) and functionally homogeneous. Members of a work unit report to a bonus-eligible manager who is the lowest level manager accountable for unique financial results.

Results

Profitability performance and growth performance are not significantly correlated ($r = 0.093$ for ROA with revenue growth, and $r = 0.163$ for ROS with revenue growth). Work units with higher profitability are not more likely to be faster-growing units and conversely.

In the multivariate analysis, climate variables as a group contribute to the explanation of work unit performance after the effects of capital and labor resources, market conditions, and prior performance are accounted for. R^2 increases by about 0.10 in each of the three performance equations, which amounts to an 18 to 24 percent gain in explanatory power due to the inclusion of the climate variables (Table 1).

The hypothesized interaction between interpersonal climate and task climate is a strong influence on performance no matter how performance is measured. Neither of the two components of this climate variable are important by themselves for profitability; their effects are felt when they act together. Both are required to improve work unit performance.

The explanation of profitability performance is similar whether profitability is measured as return on assets or return on sales. However, the explanation of revenue growth performance is different. An efficiency-oriented climate is associated with high profitability, but not with high revenue growth, as hypothesized. Profit depends on cost as well as revenue, and an efficiency-oriented climate is more attentive to costs. Revenue growth, on the other hand, does not depend on cost consciousness, and correspondingly efficiency orientation does not significantly affect growth.

A customer-oriented climate has a positive but not significant effect on revenue growth. Customer orientation has a significant negative effect on profitability measured as return on sales. To the extent a customer orientation entails higher costs, net income might be lowered.

Among the other determinants of work unit performance, higher amounts of economic growth bring about higher profitability and higher revenue growth. Higher capital productivity is associated with higher performance of both types.² More work force experience also

TABLE 1
Means of Variables and Regression Coefficients for Influences on the Financial Performance of Work Units

Explanatory variables:	Variable mean	Return on Assets (ROA)	Return on Sales (ROS)	Change Revenue
<i>Work unit climate</i>				
Interpersonal climate	3.06	0.074	0.127	0.165†
Task climate	3.76	-0.081	-0.103	0.006
Interpersonal*task interaction	0.01	0.301**	0.160*	0.207*
Customer-oriented	4.21	-0.089	-0.173†	0.058
Efficiency-oriented	3.04	0.130†	0.292**	0.103
<i>Resources and Market</i>				
Employee experience	32.1	-0.024	-0.046	0.238**
Capital productivity	2.83	0.357**	0.223**	0.706**
GDP change by industry	8.78	0.181*	0.310**	0.233*
<i>Prior performance</i>				
Lagged dependent variable	37.8	0.319**	0.174*	-0.120
Prior revenue growth	11.9	-0.028	0.076	
Prior return on sales	12.4			-0.725**
Adjusted R ²		0.427	0.333	0.357
ΔR ² from climate variables		0.090*	0.099*	0.098*

Notes: Mean values for the dependent variables (before taking deviations from means for business functions) are ROA = 38.1, ROS = 10.8, and revenue growth = 5.72. The figures in the 2d, 3d, and 4th columns of numbers are standardized regression coefficients. †, *, ** indicate statistical significance at the 0.10, 0.05, and 0.01 levels, respectively, for a one-tailed t-test; for ΔR² an F-test is used. The sample size is 92 work units of one multinational corporation located in 16 European and Asian countries, except for the growth equation from which two outliers were deleted. The performance for each work unit is measured as its deviation from the mean performance of all work units with the same business function. The climate interaction variable is the residual from the regression of the product of (interpersonal climate*task climate) on its components. Capital productivity for the revenue growth equation is measured as productivity growth rather than productivity level.

favors high performance when high performance means revenue growth. However, work units whose work forces have more employees with medium amounts of experience do not have higher profitability. More experience means more salary cost which adversely affects net income.

Profitability performance is correlated through time ($r = 0.426$ for ROA and $r = 0.342$ for ROS). Prior profitability has significant effects in the multivariate analysis. Work units with higher profitability two years ago also have higher current profitability. However, prior revenue growth is not correlated with current revenue growth ($r = -0.138$), and prior revenue growth does not affect current revenue growth in the regression analysis. High-growth work units do not sustain their growth over even two years. Of course revenue growth

measures changes rather than levels of a variable, and change is inherently volatile through time.

We included in each equation prior performance of the other type for evidence on the link between the two types of performance. We added prior revenue growth to the profitability equations, and we added prior profitability to the revenue growth equation. The results are that prior rate of growth has no effect on current profitability, but prior profitability strongly affects current growth. Work units that are faster growing now were less profitable two years ago. To obtain faster growth required a smaller margin (lower return on sales); market share was "purchased" with low profits. This suggests that it is not possible for businesses to successfully pursue both goals of profit and growth at the same time.³

Discussion and Conclusions

The main conclusion from this study is that the way in which employees are managed affects the financial performance of their work unit. Managers who succeed in creating a favorable work unit climate have higher returns on assets and sales and faster growth in revenue than work units with less favorable climates. This conclusion is one that students and practitioners of management alike want and expect to see, but it has not been demonstrated consistently heretofore. In this study the contribution of work unit climate to performance persists after both capital and labor resources available to the work unit and market conditions facing it are accounted for.

The key features of a high-performance climate are a good interpersonal climate and a good task climate. Both must be improved together in order to get higher financial performance. This is the main original contribution of this study. Climate variables are interactive. It is not sufficient to involve employees in business decisions and to treat them fairly. It is also necessary at the same time to communicate a high level of performance expectations. A combination of feel-good and hard-nosed management practices is required. The organizational equivalent of "tough love" is the high-performance climate.

Endnotes

¹ $ROA = \pi/K$ where π = net income and K = assets, $ROS = \pi/\$$ where $\$$ = revenue, and capital productivity = $\$/K$. Therefore $ROA = ROS \cdot \text{capital productivity}$, or $\pi/K = \pi/\$ \cdot \$/K$.

² Capital productivity might be biased in favor of showing a positive effect on ROA because of the common variable (assets) in the denominator, but the opposite bias might exist for ROS. The correlation for the former relationship is $r = 0.515$ but for the latter it is $r = +0.320$. The latter correlation suggests that higher capital productivity really is associated with higher net income.

³ Because our observations come from different countries, differing rates of price inflation and changes in exchange rates might influence measured financial performance. Countries with higher price inflation might have higher net income if inflation affects revenue more than cost. However gross domestic product is in nominal terms, which accounts for national differences in inflation. Countries with rising exchange rates might show higher net income if revenue is earned in local currency but some costs are incurred in dollars and foreign exchange risk is not managed; however when change in exchange rate was used as a control, it did not have significant effect.

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We Don't See Eye to Eye: Discrepancies Between Supervisors and Subordinates in Absence Disciplinary Decisions

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A major purpose of organizational disciplinary policies is to establish the boundaries for acceptable employee behavior (Arvey and Jones 1985). To meet this objective it is critical that supervisors respond to violations of the organization policy in a consistent manner (Redeker 1989). Further, it is important that supervisors and their subordinates see eye to eye on what is acceptable discipline in response to an employee transgression given a particular set of circumstances. One potential consequence of not seeing eye to eye is a compromised disciplinary procedure with respect to establishing boundaries for acceptable behavior. Another possible consequence is an increase in grievances, some of which have been followed by higher levels of undesirable behaviors (Klaas, Heneman, and Olson 1991).

Recently scholars have studied the decision-making processes managers and supervisors engage in when responding to employee insubordination (Klaas and Wheeler 1990), substance abuse violations (Klaas and Dell'Omo 1991), and employee absenteeism (Martocchio 1992). While all these researchers investigated decision-making consistency, there has been no research that compares the decision-making processes of supervisors and their subordinates regarding acceptable disciplinary responses.

Based on these concerns, two questions regarding disciplinary decisions warrant study. First, does a supervisor and his or her subordinate make similar disciplinary decisions in response to absenteeism? Second, what are the possible antecedents of discrepancies between

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supervisors and subordinates in absence disciplinary decisions? One plausible explanation for discrepancies in disciplinary choices relates to differences in the decision maker's attitudes toward discipline (Klaas and Dell'Omo 1991) and possibly other broader individual differences between decision makers (Arvey and Jones 1985) such as perceptions of organizational justice. These questions will be answered by examining supervisors' and their subordinates' decision-making processes related to incidences of employee absenteeism using a policy-capturing approach.

The Present Study

Based on Martocchio (1992), six decision-making factors were hypothesized to influence absence disciplinary decisions. These include (a) absentee absence history, (b) absentee job performance, (c) absentee criticality to the department, (d) absentee's ability to attend work, (e) absentee status, and (f) approved absence versus absence not approved. The rationale for the influence of these factors follows.

It is expected that an employee's prior job performance, a key aspect of prior work history, will have an impact on the severity of discipline (Klaas 1989). Arbitration precedents indicate that arbiters have considered aspects of the grievant's work history in order to determine whether the disciplinary sanction was for "just cause" (Elkouri and Elkouri 1985). Klaas (1989) argues that managers would be more likely to consider a worker's work history where that individual has proven to be a productive employee. For others, managers would be more inclined not to consider a worker's work history because the primary concern is to motivate these employees to improve their behavior.

Hypothesis 1. The amount of absences in an absentee's work history will be positively related to a more severe disciplinary decision by (a) supervisors and (b) subordinates.

Hypothesis 2. Below average absentee job performance will lead to a more severe disciplinary decision than above average absentee job performance by (a) supervisors and (b) subordinates.

Klaas and Wheeler (1990) have argued that line managers, through their discretion over the severity of a disciplinary sanction, influence the allocation of human resources to various factors of production. Specifically, where demand for an individual's services is high and labor supply low, Klaas and Wheeler argue that the cost of disciplinary action is likely to increase as the severity of the discipline increases.

Hypothesis 3. An absentee whose criticality to his/her department is high will lead to a less severe disciplinary decision than for an absentee whose criticality to his/her department is low by (a) supervisors and (b) subordinates.

Rosen and Jerdee (1974) found that disciplinary action was significantly less serious for violators whose ability to attend was limited. Attribution theory provides rationale. Research has shown that when external attributions (i.e., causes beyond the employee's control) were made about the reasons for an employee's action, the severity of the supervisory response was less than when internal attributions (i.e., causes within the employee's control) were made by the supervisors (Green and Liden 1980). To the extent that personal illness renders a worker unable to attend work, discipline should be lower than when an employee is able to attend.

Hypothesis 4. An absentee's ability to attend will lead to a more severe disciplinary decision by (a) supervisors and (b) subordinates.

Newly hired employees of the organization under study are designated as probationary-status employees for the initial period of employment. During the probationary period employee performance is monitored frequently. Aspects of performance that are monitored include job-related output based on the particular job, tardiness, and absenteeism. Because a probationary period is a time when one would expect an employee to put his or her "best foot forward," it is likely that a supervisor has high expectations of employee performance. Thus it is reasonable to expect that disciplinary action, on average, will be more severe for probationary-status employees than employees who are beyond the probationary period (Ballagh, Maxwell, and Perea 1987; Rosenthal 1979).

Hypothesis 5. Disciplinary decisions will be more severe for probationary-status employees than for full-status employees by (a) supervisors and (b) subordinates.

Absence approval refers to whether the organization's control policy treats a particular absence occurrence as legitimate or illegitimate. Intuitively, one would expect there to be no discipline in response to an approved absence and the use of discipline in response to an unapproved absence. This expectation is consistent with the treatment of unapproved absence as a breach of one's duty to report to work (Ballagh et al. 1987). Consistent with absence control policies,

absence approval is typically a key factor that determines the extent of absence discipline (Ballagh et al. 1987; Rosenthal 1979).

Hypothesis 6. Unapproved absences will lead to more severe disciplinary decisions than approved absences by (a) supervisors and (b) subordinates.

Does a supervisor and his or her subordinate make similar disciplinary decisions in response to absenteeism? Determining an answer for this question is important because a discrepancy in disciplinary choice may result in felt inequity among employees, particularly when management sanctions are more severe than what an employee would deem appropriate. This is potentially problematic because under certain circumstances, sufficiently felt inequity among employees will not only motivate grievance activity, but also productivity-inhibiting behaviors among disgruntled employees may result (Ichniowski 1986). Typically a grievance system would serve as a substitute when employees perceive that management has treated them inequitably. There also may be other consequences beyond grievances when a supervisor and subordinate don't see eye to eye. Specifically, Klaas, Heneman, and Olson (1991) argued and found that policy grievances, which an employee uses to challenge management's interpretation of policy and contract provisions, were associated with increases in subsequent undesirable employee behavior within work units.

We argue that individual differences between supervisor and subordinates may explain discrepancies in their disciplinary decisions, although there has been no research directly investigating discrepancies in absence disciplinary decisions (Arvey and Jones 1985). Schneider's (1987) attraction-selection-attrition (ASA) framework provides the basis for examining the influence of discrepancies in individual attributes on disciplinary outcomes. Schneider (1987) has argued that attributes of people, not the organizational technology or organizational structure, are the fundamental determinants of behavior in organizations. Further he claims that individuals systematically are attracted to, selected by, and remain in an organization based on personal attributes. Over time, people within an organization are likely to think and behave similarly because those who are not alike typically leave the organization.

The discussion of the ASA framework in relation to disciplinary procedures suggests that, over time, supervisors and subordinates should see eye to eye on what constitutes discipline given a particular set of circumstances. However, at any point in time there are likely to

be differences between supervisors and subordinates. We argue that several personal attributes of the decision maker are likely to influence disciplinary decisions; possible differences in these attributes between supervisors and their subordinates are likely to explain discrepancies in disciplinary decisions. These factors include (a) job tenure, (b) perceptions of organizational justice related to the organization's disciplinary procedures, and (c) negative affectivity. Each of these are discussed in turn.

Consistent with the ASA framework, job tenure should reflect a fit between an individual's goals and organizational goals. Cumulative evidence indicates that the longer the job tenure, the better the fit between individual expectations and the reality of organizational life (Premack and Wanous 1985). It can be argued that a similarity in job tenure between a supervisor and his or her subordinate may reflect an underlying good match with respect to working together within the scope of organizational goals. Thus the more similar supervisors and subordinates are in terms of their respective job tenure, the more similar they should become in terms of their attitudes and behaviors (Schneider 1987). This propensity to be more similar over time should generalize to attitudes about the disciplinary systems in organizations.

Hypothesis 7. Differences between supervisors and subordinates in their job tenure will be positively associated with discrepancies in disciplinary decisions.

Organizational justice refers to the role of fairness as it directly relates to the workplace (Moorman 1991). Two sources of organizational justice include (a) distributive justice, which describes the fairness of the outcomes an employee receives; and (b) procedural justice, which describes the fairness of the procedures used to determine those outcomes (Folger and Greenberg 1985). An underlying premise of progressive discipline systems is fair and consistent treatment of insubordinate workers in terms of the disciplinary procedure's structure (i.e., procedural justice) and the punishment (i.e., distributive justice) (Ballagh et al. 1987; Belohlav 1985; Redeker 1989). In short, that which the decision maker considers fair will likely be manifested in the disciplinary choice. Thus it seems logical to expect differences in disciplinary choice to vary with differences in fairness perceptions with respect to the procedural and distributive aspects of the disciplinary procedures.

Hypothesis 8. Differences between supervisors and subordinates in their perceptions of organizational justice will be positively associated with discrepancies in disciplinary decisions.

Negative affectivity reflects a personality disposition to experience negative emotional states (Watson and Clark 1984). Individuals high on negative affectivity are more likely to have a negative view of themselves, others, and the world around them and to interpret ambiguous stimuli negatively (Haney 1973). Because it is not usually possible to verify the actual causes of an absence incident (Ballagh et al. 1987), one can argue that such causes are somewhat ambiguous. Given the degree of latitude inherent in progressive discipline systems with respect to choice of appropriate discipline, one can argue that differences between individuals in their outlook on life will influence disciplinary responses to absences.

Hypothesis 9. Differences between supervisors and subordinates in their negative affectivity will be positively associated with differences in disciplinary decisions.

Additional factors were expected to influence discrepancies in disciplinary choice. Because they were not directly related to the theoretical framework advanced in this paper, they were included as control variables. Differences in age between the supervisor and subordinate were expected to predict discrepancies in choice because of cohort differences (Rhodes 1983). As age is a rough proxy for cohort effects (Rhodes 1983), a direction was not posited. Differences in estimates of the average days absent among subordinates was expected to vary positively with discrepancies in choice. Research suggests that disciplinary responses to absenteeism are based on an accumulation of the insubordinate employee's prior absences (Ballagh et al. 1987). Finally, supervisor's span of control was expected to vary positively with disciplinary decisions because it is reasonable to expect greater heterogeneity in larger groups than smaller groups at any point in time.

Method

Sample

Surveys were mailed to 27 work triads (one supervisor and two subordinates) within a large midwestern university. Of the 27 triads to which surveys were mailed, 24 surveys were completed by supervisors, representing a response rate of 89 percent. Forty-three useable

surveys were returned by subordinates, representing a response rate of 80 percent. There were 19 complete triads available for analysis.

Average age of supervisors was 43.4 years ($SD = 11.7$). Supervisors were on their jobs an average 11.8 years ($SD = 8.9$). The average number of subordinates supervised by these supervisors was 10.9 ($SD = 8.5$). Fifty percent were male, and 54 percent had some college or an associate degree. Average age of subordinates was 36.3 years ($SD = 9.2$). Subordinates were on their jobs an average 5.4 years ($SD = 4.2$). Forty-one percent were male, and 48 percent had some college or an associate degree.

Research Design and Measures

A mixed experimental design was used, which incorporates both within-subjects and between-subjects components. The within-subjects design permits researchers to infer the relative importance of particular factors that are related to an individual's decision making. Each factor contained two levels (i.e., the factor was present or not).

The six within-subjects independent variables were completely crossed, which permits assessment of the independent effects of each factor on the decision to be absent. Crossing the factors resulted in 64 scenarios (2^6) which contained all possible combinations. The scenarios were presented in the survey in random order to prevent order effects. An example of a scenario is provided:

Hill is a *status* employee whose job performance is *below average*. Hill has unique skills that are scarce in your department. Today's absence was *not* approved. Hill has had less than four days absent in the past year. Hill is physically *unable* to attend work today.

Disciplinary decision was operationalized in the following manner: "As this employee's supervisor, please indicate what you would do in response by choosing from among nine possible actions." The nine alternate disciplinary choices range from "Take no action" to "Discharge this employee." These choices reflect the actual options available to supervisors in this organization (Martocchio 1992), and they are consistent with successive steps in progressive discipline programs (Ballagh et al. 1987; Belohlav 1985).

Supervisors and subordinates were asked to make a disciplinary judgment based on each scenario. The questionnaires were identical for supervisors and subordinates except subordinates were asked to assume the role of supervisor in their present work situation. The

absolute value of the difference between the supervisor and subordinate scores were used for the analyses.

The between-subjects design permits assessment of interindividual differences based on personal attributes (e.g., experience). The between-subjects factors were assessed separately for supervisors and subordinates with the exception of supervisory span of control. The attribute variables were measured as follows:

1. Job tenure was operationalized as the number of years employed in one's present job.

2. Perceptions of organizational justice were measured with Moorman's (1991) 24-item organizational justice scale. It was modified to have respondents focus on the sponsoring organization's absence control policy and disciplinary procedures related to absence infractions. Internal consistency reliability was .91 for the supervisors and .94 for the subordinates.

3. Negative affectivity was measured with the PANAS scale (Watson, Clark, and Tellegen 1988). Internal consistency reliability was .69 for the supervisors and .84 for the subordinates.

4. Age and estimates of subordinate prior absenteeism were measured with specific questions on both the supervisor and subordinate questionnaires.

5. Supervisory span of control was measured with a specific question on the supervisor survey.

Analysis

Hypotheses 1-6 were tested using within-subjects multiple regression analysis to assess the effects of the six independent factors related to disciplinary decision. One regression equation was calculated for each supervisor and subordinate. In order to estimate possible differences between individuals on the basis of the attribute variables, an overall model was specified. Multiple regression was the method of analysis. The control variables reviewed earlier were included in the between-subjects analysis.

Results

For supervisors, the following results were obtained when regressing disciplinary action on the six within-subjects factors for each of the 24 supervisors (hypotheses 1a-6a). The results for the pooled

sample of supervisors are also presented because describing percentages of statistically significant coefficients is not a formal test of a hypothesis. R^2 for the pooled sample was .32.

For absence history (hypothesis 1a), beta coefficients ranged from .00 to +.63. Of these, 79 percent were significant ($p < .05$). These supervisors administered more severe discipline for subordinates with a greater absence history than subordinates with less absence history. Hypothesis 1a was supported ($Beta = .25, p < .01$).

For job performance (hypothesis 2a), beta coefficients ranged from $-.42$ to $.00$. Of these, 58 percent were significant. Discipline in response to absence was more severe for employees whose performance was below average compared to employees whose performance was above average. Hypothesis 2a was supported ($Beta = -.15, p < .01$).

For employee criticality (hypothesis 3a), beta coefficients ranged from $-.23$ to $+.09$. Of these, 8 percent were significant. The sign of the significant coefficients was negative, which indicates that these supervisors chose more severe discipline for less critical employees than for critical employees. Hypothesis 3a was not supported ($Beta = -.02, ns$).

For ability to attend (hypothesis 4a), beta coefficients ranged from $-.05$ to $+.42$. Of these, 46 percent were significant. The significant coefficients were positive, which indicates that supervisors chose more severe discipline for absent employees who were physically able to attend work. Hypothesis 4a was supported ($Beta = .10, p < .01$).

For status (hypothesis 5a), beta coefficients ranged from $-.65$ to $+.30$. Of these, 63 percent were significant (14 of the 15 significant coefficients were negative). In all but one case, supervisors chose more severe disciplinary action for probationary employees than full-status employees. Hypothesis 5a was supported ($Beta = -.13, p < .01$).

For absence approved versus not approved (hypothesis 6a), beta coefficients ranged from $+.12$ to $+.95$. All coefficients were significant and positive. This indicates that supervisors chose more severe discipline when the absence was not approved than when it was approved. Hypothesis 6a was supported ($Beta = .46, p < .01$).

When subordinates were asked to assume the role of supervisor (acting supervisors) to administer discipline, the following results were obtained for each of the 43 subordinates (hypotheses 1b-6b). The results for the pooled sample are also presented. R^2 for the pooled sample was .19.

For absence history (hypothesis 1b), beta coefficients ranged from $-.04$ to $+.70$. Of these, 74 percent were significant ($p < .05$). These acting supervisors administered more severe discipline for subordinates with a greater absence history than subordinates with less absence history. Hypothesis 1b was supported ($Beta = .20, p < .01$).

For job performance (hypothesis 2b), beta coefficients ranged from $-.63$ to $+.01$. Of these, 81 percent were significant. Discipline in response to absence was more severe for employees whose performance was below average compared to employees whose performance was above average. Hypothesis 2b was supported ($Beta = -.21, p < .01$).

For employee criticality (hypothesis 3b), beta coefficients ranged from $-.27$ to $+.11$. Of these, 16 percent were significant. For all but one, the sign of the significant coefficients was negative, which indicates that these supervisors chose more severe discipline for less critical employees than for critical employees. Hypothesis 3b was supported ($Beta = .03, p < .05$); however, this conclusion should be accepted cautiously. Although statistically significant overall, the coefficient was not significant for the great majority of individuals.

For ability to attend (hypothesis 4b), beta coefficients ranged from $-.18$ to $+.50$. Of these, 49 percent were significant. With one exception, the significant coefficients were positive, which indicates that supervisors chose more severe discipline for absent employees who were physically able to attend work. Hypothesis 4b was supported ($Beta = .10, p < .01$).

For status (hypothesis 5b), beta coefficients ranged from $-.52$ to $+.06$. Of these, 70 percent were significant, and the sign was negative. Supervisors chose more severe disciplinary action for probationary employees than full-status employees. Hypothesis 5b was supported ($Beta = -.17, p < .01$).

For absence approved versus not approved (hypothesis 6b), beta coefficients ranged from $+.13$ to $+.91$. Of these, 98 percent were significant and positive. This indicates that supervisors chose more severe discipline when the absence was not approved than when it was approved. Hypothesis 6b was supported ($Beta = .46, p < .01$).

Hypotheses 7-9 examined possible antecedents to discrepancies in disciplinary choices between supervisors and subordinates. For the control variables, differences in estimates of prior subordinate absence ($Beta = .19, p < .001$) and supervisory span of control ($Beta = .20, p < .001$) were significant predictors of discrepancies in disciplinary choices; however, the differences in age factor between supervisors

and subordinates was not ($Beta = -.04$, *ns*). Contrary to hypothesis 7, differences in job tenure between supervisors and subordinates were negatively related to discrepancies in discipline ($Beta = -.20$, $p < .001$). This finding indicates that the more similar supervisors and subordinates were in terms of their respective job tenure, the greater the discrepancy between them in their disciplinary choices. As hypothesized, differences in perceptions of organizational justice ($Beta = .17$, $p < .001$) and differences in negative affectivity ($Beta = .05$, $p < .05$) were positively associated with discrepancies in disciplinary choice. Thus, hypotheses 8 and 9 were supported.

Discussion

Initially we examined six possible antecedents of disciplinary decisions for supervisors and subordinates. The pattern of results for both supervisors and subordinates was similar. Specifically, approved versus unapproved absence influenced disciplinary decision for all but one subject. Employee criticality was the least considered factor. The findings for this supervisor sample replicate those for another sample found in Martocchio (1992). This study also demonstrated that both supervisors and subordinates consider the same set of factors as relevant to disciplinary decisions.

Beyond the findings that disciplinary decisions could be modeled, this study examined possible differences between supervisors and their subordinates in disciplinary choices for absence given a particular set of circumstances. Relying on Schneider's (1987) ASA framework, we hypothesized that the degree of similarity between supervisors and subordinates would explain discrepancies in disciplinary choices. Our research provided support for the hypotheses regarding perceptions of organizational justice and negative affectivity. Consistent with the ASA framework, similarities in relevant attitudes and personality corresponded with relative agreement on disciplinary outcomes. Contrary to the ASA framework, similarity in job tenure was associated with differences in disciplinary choices.

One plausible explanation for the unexpected job tenure finding comes from the relational demography literature (Pfeffer 1983). According to this literature, differences in demographic characteristics such as job tenure are typically associated with role conflict and ambiguity. In the context of making disciplinary decisions, it is possible that under conditions of high role conflict and ambiguity (as reflected in job tenure differences), decision makers might be more

likely to follow the policy guidelines to the letter. Thus, similar decisions would possibly be made given a particular set of circumstances. Under conditions of low role conflict and ambiguity (as reflected by job tenure similarity), decision makers might be more likely to rely on their overall experience within the organization to make a decision. Thus, dissimilar decisions might result.

If, as the literature review suggests, failure to see eye to eye on discipline results in increased grievances and productivity-inhibiting behaviors among employees, it is in the interest of both management and employees to reach some common frame of reference regarding appropriate discipline. As the results indicate, differences in what is considered fair and one's outlook on life influence disciplinary choices. In the case of organizational justice, clearer communication about standards of procedural and distributive fairness to supervisors and subordinates may be necessary. One means of achieving these objectives can be met through cooperative labor-management training programs.

Strengths and Limitations

A strength of our study lies in the use of control variables and reliance on employees who are familiar with an actual disciplinary system in their employment context. Furthermore, collecting responses from both supervisors and their subordinates allowed investigation of factors that cause them to differ in their beliefs and actions relating to employee discipline. One possible limitation relates to the use of the ASA framework as a basis to explain discrepancies. The ASA framework focuses on the effects of personal attribute similarity/dissimilarity on work place outcomes. We recognize the importance of considering other factors such as precedents set by prior arbitration rulings (Ballagh et al. 1987) and the degree of interdependence among employees that vary across organizations. Nevertheless, we feel the ASA framework is useful for studying the decision-making process in a single organization within which the more macro factors do not vary. Another possible limitation is that supervisors were asked to make disciplinary decisions in a contrived setting rather than in the context in which such decisions are made. In particular, there was little resemblance between the context in which this study was conducted and the context in which a supervisor makes a disciplinary decision (i.e., the subjects took time from their jobs to respond to a survey which contained hypothetical but realistic scenarios versus responding to actual cases of employee absenteeism). In spite of these issues, the results are

generally consistent with the expectations deduced from the literature. Therefore, generalizations to the "real-life" setting are more appropriate despite the lack of resemblance between this study's context and the context in which disciplinary decisions are typically made (Mook 1983).

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Time-Serial Substitution Effects of Absence Control on Employee Time Use

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The present study examines employee time-use behaviors including absence, spanning several phases of an absence control program over a six-year period. Those phases included one year of pre-program baseline data, a six-month organization development (OD) intervention, six months of policy research and technical development, and four years under new policies with information systems support. The study used a systemic model to track all employee time-use behaviors. The program was intended to reduce short nonexcused absence (SNA). Daily tracking of SNA along with short excused absence (SEA), long excused absence (LEA), time scheduled off (TS), and time worked (TW) was necessary to discover the reactions of employees. Following the baseline year, five successive phases of absence control intervention are shown in this study. The major phase events occurred each year on or about the program anniversary date of July 1.

Absence-Control Project Elements

This research covered the six phases briefly described above. Phase A was program development. Phase B through phase E addressed the effects of the fully implemented program on employee time use. Phase A had two half-year segments designated A-1 and A-2. Phase A-1 included nearly 300 consultant days of intensive OD effort to involve almost all employees of a bus system in thinking

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about attendance and absenteeism issues, norms, and solutions. It used interviews, nominal group sessions, focus groups, collateral and parallel organizations, executive team involvement, and systematic data collection from all occupational groups and levels of the organization. The organization and consultants jointly collected data, diagnosed issues, and developed solutions. Teams created "white papers" (French and Bell 1990) identifying problems and issues in labor relations, staffing, supervision, timekeeping, incentives, and previous absence programs. By the end of phase A-1, the rough outline of an approach was clear. The policy focused on short non-excused absence (SNA) only. The organization felt it had good control of long-term absence (LEA, absences of over five days) and supervisor-scheduled time off (TS). A no-fault approach was installed (Moore 1988; Kuzmits 1981) with a series of problem-solving steps, union-management committee roles, employee assistance program intervention, and a focus on improving performance instead of placing blame for misconduct. Collective bargaining agreements with the six employee unions gave employees seven days of paid "casual leave" for use as all sick leave or personal leave. Those seven days, comprising all short excused absence, were renewed each July 1. Employees also were reimbursed for unused days. Casual leave was extended to ten days per year in phase B.

Because the organization's supervisors had almost no training in supervisory roles and were highly action oriented, it was decided to create a decision-support information system that would provide accurate reports on absences, employee histories, and action steps needed to implement the no-fault program in a consistent and enforceable way. Supervisor training using behavior modeling was provided to illustrate behaviors at each program step.

In phase A-2, the change agents spent nearly 300 work days creating both the policy and the information system. During this period unplanned informal efforts were started by supervisors to reduce short nonexcused absence. At the end of phase A-2, the consultant trained supervisors, managers, union leaders, and executives in how the policy would work. Orientation sessions were also run for all employees. In contrast to phase A-1, specialized task forces did most A-2 work. The project's exposure was greatly reduced until the training events right at the end of A-2. All consultants left after finishing their contract at the end of phase A and the beginning of phase B. Then the formal policy and information system replaced prior absence-control procedures.

From the beginning of phase B, the research team charged with program evaluation continued to collect data from payroll records and

labor relations records of major events for four more years. During the years many changes in management practices were introduced. Those changes affected employee time use and absence behaviors. Except for the effort to reduce long excused absence (LEA) during phase E, the changes in policy were not aimed at employee absence, as described in executive-level interviews and discussion with the consultants and as indicated by the annual reports of the organization.

Phase B was a combined policy and technology intervention, designed from lessons learned in phase A. In phase B the organization relaxed the participative management and supervisory thrust from phase A to accept a more impersonal computer-based process. The new system relied on absence control reports to supervisors mandating specific steps in compliance enforcement for each worker who violated policy. For the first time systematic care was used to manage and record employee time use, including time scheduled off. A \$100 annual bonus was paid each summer to employees whose absence levels were in an acceptable range. But no specific attention was given to the management or control of either short or long excused absence.

Phase C policy changes within the system included the first payment of the annual bonus (which formally validated the continuance of the system) and increasing dependence on impersonal use of the formal system to manage absence control. Management had yet to learn the importance of both long excused absence (LEA) and their own scheduling practices. Neither LEA nor time scheduled off (TS) was yet carefully regulated. This left two major policy loopholes through which additional amounts of nonwork could be substituted for work and still escape disciplinary correction.

Phase D, almost incidental in its implementation but significant in its effects, was an organizational crackdown on the scheduling of time off (TS). This closed another gap in the absence control policy. The LEA controls were neither tightened nor relaxed significantly during phase D. Phase E had two key parts. The organization made a committed effort to reduce excessive levels of long excused absence (LEA). Concurrently, city authorities took over the absence control information system. They relaxed the improved control over time scheduled off achieved in phase D.

Hypotheses

The program was expected to have several general effects. The extensive OD effort in phase A-1 was predicted to heighten employee sensitivity to excess absenteeism. It also was expected to have a

"Hawthorne effect" (Yorks and Whitsett 1981) among those inclined to participate. Substitution and legitimacy effects during formal enforcement (Johns and Nicholson 1982; Chadwick-Jones, Nicholson, and Brown 1982) were also expected to emerge in phase B. Employees wishing to avoid work were predicted to substitute types of legitimate nonwork for nonlegitimate types of absence prohibited by policy.

Note that short excused absence (SEA) was to cover illnesses and replaced prior sick days. It was not seen as likely to change much. Long absences were intended for major illnesses and injuries. LEA was viewed by management as unlikely to increase. With SEA and LEA remaining stable, supervisors could follow policy about time scheduled off (TS). At the time the project was designed, the notion that organizational procedures for scheduling time off might pose a serious problem was inconceivable, so legitimacy-based substitution effects would then have been under control. All decreases induced in short nonlegitimate absence were expected to show up in increased time worked (TW). With this beneficial outcome more buses would be repaired and available, more runs would be made, and more riders served. The ultimate result would be greater appreciation for the bus system, not the existing climate of public criticism.

The implementation of the absence control program was predicted to produce effects described in hypotheses 1 through 5 below.

Hypothesis 1. (a) During phase A-1 legitimate nonwork behavior under employee control will drop, inducing an associated increase in time worked. (b) During phase A, the development year, the program-targeted, short nonlegitimate absence (SNA) will begin to decrease, inducing an associated increase in time worked.

Hypothesis 2. During phase A, part A-2, some erosion of gains induced in phase A-1 will occur due to the end of visible OD efforts. Substitution processes associated with a drop in time worked (TW) will increase both short excused absence (SEA) and long excused absence (LEA).

Hypothesis 3. Short nonlegitimate absence (SNA) will continue to decrease, with corresponding increases in time worked (TW).

Hypothesis 4. Substitution and legitimacy effects will produce moderate but significant increases in legitimate, excused forms of nonwork, including SEA and LEA. Restrictions in the scheduling process would prevent shifts from SNA into time scheduled off. Past

practices continued in the system would keep substitution into LEA and SEA at moderate levels.

Hypothesis 5. Time worked (TW) will increase significantly.

The Research Database

The research database included all employee time-use data available from a midwestern urban bus company over six years. Most data were collected online by the payroll processing system. For the year before the project started and the year of project development (phase A), data were collected from employee time sheets. To ensure validity of the original raw time-use data thereafter, supervisors and payroll personnel were trained to understand and use the detailed time-use taxonomy correctly.

The sample selected from the database were only those cases well represented within the installation period of phase A, resulting in 320 cases. Because of late entry, attrition, and missing values, the final sample size varies between 227 and 315 cases. Ninety percent of the sample were African American and 10 percent were white. Eighty-five percent were male and 15 percent were female. Approximately 90 percent were nonsupervisory employees. The median age was 37. Fifty-five percent were bus drivers. The other 45 percent were distributed among maintenance, clerical, and supervisory jobs.

A detailed time-series adaptation of conventional absence-measurement procedure made it possible to retrospectively trace the substitution effects of all five phases. All major forms of employee time use were identified and assigned to policy relevant categories. These included time worked (TW), time scheduled off (TS), short nonexcused absence (SNA), short excused absence (SEA), and long excused absence (LEA).

Three-hundred-sixty-four day totals were aggregated for each employee within each variable. Daily moving values for the average annual hours of time use in each variable were calculated as daily means across all cases in the sample on each day. By using a 364-day base, day-of-the-week effects were removed because the moving values add in the same day of the week they drop out as the totals roll forward. The same effect also removes monthly, quarterly, and yearly cycles (364 is divisible by 7, 28, 91, and 364), leaving only the long-term effects of project-induced change. The one-day annual lag this creates (two days in leap year) did not noticeably affect the results.

It is necessary to aggregate data across 364 days before the first point in a series of annual time-use data can exist. Archival data were

used to establish a one-year preprogram database. In addition, the regression, correlation, and standard deviation procedures were helped by allowing an extra three-day lag. The plots in this study begin 367 days from the first day in the raw data, and three days after the start date of the project. The series continue thereafter for 4.5 years (from day 367 to day 2005). Because the correlations and annual standard deviations for specific days are endpoint values for the preceding yearly interval, those series of derived values cannot begin until 364 days after the first data point (the starting date). To use all information available at the beginning of the project, the interval for these calculations was incremented daily at the beginning, rising from the mathematical minimum of three days on day 367, up to a 364-day year by day 728.

Results

Table 1 shows key events within each phase, changes in mean time-use levels, and associated correlations for both active and inactive paths. It includes comments on short-run behavioral effects induced by the program. Overall summaries of time-use change across each phase are also presented, along with a brief interpretive comment on theoretical implications for phase specific results.

Hypothesis 1a was supported. Significant shifts of time use out of nonwork into work occurred during the phase A-1 OD effort. Shifts were induced from SEA into work and from TS into work. Most employees were inclined to cooperate and responded positively to the OD effort with desired time-use shifts. Hypothesis 1b was supported only in phase A, part A-2. SNA did not begin to drop until after the OD work in phase A-1. It rose instead during phase A-1 by a small though significant amount. Apparently the participative management phase of A-1 may have induced an undesirable increase in willfully wrong forms of employee time use.

Hypothesis 2 was also supported, with one modification. In phase A-2 the ending of visible OD efforts induced a significant reversal of OD effects. Both SEA and LEA rose significantly as SNA fell, and two hours of time use were even forced from SNA into TS. Even though the annual level of time worked continued to rise during phase A-2, it rose more slowly than during the visible stage of OD activity. This means that daily levels of time worked were lower during phase A-2 than phase A-1, although higher than for the corresponding baseline days. A short-run shift out of time worked was induced during phase A-2. It appears that OD can change selected behaviors during the

TABLE 1
The Trace of Project-Induced Time-Use Changes Across Phases of Intervention

	Phase A—(The Installation Year)			Phase B	Phase C	Phase D	Phase E
	A-1	A-2	A-Overall				
Key Events Within Each Phase	OD & Mgt. training with participative design of abs mgt. system	Info-system built, mgtts. informally start to push for lower SNA	Installation year showing org. changes without abs info system	1st year of dependence on new abs policy & info system reports to mgt.	2nd year of formal program with less care for reduction & mgt. of TS	3rd year of the program, control over TS improved	1/2 year only control over LEA improved, but city govt takes over
Overall Change in Time-Use Values (Fig. 1, 2)	TW +72 ° TS -56 ° SNA +8 ° SEA -30 ° LEA +2	TW +19 TS +2 SNA -53 ° SEA +14 ° LEA +20 °	TW +91 ° TS -54 ° SNA -45 ° SEA -16 ° LEA +22 °	TW -21 ° TS -41 ° SNA -27 ° SEA +25 ° LEA +69 °	TW -31 ° TS +23 ° SNA -6 ° SEA +3 LEA +11	TW +43 ° TS -22 ° SNA -7 ° SEA -11 ° LEA -3	TW -17 ° TS +32 ° SNA +2 SEA +8 ° LEA -25 °
r-Values for Active Paths (Fig. 3)	TS:TW -0.99 SEA:TW -0.97 TS:SNA -0.74 SEA:SNA -0.72	SNA:TW -0.81 SNA:SEA -0.97 SNA:LEA -0.95 TS:TW -0.48 TS:LEA -0.18 SNA:TS -0.09	SNA:LEA -0.95 TS:TW -0.80 SNA:TW -0.75 SNA:TW -0.55 TS:LEA -0.20 SEA:LEA -0.28	TS:LEA -0.99 TS:SEA -0.98 SNA:LEA -0.90 SNA:SEA -0.78 SEA:TW -0.70 LEA:TW -0.57	SNA:TS -0.85 TW:TS -0.90 TW:LEA -0.68 SNA:LEA -0.30 TS:SEA -0.22 TW:SEA -0.05	SNA:TW -0.98 TS:TW -0.99 SEA:TW -0.65 LEA:TW -0.29 TW:TS -0.78 TW:SNA -0.85 LEA:SEA -0.07	LEA:TS -0.99 LEA:SNA -0.58 SEA:TW -0.65 TW:TS -0.78 TW:SNA -0.85 LEA:SEA -0.07
r-Values for Inactive Paths (Fig. 3)	LEA:SEA 0.00 LEA:TS 0.00 LEA:TW 0.00 LEA:SNA +0.10 TW:SNA +0.70 SEA:TS +0.90	SEA:TW +0.78 TW:LEA +0.91 SEA:LEA +0.94 TS:SEA +0.09	TS:SNA 0.00 TS:SEA +0.78 SNA:SEA +0.19 TW:LEA +0.72	SNA:TW +0.22 TS:TW +0.50 TS:SNA +0.90 SEA:LEA +0.99	SEA:SNA +0.01 SEA:LEA +0.48 LEA:TS +0.34 TW:SNA +0.83	LEA:SNA +0.13 LEA:TS +0.15 SEA:TS +0.40 LEA:SEA +0.53 SEA:SNA +0.52 TS:SNA +0.94	TW:LEA +0.75 SEA:TS +0.08 SNA:SEA +0.77 SNA:TS +0.64
Impact on Short-run Behavior Patterns	Initial drop then rise in SNA, seasonal cycles were all amplified	SEA & LEA now cycle with an early spring peak. TS & TW smooth out	6-month phase shift in the TS—TW cycle, abs time-uses get cyclical	Vacations move to start July, TS bottoms out & all abs & TW cycles firm up	Less variation in summer TW, TW cycle also stabilizes.	No short-run anomalies	No short-run anomalies

TABLE 1 (*Continued*)
The Trace of Project-Induced Time-Use Changes Across Phases of Intervention

	Phase A—(The Installation Year)			Phase B	Phase C	Phase D	Phase E
	A-1	A-2	A-Overall				
Comment On Phase Specific Program Impacts	Time-use went from TS & SEA into TW, some shift from TS & SEA to SNA	SNA went into SEA & LEA, & also to TW. Shifts both ways TW → TS	Part A-1 gain in TW from TS not from SNA. SNA → LEA/SEA and TW in A-2	TS & SNA shift into LEA & SEA but so does TW & it drops. No abs → TW gain	TW shifted both to LEA & TS, & via TS to SEA. Small SNA shift into TS & SEA	TS shift into TW along with SEA & SNA, & 3 hours move from LEA → TW	LEA down into TS & SNA, TW down into SNA & SEA
Overall Patterns & Program Effects	Theory X & Y split emerges within worker time-use beh.	Legitimacy effects start to control behavior	OD gain, then theory-X mgt. → legitimacy shift effects	Big legitimacy shifts, annual SEA tops out & levels off	Loose control of TS & LEA undermine Abs control policy	Abs control system closed policy gaps & forced TW up	Clampdown on LEA but TS control slips so no TW rise

course of its operation, even directly inducing increases in time worked itself. But stopping OD ends those effects.

The shifts into SEA and LEA during phase A-2 were far more extensive than predicted. During phase A-2 an informal and unexpected effort was started by supervisors to implement some of the absence control policy, targeting short nonexcused absence. This forced SNA down significantly, inducing legitimacy-based substitution effects to occur. With the end of OD, voluntary reductions in employee-controlled forms of nonwork were no longer being induced, and the hours gained from SNA shifted into SEA and LEA, increasing them much more than anticipated. The fluctuation in TS indicates that the pressure from SNA reduction increased time scheduled off as well. Informal supervisory action preempted the enforcement effects predicted for phase B.

In phase A-2, TS increased two hours per half year, while annual level rose and then fell. There was an associated drop and rise in TW. It appears that supervisors incidentally discovered that TS was a policy loophole and also began to restrict its use.

Hypothesis 3 predicted significant legitimacy-based substitution effects during phase B, once the fully implemented program began supporting absence control policy with information system reports for supervisory action. As predicted, the program reduced SNA a significant amount, continuing the pattern initiated during phase A-2. But the time-use gain did not go into TW. Instead, TW dropped significantly during phase B. The time-serial correlations show that it could only have moved into LEA and SEA. This refutes the latter part of Hypothesis 3.

One of the original assumptions in the project design was refuted by the significant shift that occurred into SEA and LEA. During phase B, SEA and LEA were neither limited by continuity of the employee goodwill generated during the OD effort nor restricted to levels needed for sick leave. Nor did that goodwill return or better work values and pride develop to reverse this substitution effect during later years. The improved information available to supervisors from the information system reports helped the restriction of time scheduled off that had evolved informally during phase A-2.

Hypothesis 4 was fully supported insofar as it concerns the legitimacy effect. The negative correlations and pattern of change in the means show time-use shifts from SNA into SEA and LEA and repeated time-use shifts into TS. Repeated and significant decreases in TS occurred under the impetus of ad-hoc, time-use control policies.

The recovered time use did not go into TW until phase D when all other paths were either saturated or closed. It went into LEA and SEA instead.

The assumptions underlying Hypothesis 5 are consistent with conditions during phase D. Across that interval, hypothesis 5 was well supported. Once the OD effort ended in phase A-1, any time use recovered by reducing SNA, LEA, and TS only went into time worked when no other substitution path was open.

Discussion

Real world events did not unfold exactly as planned in the original implementation of the program, partly because of contextual factors involving the several strong unions involved and the politics of city government. Supervisory control over time off was neither consistent nor adequate. LEA and SEA were not restrained by the continued goodwill generated during the OD effort. Nor was formal program installation the end of policy changes affecting employee time use. An incidental improvement in the scheduling of time off was introduced during phase B but allowed to decay during phase C. A deliberate effort to reduce scheduled time off was made during phase D, but control over the entire system was removed by city authorities during phase E. A deliberate effort to reduce long excused absences was introduced during phase E, while control over TS was again relaxed.

During phases A-2 through E several unanticipated contextual and policy changes affected employee time-use patterns in addition to the program itself. Those changes clearly show in the results. Such unanticipated findings are common to most long-term field experiments, and their treatment here is consistent with the spirit of grounded research (Glaser and Strauss 1967). Overall, the project indicates that introducing and relying on an absence-control policy and information systems basis to manage employee time use can have significant effects on targeted variables. But like direct supervisory intervention, it can also induce or sustain unintended behavior as workers substitute nonwork alternatives for forbidden forms of nonwork. It also shows that OD can significantly reduce legitimate use of nonwork and increase time worked but may increase nonexcused absence. Tightening the policy can compel increases in time worked, even in the presence of a powerful and longstanding legitimacy effect.

Based on the unintended effects shown in the results, six additional theoretical propositions are described below to account for those unanticipated changes. They are accompanied by comments about specific results that suggested the proposition.

Proposition 1. During the course of OD activity, significant increases in nonexcused absence may occur as nonparticipating employees exploit the nonpunitive environment of OD. People who are inclined to break rules may find more freedom to do so under the supportive, nonpunitive conditions conducive to OD.

Proposition 2. Informal supervisory implementation of absence-control policy in advance of a formal system will have significant effects, both desirable and otherwise.

Proposition 3. Improved information management systems will have an effect. During phase B, incidental reductions in time scheduled off due to improved information and reporting ability induced significant, legitimacy-based time-use shifts from TS into TW, SEA, and LEA.

Proposition 4. In the absence of other constraints, legitimacy effects will induce increases in each legitimate form of nonwork. This will persist until the respective time use converges on some equilibrium level that satisfies employee desires for time off at the expense of income.

During phases B through E but mostly in phase B, SEA, although reimbursable to employees if unused, rose until it reached the maximum permitted by policy. Thereafter it remained stable. LEA rose monotonically by over 100 hours beginning with the start of enforcement. It fluctuated and then stabilized at around 110 hours per employee per year during phase C. Time use shifted into SEA and LEA from SNA, TW, and TS, depending on the current emphasis of time use control policy. Also during phases C and E, the relaxation of policy on the control of time scheduled off resulted in significant legitimacy shifts into TS.

The pattern of change repeated in levels of time scheduled off over the period from phase B through phase E shows that greater attention to scheduling itself may be the single most powerful element in gaining control of employee time use. Control over TS was relaxed during phases C and D. In both cases a legitimacy shift immediately began inducing shifts from other time uses (especially from work) into time scheduled off. When control over TS was improved, with all other paths closed during phase D, a significant improvement in time worked resulted. Of special interest is the way TS increased during phase E, while long excused absence was being forced down and control over TS was relaxed. Instead of increasing the amount of time

worked, this last policy change coincided with a significant reduction. This suggests a fifth proposition.

Proposition 5. No effort at policy- and enforcement-based control of absence, or any other employee time use, will be successful unless the scheduling of time off is also carefully managed. Control over scheduling can generate significant increases in time worked.

Although control of LEA was not viewed as a problem during the initial planning of the project, it clearly became the most obvious and least regulated policy loophole. This led to the policy change in phase E, when a strong effort was made to force a reduction in LEA. Like each of the other forms of employee time use, LEA responded in a way consistent with the legitimacy effect. The above suggests the following proposition.

Proposition 6. Where prior absence control policies remain in effect and no restrictions have been placed on LEA, efforts to force a reduction of LEA will induce significant legitimacy effects. As with other forms of time use, an LEA control policy will only increase time worked if all other forms of nonwork are simultaneously closed.

To the extent that these findings may be generalized, this study illustrates substitution and legitimacy effects within a context of total time use in a manner unique in studies of absence control efforts. Forced reduction of problematic short nonlegitimate absences is not a guaranteed method for increasing time worked in an organization. Other studies using complete time-use paradigms and longitudinal designs with daily measures are needed to better understand the intended and unintended results of formal programs to control targeted types of employee absence.

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DISCUSSION

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After asking myself why a macro organizational behavior sociologist would be asked to comment on human resource management papers, I concluded that I should bring the discussion to broader issues than a psychologist or HR scholar might. I led to three general but related points concerning assumptions, logic, and context, which may be illustrated by these three papers.

1. The narrow focus of work coming from the industrial organizational psychology tradition too often ignores the context in which behavior occurs or treats context as a nuisance.

2. Examinations of expressions of industrial conflict such as absenteeism (e.g., the Miners et al. paper), which consider only one form of conflict and advocate ways to control its appearance, provide very limited analysis and are likely to draw incorrect conclusions. This situation results because (a) forms of industrial conflict expression are related to one another and do not appear in isolation, and (b) such conflict expressions are not seen as legitimate. When we see conflict as legitimate instead of rebellious, we open ourselves to more comprehensive interpretations and understanding of worker behavior in relation to managers and organizations.

3. When researchers come too close to the objects of study, for example, by assuming a management definition of the behavior observed, our social science is compromised. Conclusions are limited and constrained before the research begins. Moreover, such researchers are given to uncalled for and perhaps harmful moral judgments about workers. Normative statements are made which miss crucial aspects of the behavior being studied.

The Gaertner and Nollen paper reaches a useful conclusion that person-centered management style and clear task definition interact to improve unit performance. A similar conclusion has been reached with respect to performance improvement in employee-owned firms.

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Stock ownership alone does not improve performance, and participation programs have only limited and short-run effects. However, there is an interaction between ownership and participation in decisions; when both exist, sustained performance improvements occur.

In spite of the interesting conclusion on interaction effects, this study could be improved by paying more attention to the context in which the units studied exist. Unit location in 14 different countries is only considered in terms of differing economic growth and monetary exchange rates. The central issue of whether unit climate operates the same way in different countries is ignored. Likewise, there are seven different lines of business among the units in the sample. Estimation of line of business effects might also improve our understanding of how climate affects performance.

The Martocchio and Judge paper also raises an interesting issue because perceived inequity in the disciplinary system may lead to grievances, lower productivity, motivation problems, and other expressions of conflict. This paper acknowledges the possible interconnections of various forms of conflict expression. The extensive literature that has developed around the exit, voice, and loyalty constructs makes this argument clearly. When some forms of conflict expression are blocked, other forms will increase.

The difficulty with this study is that it never really compares the actual discrepancies between supervisors' and subordinates' disciplinary decisions. Rather, it compares the criterion variables used and finds that these are consistent across groups. However, there is no assessment of whether supervisors and subordinates begin from the same level of discipline. Supervisors could have a higher baseline punishment (on the nine-point scale) than workers do. Further, the triadic method used includes dyadic analysis of supervisor/subordinate pairs. Each supervisor is used twice, which would seem to violate independence assumptions for any pooled regression technique.

The paper also seeks to explain why Schneider's attraction-selection-attrition model does not seem to work. The use of Pfeffer's organizational demography model here is an incomplete explanation. Though one might argue, as they do, that role ambiguity leads to reliance on existing rules, Pfeffer's work on power (1981) suggests that ambiguous situations such as the one studied here are opportunities for the exertion of power. Supervisors may use rules when there is ambiguity, but only when it is to their advantage. In addition, Schneider's model is based on organizational tenure, but the authors measure job tenure, which is a subtle but significant shift in concept.

Miners et al. provide a stark illustration of the third general point by adopting the language and assumptions of organizational management. The paper purports to study absenteeism and time-worked behavior in a public bus company and to design a management system based on information and changed supervisory practice to control absence behavior. The authors conclude that different forms of absenteeism substitute for one another. For example, stopping short unexcused absences by sanctioning might lead to an increase in long excused absences. They warn that leaving any form of absence uncontrolled leads to workers taking advantage of the "loophole" in the system to take time off. They also conclude that there is an equilibrium between workers' preferences for time off and for income.

The difficulty lies in the assumptions and rhetoric of the study. The object is to get rid of worker time off, excused or not. They suggest that if management will only get it right and close the "loopholes," workers wouldn't substitute nonwork for work with impunity. The term "loophole," which is commonly used to discuss income tax cheats, is indicative of the assumptions of this paper. Workers seem to be thought of as shiftless, unmotivated, and childlike in need of punishment and control to extinguish need for time off from work. There is no consideration of the possibility that time off has a function that may or may not facilitate or harm the organization. The examples of blinding assumptions are plentiful.

Hypotheses 1 and 3 make the not so subtle shift of the concept short unexcused absence into nonlegitimate absence. When the authors found that an OD intervention produced an increase in short unexcused absence, the authors call the behavior "willfully wrong forms of employee time use." In phase B when absences were not reduced to permitted sick leave, the authors note that "goodwill did not return (as in the OD phase), nor did better work values and pride develop." (These variables are not measured in the study.) Employees who did not participate in the OD effort "exploited the nonpunitive environment of OD."

These and other examples of characterizations of workers in this paper are indicators of underlying assumptions that blind the researchers to comprehensive understanding of worker behavior. The possibility that absenteeism represents a legitimate expression of conflict with work is ignored, steering the researchers away from considering the utility of absenteeism for workers or its general role in the workplace. It ignores the prospect that extinguishing absence behavior may lead

to increases in grievances, theft, passive sabotage, or other forms of reduced productivity.

It is entirely possible that everyone needs some time off from work, but this issue cannot be considered under the framework presented in the paper. When examining absenteeism in an employee-owned firm, I (Hammer et al. 1981) assumed that worker owners would reduce absenteeism because the connection between working and the value of their stock would be clear and that group norms would encourage individuals to attend work. We found, however, that while unexcused absences decreased, excused absences directly compensated for the drop by increasing. A broader view of absence behavior than that of Miners et al. is needed. Their acceptance of management definitions of the behavior being studied blocks consideration of any broader view. All social science researchers make assumptions about the objects of study, but the normative bias in this particular study reduces the value of an otherwise carefully crafted work.

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IV. CAUSES, OUTCOMES, AND MEASURES OF EMPLOYEE PAY AND BENEFIT SATISFACTION

Organizational and Career Pay Satisfaction: An Outcomes Focus

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Why study the topic of pay satisfaction? It can be argued that researchers should study work-related satisfaction as an important outcome, one that employees have a right to expect from work. But from an organizational standpoint, the primary reason for studying pay satisfaction is that an individual's satisfaction with pay may be a predictor of other outcomes that are relevant to the organization.

If outcomes should be a major focus of pay satisfaction research, then explanations must be sought as to why the vast majority of attention has been on causes rather than outcomes of pay satisfaction. Perhaps the primary reason is that past research has indicated only a weak relationship between pay satisfaction and relevant work outcomes (see Heneman [1985] and Miceli and Lane [1991] for recent reviews of pay satisfaction research). Past empirical results may have provoked the further exploration of pay satisfaction antecedents. But it is interesting that past conceptual models of pay satisfaction have largely ignored pay satisfaction outcomes.

A model of pay satisfaction has been developed recently that not only includes outcomes but is primarily driven in its conceptualization by the prediction of outcomes (Deckop 1992). This model defines two facets of pay satisfaction: organizational pay satisfaction, defined as attitudes that individuals have about their organization that result from

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the pay they receive, and career pay satisfaction, defined as attitudes individuals have about their careers that result from the pay they receive. General pay satisfaction is assumed to be a combination of the two.

The justification for the distinction in types of satisfaction is that it produces a useful distinction in outcomes. It is hypothesized in Deckop (1992) that organizational pay dissatisfaction is more likely to produce outcomes that are directed to the organization (e.g., complaints, union activity), and that career pay satisfaction produces outcomes that are career-directed (e.g., turnover to another occupation). As past research has failed to make the distinction between these types of pay satisfaction, it is argued that it is not surprising that we have not been that successful in predicting work outcomes using pay satisfaction as a predictor.

After reviewing relevant theoretical work, this analysis will review past empirical research on pay satisfaction outcomes. At a conceptual level these outcomes will be classified according to the degree to which we would predict them to be consequences of organizational pay satisfaction versus career pay satisfaction. Also classified will be the instruments used to measure pay satisfaction. Some appear to measure more closely career satisfaction, and others organizational pay satisfaction.

Classifying outcomes and measurement instruments in this way illustrates the point that there has been little congruence in past pay satisfaction research between dependent and independent variables.

Theoretical Models of Pay Satisfaction

Previous theoretical models of pay satisfaction include those proposed by Lawler (1971) (since modified by Dyer and Theriault [1976] and H. Heneman and Schwab [1985]), Miceli and Lane (1991), and Deckop (1992). Lawler's model was grounded in discrepancy theory job satisfaction (as succeeding models have been). At the core of the model is the difference between what an individual perceives should be received and perceptions of what is received.

As a basis for what should be received, Lawler focused explicitly on factors related to the contribution of the employee to the organization. Explicitly ignored in his model were "pay desires," or potential antecedents of pay satisfaction unrelated to the contribution of the employee.

Dyer and Theriault (1976) extended Lawler's model by including variables related to perceptions of pay system administration and

additional variables hypothesized to influence perceptions of the amount of pay that should be received. Included were the perceived cost of living, the perceived financial condition of the employer, and, of particular note for this analysis, perceived financial needs, family obligations, and other obligations. These last items appear to be better labeled pay desires rather than pay fairness items, at least if one takes the employer's perspective.

Heneman and Schwab (1985) extended the Lawler (1971) model by disaggregating the construct of pay satisfaction into multiple dimensions. They included pay level, pay raises, pay benefits, and the structure/administration of pay. They also developed a measurement instrument, the Pay Satisfaction Questionnaire (PSQ), which incorporates those dimensions for purposes of measurement.

Miceli and Lane (1991) furthered the conceptual development of the pay satisfaction dimensions proposed by Heneman and Schwab (1985) in presenting separate and detailed models of pay level satisfaction, pay system satisfaction, and pay benefit satisfaction. And like Dyer and Theriault (1976), but unlike Heneman and Schwab (1985), they devoted some attention to antecedents of pay satisfaction unrelated to employee contribution.

Departing from previous approaches, Deckop (1992) had as a focus the antecedents of pay satisfaction unrelated to employee contribution. He specified three categories of "career pay referents": economic needs and desires, family and friends, and self (historical). These categories were based on prior research that dimensionalized equity referents used by employees. These career pay referents were hypothesized to influence primarily career pay satisfaction. Also specified were organizational pay referents (also identified from empirical research), which were hypothesized to influence organizational pay satisfaction. These referents, all related to employee contribution, included internal—between jobs, internal—within jobs, and external—same job.

The list of pay outcomes in Deckop's (1992) model were classified as organizational- or career-directed, depending on whether they were hypothesized to result from organizational or career pay satisfaction. Organizational-directed outcomes included effort, complaints, union activity, extra-role behavior, and turnover (within occupation). Career-directed responses included turnover (different occupation), overtime, retraining, and effort. Note that there is overlap. Organization-directed effort may be negative and harm the organization in

instances of dissatisfaction, and career-directed effort may be positive in nature and benefit the organization. And finally it is hypothesized by Deckop (1992) that organizations, through the design of compensation policy, may have a strong influence on organizational pay satisfaction and therefore its outcomes. Conversely, organizations have little or no influence on career pay satisfaction. This fundamentally provides the basis for distinguishing the types of pay satisfaction and outcomes.

Review of Empirical Studies of Pay Satisfaction Outcomes

Review of the Independent Variables

Researchers have used various terms to describe individual attitude or affect toward pay. For purposes of this article we conducted a library database search of all empirical journal reports published since 1986 using the terms pay satisfaction, pay equity, pay fairness, compensation satisfaction, compensation equity, and compensation fairness (in the following analysis we use the terms compensation and pay interchangeably). Additionally, we supplemented this material with existing articles cited elsewhere pertaining to pay satisfaction (see Table 1). Though our search was perhaps not exhaustive, the articles reviewed are at least representative of past empirical research that specified pay satisfaction as a predictor of work-related outcomes.

The majority of studies specified the construct pay satisfaction. Other constructs used were pay equity, pay fairness, pay reactions, financial rewards, and pay adequacy. We decided not to restrict our review to studies that specified pay satisfaction because the basic thrust of this analysis, which is that pay attitudes and affect can result from both organizational and career bases, applies to all the constructs indicated above.

Measurement

In attempting to measure the independent variable, most of the studies we reviewed incorporated questionnaires of their own design (indicated on Table 1 as "Other"). Three studies used the Minnesota Satisfaction Questionnaire (MSQ) pay subscale and one used the PSQ.

To assess the congruence of the independent variables with the dependent variables, we attempted to classify the measurement instruments by the type of pay satisfaction being measured (organizational [O], career [C] or both). This classification was based on whether the items in the scale explicitly required the respondent to choose an organizational or career referent. For example, one item in

TABLE 1
Empirical Studies of Pay Satisfaction Outcomes

Authors	Dependent Variables	Pay-Related Independent Variables	Pay Measure	Pay-Related Results
Finn & Lee (1972)	Dissonance (O&C) Attitudes toward work & organization (O) Voluntary turnover (O&C)	Pay fairness	Other (O&C)	Equity & inequity subsamples significantly different in terms of dependent variables.
Muczyk, Hise & Gannon (1975)	Union representation (O) Union preference (O)	Pay satisfaction	Other (O&C)	Significantly negative for pay item.
Hamner & Smith (1978)	Level of union activity (O)	Financial reward	Other (O&C)	No relationship.
Schriesheim (1978)	Union voting (O)	Pay satisfaction	MSQ (O&C)	Significantly negative.
Weiner (1980)	Turnover (O&C) Absenteeism (O&C) Attitudes toward unionism (O)	Pay satisfaction	MSQ (O&C)	Three predictive models compared, the strength of predictions varied.
Rhodes & Steers (1981)	Org. commitment (O)	Pay equity	Other (O)	Pay equity correlated with org. commitment in cooperatives, but not conventional firms (as hypothesized).
Motowidlo (1983)	Withdrawal cognitions (O&C) Turnover (O&C)	Pay satisfaction	Other (O)	Significant correlation with both dependent variables.
Orpen (1986)	Job involvement (O&C) Work satisfaction (O&C) Internal motivation (O&C) Performance (O&C) Absenteeism (O&C) Turnover (O&C)	Pay satisfaction	PSQ (O&C)	Only significant relationship with job involvement & internal motivation.
Scholl, Cooper & McKenna (1987)	Intent to remain (O&C) Extra-role behavior (O)	Pay equity Pay adequacy	Other (O) Other (C)	Pay equity positive & significant w/both dep. variables. Pay adequacy positive & significant with intent to remain, insignificant relationship w/extra-role behavior.
Beauvais, Scholl & Cooper (1991)	Org. commitment (O) Union commitment (O) Dual commitment (O)	Pay equity	Other (O)	Correlation between market equity & org. commitment positive & significant.
Summers & Hendrix (1991)	Job performance (O&C) Turnover (O&C)	Pay equity Pay satisfaction	Other (O&C) MSQ (O&C)	Mixed-pay equity related to turnover through effect on pay satisfaction in LISREL analysis. Neither related to performance.
Miceli, Jung, Near & Greenberger (1992)	Sat. w/employer (O) Job search (O&C) Intent to stay (O&C) Intent to retire (O&C)	Pay reactions	Other (O)	Positive & significant for all variables except intent to retire.

the MSQ is "the chance to make as much money as my friends." Respondents are asked to compare their pay to friends' pay, a career pay referent. Therefore we considered this item career-related.

Most instruments employed were ambiguous in their focus, however. There were two sources of ambiguity. First, with some scales such as the MSQ, items with an organizational referent are combined with items with a career referent. The second source of ambiguity was in cases in which the items fail to direct the respondent as to the appropriate choice of referent. For example, a typical PSQ item is "the size of my current salary." As discussed in Deckop (1992), a respondent could indicate dissatisfaction on this item because, for example, of an inability to meet mortgage payments (a career pay referent), or because a less productive coworker earns more (an organizational pay referent). The more ambiguous the scale, the more likely we classified it as both organizational and career (O&C). We recognize, however, that our assessment of these scales is ultimately subjective and open to challenge.

Comparatively, more items and scales appeared to measure both organizational and career pay satisfaction. Several were classified as organizational; only the Scholl et al. (1987) measure of pay adequacy could be classified as primarily career-related. The Job Descriptive Index (JDI) pay subscale is predominantly career-related and has been used often in studies in which pay satisfaction is the dependent variable. It was not used in any of the studies reviewed here, however. We must caution finally that we had difficulty classifying some scales because the studies did not list all the items included in the survey instrument.

Review of Outcome Variables

We then assessed the outcome variables, classifying outcomes as organization-directed (O) or career-directed (C) or both (O&C) when the outcome could be either. Examples of specific outcome variables classified as organization-directed include union representation, preference, and activity; organizational commitment; extra-role behavior; work attitudes; and satisfaction with employer.

Examples of variables that could be classified as either career-directed or organization-directed included voluntary turnover, job performance, dissonance, intent to stay, job involvement, and internal motivation. None of the outcome variables were classified as career-directed.

Congruence of Dependent-Independent Variables

Congruence between dependent and independent variables is indicated when there is a hypothesized relationship between an independent variable classified as organizational and an outcome classified as organizational or an independent variable classified as career and an outcome classified as career. Of the 12 studies reviewed, only two, in whole, fell in either category (Rhodes and Steers 1981; Beauvais et al. 1991). Two others specified one or more relationships that fell into these categories (Scholl et al. 1987; Miceli et al. 1992). Incongruence is indicated when a career independent variable was specified with an organizational dependent variable or vice versa. One study, in part, fell into this category (Scholl et al. 1987). The majority of studies specified independent variables classified as organizational and career and outcomes classified as organizational and career. Undoubtedly, the reason for this is the lack of recognition of the distinction in the literature. All these studies can be considered incongruent to some extent.

Results of Studies

If the distinction made by Deckop (1992) between organizational and career pay satisfaction is valid, then studies in which there was congruence between dependent and independent variables should indicate stronger findings; where incongruence is present, weaker findings should result. Inspection of Table 1 lends some support for this, as all congruent relationships (except two in Beauvais et al.) are statistically significant in the predicted direction, and the one incongruent relationship (in Scholl et al. 1987) is not statistically significant. Results of other studies in which congruence is more ambiguous are far less consistent as compared to these.

We certainly do not consider these findings definitive. It is difficult to compare results across studies, given differences in study design, particularly the specification of variables other than pay satisfaction and tests for moderating effects. Only a few of these studies had effects of pay satisfaction as a primary focus. And few studies indicated a congruence between dependent and independent variables.

Discussion and Implications for Future Research

The general issue of dependent-independent variable congruence is not unique to the pay satisfaction literature. As discussed in Deckop (1992), research studying the effects of locus of control has recently

explored the use of the more specific "work locus of control"; similarly, the esteem literature has defined the construct "organization-based self-esteem."

It can be argued that this general movement to disaggregated constructs may only serve to complicate the execution of research in these areas. Less parsimonious models result in the need for more precisely operationalized measures and outcomes. Revisions of standardized instruments currently in use may be necessary. For example, the PSQ would have to incorporate referents into either the instructions to respondents or the items themselves.

Is it worth it? Will the added complication ultimately benefit the final result? Only future research can answer this, but a few observations seem warranted at this point. First, current measures of pay satisfaction arguably do a poor job of predicting relevant outcomes. Disaggregating outcomes as suggested here (and as done in Heneman and Schwab [1985]) may indeed be the solution, or may not. It appears we have little to lose, however, by pursuing this approach. Second, as indicated in Table 1, the overwhelming majority of studies do not even use standardized measures. Instead, measures are tailored to the context at hand. Though the merits of this approach are debatable, recognition of the distinction between organizational and career pay satisfaction may not be that difficult to incorporate in such measures.

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Reactions to Employee Benefits: Development and Refinement of a Measure

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Employee reactions to benefits is a topic of growing interest to both researchers and practitioners (McCaffery 1992). Despite recent attention, there has been a paucity of theoretical and empirical writing on this topic (Harris and Fink 1992). Moreover, despite frequent exhortations that development of reliable and valid measures must precede substantive research (e.g., Schwab 1980), the need for a carefully designed, thoroughly investigated measure of employee reactions to benefits remains.

The purpose of the present paper is to describe the development and further examination of one measure of employee reactions to benefits. This measure, the Reactions to Employee Benefits Survey (REBS), has been described elsewhere (Harris, unpublished paper). Accordingly, the present paper provides a brief summary of that research and reports two additional studies pertaining to the construct validity of the REBS. Finally, future research regarding the REBS in particular and employee reactions to benefits in general is discussed.

Development and Initial Analyses of the REBS

The goal of the REBS was to provide a multidimensional instrument for measuring a number of different aspects of employee reactions to and satisfaction with their benefits program. Accordingly, an examination was conducted of the benefit literature to determine which dimensions appear important to employees. Examination of this literature identified seven basic facets of a benefits program: value (e.g., Dreher, Ash, and Bretz 1988), cost to employees (e.g., Dreher et al. 1988), information provided to employees (e.g., McCaffery 1992), access to help with questions (e.g., Miceli and Lane 1991), speed and

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efficiency of reimbursements (e.g., Miceli and Lane 1991), amount of paperwork (e.g., Miceli and Lane 1991), and choice among benefits (e.g., Miceli and Lane 1991). These scales will subsequently be referred to as value, cost, information, help, reimbursements, paperwork, and choice, respectively. In addition, three other scales were developed. Two general scales seemed appropriate: an overall satisfaction scale and a scale to assess the degree to which the benefits program was perceived to meet the needs of the respondent (subsequently referred to as need). Finally, because there is likely to be considerable variance regarding respondents' knowledge of their benefits (e.g., Dreher et al. 1988) and this may be an important moderator (e.g., Feldman and Lynch 1988), a scale was developed to assess knowledge of the benefits program (subsequently referred to as knowledge). Thus the REBS comprises ten scales. For each of these scales two to four sample items were written and then sent to four benefit practitioners for their suggestions. Based on their comments, several minor revisions were incorporated. Appendix 1 contains a sample item for each of the scales.

Samples and Analyses

In order to test the psychometric properties of these scales, data were gathered from three samples. Samples 1 ($N = 107$) and 2 ($N = 64$) consisted of undergraduate and graduate working students enrolled in a large, metropolitan university school of business administration program. Sample 3 ($N = 199$) consisted of a random sample of alumni from the same school of business administration. The questionnaire for each of these samples contained the REBS items as well as several other scales, including self-report measures of job satisfaction, organizational commitment, organizational citizenship behavior, and turnover intentions.

Alpha coefficients were calculated for all ten REBS scales. Correlations were also calculated between the REBS scales and the self-report measures. Finally, confirmatory factor analyses were performed for sample 3. The results of these analyses are summarized next.

Results and Conclusions

Alpha coefficients ranged between .76 and .93 across all three samples for all REBS scales. The majority were above .80. Thus the scales were internally consistent in all three samples. In order to have sufficient sample size, data from samples 1 and 2 were combined to assess

the correlations between REBS scales and job outcomes. Correlations between the ten scales and the four outcome measures were generally statistically significant. Finally, results of the confirmatory factor analyses indicated that the eight scales (i.e., excluding the two general scales) are correlated but at relatively modest levels. Specifically, the correlations between the eight factors ranged between .76 (for access to help and information) and .16 (for choice and cost) with an average factor correlation of .42.

In sum, preliminary analyses indicated that the REBS is an internally consistent, multidimensional measure. Nevertheless, further research is needed to assess the construct validity of this measure. The remainder of this paper reports on two different studies addressing construct validity of the REBS.

Study 1: Shared Perspectives

A major concern that is expressed with many studies involving scale development is that responses are highly affected by a general attitude towards the company. Moreover, correlations with different scales (e.g., attitudes and self-reported job outcomes) may be inflated by common method variance (Spector 1992); that is, ratings on different scales by the same respondents may be spuriously correlated due to a general perception of their organization (Spector, Dwyer, and Jex 1988). To address this problem, researchers have recommended data be collected from independent sources (e.g., Spector et al. 1988). Thus the purpose of this study was to examine self-coworker agreement on the REBS scales, as well as the correlation between coworker ratings of the REBS scales and self-ratings of turnover intentions, job satisfaction, organizational citizenship behavior, and organizational commitment.

Although many researchers have advocated the above strategy, the extant literature using this strategy has reported only modest convergence. For example, in a meta-analytic review of job conditions (e.g., ambiguity, autonomy, and feedback), Spector (1992) found an average mean convergence of .24. Given that there is a great deal of variance in employees' knowledge of their benefits (Dreher et al. 1988), there is likely to be limited convergence between different raters regarding the REBS scales as well. Thus I predicted there would be only modest agreement (correlations in the .20s) between raters on the REBS scales. Moreover, because investigators have found limited correlations between job conditions as rated by one source and job

attitudes as rated by a different source (Spector et al. 1988), I predicted low relationships (e.g., in the .20s) between coworkers' ratings on the REBS scales and self-reported job satisfaction, organizational citizenship behavior, turnover intentions, and organizational commitment.

Sample

Approximately 200 working students over three semesters at a large, metropolitan university school of business were asked during class time to complete the REBS along with the four self-report measures (i.e., job satisfaction, turnover intentions, etc.). After completing this task, students were given a second questionnaire to give to a coworker (no extra credit was given for the coworker's survey). This form contained only the REBS items along with a cover letter and a self-addressed, stamped envelope. The students' completed forms were then immediately collected. Returned coworker surveys were subsequently matched using a code number made up by the students. At the time of writing this paper, ninety-four coworker REBS forms had been returned (some had missing items, so the usable N ranged from 89 to 94), for a response rate of nearly 50 percent. The students and coworkers worked in a variety of both large and small private- and public-sector organizations.

Results

Of the nine REBS scales (the knowledge scale was excluded from these analyses, as there was no reason to expect interrater agreement), the correlation between self- and coworker ratings was statistically significant in six cases (correlations are provided in the parentheses): value (.28), cost (.25), help (.29), choice (.36), overall satisfaction (.22), and need (.23). With regard to the correlation between coworker ratings on the REBS and self-ratings on the four job outcomes, results varied somewhat. Specifically, coworker ratings on all but one (i.e., cost) of the nine REBS scales were significantly correlated with self-reported organizational commitment; the average correlation was .31. Three of the REBS scales were significantly correlated with self-reported organizational citizenship behavior, namely, help (.25), paperwork (.23), and overall satisfaction (.24). Two REBS scales correlated with turnover intentions: need (.21) and choice (.22). Only one REBS scale was significantly correlated with job satisfaction—help (.28). The self-ratings on the nine REBS scales were also correlated with the self-reported measures of citizenship behavior, organizational commitment, turnover intentions, and job satisfaction.

Interestingly, the self-self correlations for job commitment and citizenship behavior were approximately as high as the coworker-self ratings; however, the self-self correlations for turnover intentions and job satisfaction were much higher on average than the coworker-self correlations. Thus these data indicate relatively positive support for the link between employee reaction to benefits and job commitment and citizenship behavior; however, employee reactions to benefits may be less related to turnover intentions and job satisfaction than is indicated by the self-self correlations.

Study 2: Correlations with Other Measures

Also important in developing and refining a new measure is to examine its relationship with other similar as well as dissimilar measures. In both of the working college student samples described in Harris (unpublished paper), Heneman and Schwab's (1985) measures of pay level and benefit satisfaction were included. Study 2 reports an analysis of the correlations between the REBS scales and these two scales. For each item in Heneman and Schwab's scales, respondents indicate how satisfied they are. The items for the benefits scale are: "your benefit package," "the amount the company pays toward your benefits," "the value of your benefits," and "the number of benefits you receive." Because these items focus on the outcomes of the benefits program rather than the processes (e.g., paperwork, information), I expected high correlations with this scale and the REBS scales pertaining to value, cost, need, and overall satisfaction. Conversely, I expected lower but still statistically significant correlations with the other more process-oriented REBS scales. Finally, although theoretically there should be no correlation between benefits and pay level satisfaction, prior research (e.g., Scarpello, Huber, and Vandenberg 1988) has found low but significant correlations between benefit satisfaction and pay level satisfaction. Hence I predicted small but statistically significant correlations between REBS scales and pay level satisfaction.

Sample

The two working college student samples used in Harris (unpublished paper) and described earlier were combined and used for this analysis.

Results

Five of the REBS scales correlated at .50 or greater with Heneman and Schwab's (1985) measure of benefit satisfaction: value (.83), cost

(.66), need (.83), reimbursements (.54), and overall satisfaction (.87). The remaining REBS scales correlated between .47 and .35. Finally, though seven of the ten REBS scales were significantly correlated with the Heneman and Schwab (1985) pay level satisfaction scale, the correlations were quite modest, ranging between .31 and .08. Hence the results were meshed closely with my predictions.

General Discussion

Overall, study 1 showed modest interrater agreement on many of the REBS scales and revealed that coworker ratings on various REBS scales correlate significantly with self-reported job outcomes. Study 2 indicated that the REBS scales correlate at reasonable levels with another global measure of benefit satisfaction and at expected small levels with pay level satisfaction. Thus these results provide further support for the construct validity of the REBS scales.

Looking at the findings in more detail, several points are worth noting. First, there may be a pattern in the scales that did not show agreement. That is, the scales showing no interrater agreement appear to focus on issues that may have been the function of very different respondent experiences (e.g., respondents might have different experiences in terms of promptness of reimbursement for medical payments). This suggests that it may be the constructs themselves that are the source of lack of interrater agreement, not the scales. Second, almost all of the REBS scales as rated by the coworkers were significantly correlated with at least one of the self-reported job outcomes in study 1. The only exception was the cost scale, which was not significantly related to any of the four self-reported outcomes. Why this is so is unclear; from a practical perspective, however, it would suggest that increasing employee payments may not adversely affect employee attitudes and behavior. A third interesting finding was that organizational commitment was more closely related to employee satisfaction with benefits than was job satisfaction. Hence employee benefit satisfaction seems to differentially affect different attitudes.

Researchers should consider several areas for future research. One issue recommended for future investigation is additional construct validation work with the REBS scales. More specifically, while the results here are generally supportive of the construct validity of the REBS, further investigations are needed. A contrasted-groups design comparing respondents from companies with different levels, administration, and processes of benefits would be useful. For example, it

might be hypothesized that respondents from a company offering flexible benefits would give higher ratings on the choice scale of the REBS than respondents whose companies do not provide flexible benefits. Alternatively, it would be helpful to examine the relationship between REBS scales and various work behaviors such as turnover. Nevertheless, both conceptual writing (e.g., Harris and Fink 1992) and empirical studies (e.g., Carraher, Hart, Buckley, and Sawyer 1992) suggest that employee reactions to benefits may exhibit little or no relationship with job behaviors such as turnover.

A second issue of more substantive interest would be to examine how respondents form impressions regarding their benefit program. For instance, what variables affect perceptions that the company provides much help in answering questions? What cues do employees use in determining the value of the benefits program? It is likely that the answer to these types of questions will help improve employee satisfaction with their company's benefit program.

Finally, given that many employees have little knowledge regarding their benefits program (Wilson, Northcraft, and Neale 1985), further instrument development research should incorporate writing by Feldman and Lynch (1988). Very briefly, as described by Harris and Fink (1992), caution is required when using respondents who lack familiarity with the constructs being investigated. The potential likelihood of this issue in the study of employee benefits suggests more careful examination of Feldman and Lynch's work and their suggestions for overcoming related problems.

In conclusion, the REBS provides a multidimensional measure of employee reactions to their benefit program. Based on the results provided here and in previous unpublished research, the REBS scales generally appear sound. More research is needed to support the construct validity and to begin to understand the factors that affect employee reactions to their benefits.

Appendix 1

Reactions to Employee Benefits (REBS)

<i>Scale</i>	<i>Sample Item</i>
Value	"My company contributes a satisfactory amount of money towards my benefits."
Cost	"The employees in my company pay relatively <i>little</i> for the benefits provided."
Information	"The company provides helpful information about benefit changes."

Help	"I can get quick, accurate answers to questions about benefits."
Reimbursements	"I am properly reimbursed and repaid for benefits claims."
Paperwork	"The forms that must be completed for the benefits programs are clear and understandable."
Choice	"My benefits program allows for a great deal of choice."
Knowledge	"I have a good understanding of how each of my benefits works."
Need	"My company provides all of the benefits I want."
Overall Satisfaction	"Overall, I am quite satisfied with the benefits program at my company."

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The Effect of Employee Benefit Satisfaction on Organizational Consequences

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Employee benefits as a percentage of total wages have risen from 5 percent of pay in 1943 to an average of 39.3 percent in 1986 (U.S. Chamber of Commerce). It has been estimated that \$700 billion a year is being spent on health care alone—an amount equal to 12.5 percent of the U.S. gross national product (Croweak 1991). Furthermore, a study by Hewitt and Associates (1985) of over 12,000 employees found that 84 percent of the respondents rated employee benefits as equal or more important than direct pay. Rising benefit costs and the importance of benefits to employees make it critical for organizations to develop an understanding of consequences associated with their employee benefit programs.

The purpose of this study was to investigate the relationships between benefit satisfaction and four organizational consequences while controlling for several demographic variables. It was hypothesized that benefit satisfaction would be positively related to organizational commitment and trust in management but negatively related to intention to turnover and job stress.

A basis for the proposed relationships is the impact created by the increasing financial weight of benefits. For example, “continuance organizational commitment” has been defined as the “perceived costs associated with leaving the company” (Meyer, Paunonen, Cellatly, Goffin, and Jackson 1989, 152). This suggests that the more employees are satisfied with the financial aspects of their benefits plan (e.g., retirement plan, health care costs, etc.), the more likely they will be committed to the organization. In general support of this notion, Klein and Hall (1988) found a positive relationship between employee stock ownership plan (ESOP) satisfaction and organizational commitment. Similarly inferred from the above definition and supported by past

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benefit research (Mitchell 1982, 1983; Klein 1987; Parkington 1990), it is expected that employees who are satisfied with their benefits will also be less likely to intend to leave the organization.

Benefit satisfaction may also affect trust in management. As benefit costs have soared, employers have actively sought means to contain costs yet still provide adequate and satisfying benefits to employees (e.g., health maintenance organizations, increased employee financial contribution). Employee trust in management may, in part, be dependent on employee believability of benefit cost containment strategies implemented by their employer. The ability of the organization to convince employees that benefit changes are necessary and that they have been effectively and fairly implemented is likely to affect employee trust in management.

Lastly, benefit satisfaction may also play a role in affecting employee stress levels. Stress has been defined as "any characteristic of the job environment which poses a threat to the individual" (Caplan, Cobb, French, Van Harrison, and Pinneau 1975, 3). As an antecedent condition to stress, employee benefit perceptions may reflect concern over financial and health issues. For example, employees who are concerned about their pension or health care may feel threatened and react with psychological stress (and possibly behavioral stress). Conversely, those employees who feel secure about their benefit plans may react with lower stress levels.

Inclusion of the demographic control variables serve important functions in isolating, as much as possible, the relationship between benefit satisfaction and the organizational consequences. For example, employee age and tenure have been shown to be related to organizational commitment (Fukami and Larson 1984) and may also be related to turnover intentions due to increasing benefits associated with tenure (increased vacation time, pension contribution levels, etc.). Employee pay level was also controlled due to its potential impact on organizational consequences (i.e., higher paid employees may trust a management that pays them well).

Method

Sample

Study respondents were 212 employees of a service organization located in five states. Seventy-eight percent of the respondents were female, 21 percent were male. Average age of the respondents was 32 years and average tenure with the organization was 33 months. Response rate to the questionnaire was 11 percent.

Measures

Independent variables. Benefit satisfaction was measured with a ten-item scale combining the four benefit satisfaction items from the Pay Satisfaction Questionnaire (PSQ) (Heneman and Schwab 1985) and the six items from the Wisconsin Benefit Scale (WBS) (Barber, Dunham, and Formisano 1992). Reliability for this scale was $\alpha = .91$ and principal components factor analysis revealed a one-factor solution for the two scales. Pay level, age, and tenure were all self-reported. Ten percent of the returned surveys were randomly sampled for anonymous pay level verification by the organization. All of the sampled self-reported salaries were within organizational pay system ranges.

Dependent variables. Organizational commitment was measured with the nine positively worded items from the Organizational Commitment Questionnaire (Mowday, Steers, and Porter 1979). Reliability for this scale was $\alpha = .90$. The Trust in Management Scale (Alexander and Ruderman 1987) had a reliability for this study of $\alpha = .73$. Intention to turnover was measured with the five-item scale and reliability for this study was $\alpha = .82$. Employee stress level was measured using the four-item abbreviated version of the Perceived Stress Scale (Cohen, Karmarck, and Mermelstein 1983). For this study the reliability was $\alpha = .57$.

Analyses

A series of hierarchical multiple regression equations were performed to analyze the relationships between the independent variables and each dependent variable (see Table 2). The control variables were entered in step one and benefit satisfaction was entered in step two of each regression equation.

Additionally, a principal components analysis revealed a four-factor solution consistent with the dependent variables and a successfully completed Harmon (1967) one-factor test resolved concern about common method variance of this study's self-report, single-measurement questionnaire.

Results

Table 1 reports the means, standard deviations, and correlations for all variables included in this study.

Table 2 reports the results of hierarchically regressing each of the dependent variables on benefit satisfaction while controlling for pay

TABLE 1
Means, Standard Deviations, and Correlation Matrix

Variables	M	SD	1	2	3	4	5	6	7
1) BENSAT	2.96	.81	—						
2) TENURE	32.73	30.36	.25**	—					
3) PAY	19,160.54	12,844.87	.24**	.40**	—				
4) AGE	32.23	9.25	.04	.36**	.37**	—			
5) ORGCOM	3.41	.77	.37**	.06	.18*	.25**	—		
6) TRUST	2.98	.97	.18*	-.09	.11	.53**	—		
7) STRESS	2.49	.66	-.17*	.08	-.02	-.08	-.37**	—	
8) TURNOV	2.83	1.01	-.16	-.18*	-.12	-.38**	-.59**	-.45**	.37**

Notes: * $p < .01$; ** $p < .001$

Correlations reported without decimal points.

One-tailed significance; minimum n pairwise cases: 181.

level, tenure, and age. A summary of the regression equations reveals that benefit satisfaction explained significant variance in each of the dependent variables beyond the variance explained by the control variables.

Discussion

This study found that benefit satisfaction was significantly related to organizational commitment, trust in management, intention to turnover, and employee stress level in the hypothesized directions while

TABLE 2
Results of Regressing Organizational Commitment,
Trust in Management, Intention to Turnover, and Stress
on Benefits Satisfaction Controlling for
Pay Level, Tenure, and Age

IVs	Dependent Variables:											
	Organizational Commitment			Trust in Management			Intent to Turnover			Stress		
	ΔR^2	Beta	F	ΔR^2	Beta	F	ΔR^2	Beta	F	ΔR^2	Beta	F
Step 1	.07		4.51*	.05		2.73*	.15		9.55***	.02		1.16
Pay		.12	2.15		.14	2.57		.04	.20		-.03	.09
Tenure		-.07	.73		-.19	5.00*		-.06	.56		.14	2.33
Age		.23	7.67		.13	2.43		-.37	21.70***		-.12	1.93
Step 2	.14		28.63***	.04		7.26**	.02		4.50*	.04		7.44**
Bene.		.39			.21			-.16			-.22	
Satis.												
Total R^2	.21		11.10***	.09		3.94*	.17		8.43***	.06		2.76**

Note: * $p < .05$ ** $p < .01$ *** $p < .001$ Minimum n pairwise: 181

controlling for employee pay level, tenure, and age. These results are indicative of the increased significance of employee benefits as organizational rewards. Implications for labor relations/human resources practitioners and compensation researchers, limitations of the study, and suggestions for future research are discussed below.

Given the increasing costs of benefits, it is logical that organizations derive a commensurate return on their investment (Milkovich and Newman 1987). The results of this study support this logic by demonstrating that employees who are more satisfied with their benefits are more likely to be committed to the organization, have higher trust in management, lower turnover intentions, and less stress, thereby at least partially justifying the organizational benefit expenses.

Additionally, this study emphasizes the importance of organizations recognizing that their benefit plans are an important way to communicate their human resource philosophy to employees. For example, an organization may choose to promote a philosophy of organizational commitment by developing their benefits plan around profit-sharing and/or stock ownership plans (McCaffery 1992). This study suggests that employees pay attention to these benefit cues and respond with important organizational consequences. These consequences can then provide a basis for evaluating the role employee benefits plays in the organizational compensation strategy.

The results of this study also suggest the need for compensation researchers to continue investigating organizational consequences associated with employee benefit satisfaction. The significant findings suggest that employee benefit satisfaction is a worthwhile independent variable from which to study other organizationally related consequences, especially given the dynamic nature of the current benefit situation. As suggested by Dreher (1991), it is now important to begin focusing more research attention on understanding consequences associated with pay issues, such as benefit satisfaction.

There are limitations of this study that should be considered when reviewing the results and contributions. The response rate is low and the results may not be generalizable to other populations and environments. Also, organizational records would likely provide more reliable and accurate data than self-reported items, such as pay level.

Finally, future research in this area is needed. Benefits communication has been called the "keystone of employee benefits programs" (McCaffery 1988, 210) and research that explores the benefit communication process would be valuable. Additionally, understanding

the psychological processes underlying the relationships between variables such as benefit satisfaction and various organizational consequences would explain *how* and *why* variables are related beyond just *what* variables are related.

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DISCUSSION

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Deckop and Hoover are quite right in arguing that more research needs to link pay satisfaction to outcome variables. This paper has the potential to be quite useful in this regard. The proposition advanced by the authors that organizational pay satisfaction predicts different outcomes than does career pay satisfaction is novel and makes a great deal of sense. It does seem likely, for example, that if employees dissatisfied with their pay deem the organization responsible for the situation, unionization activity or within-occupation turnover is more likely than changing careers. Conversely, if the career or occupation is attributed to be the cause of the pay dissatisfaction, actions such as turnover into a different occupation and retraining are more likely.

While the arguments made in the paper are plausible and indeed may increase the ability of pay satisfaction to predict relevant outcomes, there are several areas for development in this paper. First, the review of past research yields ambiguous results in determining whether organizational and career pay satisfaction differentially predict outcome variables in a way that is consistent with expectations. This ambiguity is due to the fact that measures of pay satisfaction used by past researchers are not easily classified as either organizational or career related, and because the outcomes also are not easily classified. Furthermore, in order to substantiate the arguments advanced by the authors, evidence must be presented suggesting that organizational and career pay satisfaction, while being related, are distinct constructs, and that these two facets display a significantly different pattern of correlations with antecedent and criterion variables.

The Harris paper concerns the development and validation of a multidimensional measure of benefit satisfaction, the Reactions to Employee Benefits Survey (REBS). Employees probably evaluate their

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benefits according to multiple criteria such as coverage, cost, and understanding. Thus a measure that incorporates the multiple facets has the potential to contribute to our understanding of employees' reactions to their benefits. Another positive feature of this study is that the author presents evidence suggesting that the REBS subscales possess favorable psychometric properties and display some degree of convergent validity.

There are several limitations in the study. First, the author expected low correlations between self- and co-worker reports on the REBS scales, and in fact this is what was found. However, since benefit usage, knowledge and understanding, and even cost may vary across employees, one would not necessarily expect them to report identical levels of benefit satisfaction. Thus the low correlations observed may be due to the fact that benefits and thus benefit satisfaction differ across employees in the same organization, or that the REBS scales do not have much validity in measuring the constructs they purport to measure.

Although the author has presented some evidence suggesting that the REBS is a valid measure of benefit satisfaction, more evidence is needed. Confirmatory factor analysis needs to compare the fit of the hypothesized ten-factor model to the fit of a model with fewer factors. Furthermore, the degree to which the subscales of the REBS display differential patterns of correlations with antecedents and outcomes needs to be determined. For example, if the cost subscale is valid, one would expect that out-of-pocket benefit expenses would correlate more highly with the cost subscale than with the other subscales.

The Lane paper uses benefit satisfaction to predict a number of organizational outcomes. As noted by Heneman (1985), insufficient research has concentrated on linking pay satisfaction to outcomes, yet this is critical in establishing that pay satisfaction is a construct worthy of further study. The results suggest that benefit satisfaction indeed does predict a number of organizationally relevant outcomes.

There are a number of limitations in the study. First, since all data was gathered from self-reports, it is possible that common method variance contributed to the relationships observed. Harman's one-factor test does not adequately address this issue since it is often true that a one-factor solution does not fit the data, yet there still are method effects. A second issue to consider is the modelling used. The estimation strategy used assumes that benefit satisfaction leads to trust, stress, etc., but that these variables do not affect benefit satisfaction. Such an assumption is tenuous. For example, trust in management may

influence benefit satisfaction because those who trust their employers may have faith that management has done all it can do to provide high-quality, low-cost benefits. The same holds true for other variables as well.

These papers provide a number of areas for future research. All three papers dealt with the measurement of pay satisfaction. However, any measure attempting to supplant the Pay Satisfaction Questionnaire (PSQ) (Heneman and Schwab 1985) must demonstrate its psychometric and predictive superiority. Also, research has not adequately addressed the appropriate number of dimensions represented by the PSQ. While some recent research suggests that the PSQ is valid and that the four dimensions measured by the revised version of the PSQ are appropriate (Judge, in press), research presented in this symposium challenges the adequacy of the PSQ in measuring pay and benefit satisfaction. Future research needs to resolve this issue.

Another prime candidate for future research, also raised by each author, concerns the outcomes of pay satisfaction. As the authors recognize, there is a need for more research linking pay satisfaction and its dimensions to organizationally relevant outcomes. As was noted earlier, the relationships are unlikely to be simple. For example, it is possible that dissatisfaction with level of pay, benefits, raises, or even pay administration may lead to turnover depending on a number of conditions, such as alternatives in the labor market for each of these dimensions, who individuals use as their referents, and so on. Future research needs to model this process more completely. Some excellent places to start are provided in the papers presented in this symposium.

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V. CONSENSUS, PARTICIPATION, AND CONFLICT: THE GERMAN INDUSTRIAL RELATIONS MODEL UNDER STRESS

German Employers' Views of Labor Representation

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In the 1970s and 1980s, the nature of labor-management relations shifted fundamentally throughout the advanced industrial world. The U.S. union movement, already among the weakest in terms of membership, suffered more membership and political losses than perhaps any other. This decentralizing trend has been observed in other countries as well (Katz and Sabel 1985; Windolf 1989). In recent years industrial relations theorists have devoted increasing attention in their explanation of these developments to the "strategic choices" of the actors in industrial relations (Kochan et al. 1986). The downward shift in the locus of industrial relations might at first glance suggest strategic employer choices reflecting a cognizance of the superior efficiency of unconstrained microeconomic decision making. But the German case—in which a high degree of coordination and centralized negotiation between unions and employers remains a key feature of industrial relations—is apparently inconsistent with this view. For alongside some decentralization of labor-management negotiations we find the continued resilience of higher-level labor-management negotiations about the terms of sectoral adjustment (Thelen 1991). What accounts for this resilience? Does it reflect simply the preferences and power of the German unions?

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Recent works in the field of political science suggest otherwise. A variety of political-economic studies argue that the German industrial relations system and political economy—with its extensive mechanisms for employee representation—is particularly well suited to meeting the contemporary challenges of industrial adjustment facing all the advanced industrial countries. Society and economy, it is argued, both benefit from the high levels of unionization and from the “dual system” of employee representation in which unions conduct collective bargaining with employer associations at the industry level while legislatively mandated works councils implement these agreements and defend workers’ legal rights at the workplace (Turner 1991; Thelen 1991; Sorge and Streeck 1988). In short, these works emphasize not only the parties’ strategic choices but also, importantly, the context of the broader institutional structures within which those choices are made.

This paper explains how what German managers think about employee representation is influenced by the politically constructed institutions within which labor-management relations take place. The research drawn on here is based on the analysis of interviews with managers from different industries and at a variety of levels in the managerial hierarchy and with employer association representatives. The interviews focused on how the mechanics of employee representation affect the implementation of technological change and associated changes in the organization of production, work, and skills.

The German Institutional Context

The key features of the German industrial relations system all reflect the fact that Germans think of theirs as being a *social* market economy (as opposed to a *free* market economy) in which the major actors are the “social partners,” labor and business. The German system features two distinct but closely coordinated levels and mechanisms for employee interest representation, only one of which is directly concerned with collective bargaining. In Germany, 16 industrial unions reach highly general bargaining agreements with employer associations, usually annually. These broad framework agreements are then implemented in accordance with the specific circumstances of the company and/or workplace by local management working together with the institutionally separate and federally mandated works councils. German unions’ rights to codetermination via representation on the supervisory boards of large companies are guaranteed by law (Markovits 1986).

The works councils represent blue- and white-collar workers proportionally and have rights to information, consultation, and codetermination over a variety of workplace-related issues (Mueller-Jentsch 1992). Most councillors are active unionists. Moreover, most cases of labor-management negotiated, firm-level industrial adjustment to changing technological and work organizational requirements turn critically on the strategy and leverage of the union (Roth and Kohl 1988; Thelen 1991).

Industry and employer associations play pivotal roles in defining employer policies regarding broad political-economic and specifically human resource-related issues, respectively (Gesamtmetall 1989). Regional and industry-wide bargaining takes some of the costs of labor and the terms of human resource utilization out of competition between individual firms. In short, in Germany we find institutional links across and between actors and events at the micro, meso (industry-wide and regional), and macro levels, which establish forums for wide-ranging negotiations between labor and management concerning issues relevant to all levels of economic life (see Wever and Allen 1992). The interviews, to which we now turn, clarify the practical functioning of these close connections and the ways in which they influence employers' strategic choices in the industrial relations arena.

The Interviews

The interviews were conducted as part of a larger research project (Wever 1992). They included representatives of a broad range of medium-sized and large private-sector firms and employer associations. Content analysis of the interviews yielded five broad categories into which the relevant comments fell: (1) the relative merits/demerits of working with works councils versus unions, (2) how works councils affect the conflict of interest between employers and employees, (3) the relative advantages/disadvantages to negotiating with strong/weak partners (unions or works councils), (4) the comparison between the German and American systems of industrial relations, and (5) the effects of works councils specifically under contemporary environmental or economic conditions. All comments were unsolicited. The five groups of comments and the general breakdown of how many interviewees made what sort of comments are shown in Figure 1. No interviewee either explicitly or implicitly contradicted or called into question any of the remarks falling into these five categories. Comments did not differ noticeably across industrial sectors or different levels of the organizational hierarchy.

FIGURE 1
Total Number of Comments Falling into
the Five Main Categories

	Prefer councils	Prefer unions	Not addressed	Total
(1) The relative merits/demerits of working w/ councils v. unions	9	0	28	37
	Ease	Exacerbate	Not addressed	Total
(2) How works councils affect the conflict of interest between employers and employees	16	0	21	37
	Advantage	Disadvantage	Not addressed	Total
(3) The relative advantages/disadvantages of negotiating with strong/weak bargaining partners	9	0	28	37
	Prefer German	Prefer U.S.	Not addressed	Total
(4) The German and American systems in comparison	9	0	28	37
	Especially helpful	Not especially helpful	Not addressed	Total
(5) The effects of councils specifically under contemporary circumstances	11	0	26	37

The first category of comments concerned the relative merits of working with works councils versus unions. Interviewees claimed it was easier to deal with works councils than with unions. The councils were said to be more pragmatic and less ideological than the unions. They were also said to ease organizational change processes by getting employees to accept necessary changes, particularly in technology. These comments reflect the fact that the dual system insulates the enterprise from "political" negotiations (including negotiations over

basic wages), while at the same time institutionalizing political conflicts in regional and industry-wide collective bargaining. The dual system gives expression to the inherent conflict of interest between labor and management through collective bargaining, while playing up the confluence of local interests between the parties.

The dynamics of enterprise-level labor-management relations are clarified by the second set of comments concerning the ways in which the works councils affect that inherent conflict of interest. These comments contained specific praise for the councils' ability to mediate and ease the tension between employer and employee interests. None of the interviewees saw the council as exacerbating these tensions or leaving them unaffected. Even managers who described their relations with the works council as being confrontational or conflictual subscribed to this view.

The third set of remarks concerns the relative advantages of negotiating with strong bargaining partners (works councils or unions) as against weak ones. The relevant comments were unanimous in favor of dealing with strong partners, arguing that while strong negotiating partners may wield more power than weak ones they can also deliver what they promise. The costs involved in bargaining with a strong negotiating partner appear to be outweighed by the costs of not being able to rely on the integrity and competence of the other side.

The fourth category of remarks compared the German and American industrial relations systems. These comments suggested that new technology and competitiveness pressures increase the importance of a well-trained and highly motivated work force of a sort the conflictual U.S. system cannot produce. Centralized collective bargaining enables employers to compete on bases other than labor costs and, to some extent, to compete with other countries rather than just other firms. The works councils are viewed as allies in this process.

Finally, the comments focused on the benefits of working with works councils specifically under conditions of rapid and continual economic and environmental change. The interviewees explained in various ways how the works councils will play an increasingly critical role in the German private sector as current trends—including technological change, pressures for greater organizational flexibility, and the increasing importance of skills—continue. These comments again assume that change must be negotiated, and that there will inevitably be conflicting interests as to the terms of how change is introduced.

A comment pulling together these themes was offered by the president of the Federation of Employer Associations:

If there were no Works Constitution Act then the personnel-political differences across enterprises would be much greater. . . . [Given the choice between the U.S. and German systems] I would take the German system, because it is more social and humane. American capitalism's understanding of the free market doesn't reflect my preferences. . . . I think with technological developments we need, more than in past years . . . employees who are not only highly qualified but also motivated. . . . Manchester liberalism can't be realized in this kind of world. Basically even in just economic terms a progressive employer strategy will pay off better anyhow. In this regard, a preventative strategy is the best strategy. Though if we were only competing with Korea or Taiwan it would be a different matter.

Summary and Conclusion

Each of the five categories of comments illustrates how the views of those interviewed were influenced by the institutional framework within which they operate. In the *first* and *second* sets of remarks we see how the institutional channeling of conflicts over resources and basic working conditions into industry-wide and regional collective bargaining between employer associations and unions leaves managers and works councils free to negotiate constructively about relatively consonant interests. The preference for strong and competent bargaining partners voiced in the *third* set of comments makes sense only in the context of a political economy in which employee representation is institutionally secure. The *fourth* set of comments stresses the need for social peace as well as a highly skilled, highly motivated work force. These remarks are premised on the idea that social peace and skilled and motivated employees cannot emerge from an institutional vacuum. Finally, the *fifth* set of comments links the success of contemporary technological and organizational change processes to the councils' ability to ensure employee acceptance of those changes.

Two general conclusions emerge from this analysis, both supporting an account in which institutional influences—that is, politics—shape strategic choices in ways that suggest that free market capitalism is by no means the only, the most natural, or the inevitable organizing principle of post-Fordist capitalist production and employment relations. First, there is no inherent reason why managers should find employee representation to be detrimental to the firm's economic goals. Rather, those goals will vary with the institutional contexts in which they are defined. In the U.S. a sparse and free-market-oriented

institutional landscape, combined with a lack of powerful centralizing institutions on the employer side, not only leaves employers a broader range of decision-making prerogatives but creates incentives for competing on the basis of local labor costs (see Kochan and Wever 1991).

The second main finding of this analysis is that the views of German managers and employer association representatives support the idea of a consensual "negotiated" pattern of German industrial adjustment (see Thelen 1991). Put differently, there is more to strategic choice than the exertion of free will in a free market. This logic, illuminated by the reasoning of German managers, cannot be captured by a theoretical model that focuses on economic processes and outcomes at the level of the organization. Such an approach relegates the forces creating the institutions of a given political economy—politics and history—to "residual" categories. To lay bare the full complexity of labor-management relations in any country, industrial relations concepts must be able to capture more than market transactions and collective bargaining processes.

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A House Divided: German Unification and Organized Labor

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Three years after the upheaval in the former German Democratic Republic (GDR) and two years after formal state unification, it has become painfully clear to everyone that this unprecedented event and the changes it has wrought is not the cakewalk that many, including the ruling government coalition, maintained it would be. The West German unions were not part of this easy street chorus, but they could not just sing a melody of their own choosing and found themselves torn between the need to address the evident problems while scrambling to organize at the pace dictated by political events.

In light of the massive economic and social problems with which unified Germany has to cope today, it is by and large self-evident that labor unions are key actors in the integration of the new Bundesländer (Fichter and Kurbjuhn 1992). For the unions this process presents a challenge second only to the reconstruction period following the demise of the Nazi regime in 1945. In the pre-1990 Federal Republic, the unions were an integral part of the nation's political culture and were regarded as an element of organizational stability and democratic strength.

Except for a brief period immediately after 1945, there have been no democratic unions in the eastern part of Germany since 1933. The self-proclaimed union in the GDR, the Freier Deutscher Gewerkschaftsbund (FDGB), was the "transmission belt," as Lenin once put it, for transporting party policy to the workers on the shop floor. Since this was essentially a one-way street, self-initiative was discouraged (Gill 1991). The FDGB leadership not only played no role in initiating the political upheaval in the GDR, it also refused to relinquish control over the organization voluntarily. Structural reform was not initiated until the FDGB's extraordinary congress held on January 31 and February 1, 1990, at which delegates voted overwhelmingly to decentralize the FDGB and erect autonomous industrial unions. This was a

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watershed decision, and many East German reformers were carried away by the enthusiasm and spirit of change. But by then, with the call for German state unity gaining momentum, the FDGB's days were numbered.

Seen from a West German perspective, it was this congress that fired the starting gun for the individual West German unions comprising the German Trade Union Federation (Deutscher Gewerkschaftsbund—DGB) to become directly involved in the restructuring process of the East German unions. One of the reasons for the DGB's slowness in reacting to the snowball of change in the GDR lies in the nature of the pre-1989 relations which the federation and its member unions had with the FDGB. With the advent of the Ostpolitik under the social-liberal coalition government of Chancellor Willy Brandt, the DGB cautiously assented to an initial exchange of leadership delegations. Contacts remained sporadic until the 1980s, when under the leadership of Ernst Breit the DGB met with the FDGB leadership more frequently. Although publicly characterized as part of the dialogue between East and West Germany and as a contribution to the reduction of tensions in the spirit of Helsinki (CSCE), these meetings (especially those in the GDR) were for the most part ritualized exercises with no practical consequences. The unions were too involved with their own organizational strife and with more pressing problems at their own doorsteps (rising unemployment, new technologies, the need to shorten work time, and the impending introduction of the European Single Market) to use these meetings as a forum to support the extensive sociopolitical changes that began sweeping through Eastern Europe in the late 1980s.

The Organizational Politics of the DGB in East Germany

The rush to German unity reshaped the parameters for judging the DGB's steadfastness, strength, and capacity for involvement. After the Wall came down it seemed as though all debates over union reforms were to end abruptly. By the summer of 1990, union leaders were concluding that "the new members from East Germany can care less about abstract (high-flying) discussions over union policy on environmental issues and maintaining sociocultural openness. They are fully absorbed by the more traditional motives of union activity: wages, the fear of unemployment, and standard of living" (Kempe 1990; Mahnkopf 1991). Critics, however, pointed out that union headquarters showed little interest in promoting self-initiative and active involvement at the grass roots or in opening new avenues of expression to a

membership already in the throes of breaking with the past (Jander 1991). Thus even before state unification had been completed, the challenge that the new situation posed for union culture as it had developed in the old Federal Republic was evident.

By late March 1990, the tempo of the overall takeover strategy pursued by Bonn began to accelerate rapidly, and the unions faced the choice of either mounting a breakneck effort at organizational expansion or watching East Germany join the Federal Republic virtually devoid of functioning unions. Within only a few months, essentially from March to September 1990, the unions threw all their resources into creating an organizational basis which could fulfill the need of East German employees to have democratic unions operating at their place of work. Put simply, that meant transferring the proven structures of West German unions to the new Bundesländer without stopping to ponder over the existence of very different historical, cultural, or socioeconomic prerequisites there. Indeed, the only real interest in organizational reform has resulted from jurisdictional disputes and outright membership raiding.

The Differing Approaches of the DGB Unions to Expansion

Initially, most of the DGB unions tended to regard the decentralization process set in motion by the extraordinary FDGB convention from January 31 to February 1, 1990 as a suitable basis for establishing cooperative relations with the aim of amalgamation at least two to four years in the future. But within weeks after organizational contacts were established, these unions made an about-face, rejecting all amalgamation schemes. By the March 1990 elections to the East German Volkskammer, it had become eminently clear that the whole palette of political, legal, and socioeconomic institutions would be installed in the GDR to replace the existing regime. Union leaders followed suit with their organizations, both to protect their interests in relationship to government and business and to respond to the needs of East Germans. Employees in the "worker and peasant state" had little confidence in the FDGB, but they were by no means fed up with unions in general. On the contrary, they had extremely high expectations toward the DGB unions (IEP 1990).

Although all of the DGB unions opted for the expansionist over the amalgamation strategy, they may be divided into four groups according to the actual course they chose to follow:

1. Unions that presided over the organizational reform process in an FDGB partner union with the goal of bringing the structures in

line with those of their own organization, eliminating the influence of the old guard and assuring that the acceptable officials had the support of the membership.

2. Unions that initially followed the same course as the first group but then decided to end their involvement in the FDGB reform process and support the building of a new partner union. This decision was made in agreement with the FDGB union. Its aim was to create a new union identity for the membership closely associated with the DGB union, while continuing the relationship of close cooperation with the FDGB partner union.

3. The unions in the third group decided at an early stage in the transformation process to limit their relations with FDGB unions to formal contacts. They chose instead to support or initiate the building of a new union independent of the FDGB.

4. In a category of its own is the largest DGB union, the IG Metall (IGM). At the outset, the IG Metall was one of the first unions to sign an agreement with its FDGB counterpart, the IG Metall of the GDR, based on cooperation and assistance. But by the end of May 1990 the IGM had withdrawn its support for the reform process in that FDGB organization and made it clear to the new leadership on the East German side that it was only interested in assimilating the members.

The organizational expansion of all DGB unions was completed by fall of 1991. Although union structures seem to be functioning well in general, there are integrational problems within the union that cannot be ignored.

Developments Within the Unions

For West German officials, participating in the organizational expansion process meant experiencing the fascination of a new challenge. Most of them approached the tasks facing them in the new Bundesländer with a mixture of job mentality and active goodwill. Their emotional involvement was less intensive than that of their East German counterparts whose whole life history was under scrutiny. The West Germans sent to do this work were aware that their know-how and experience made them indispensable. Their counterparts in leadership positions regarded them, at least initially, as their saviors; on the shop floor they were overwhelmed with inquiries. These unionists were the ones who had the power to decide whether the goals of the FDGB reformists were realistic and attainable within a few months' time. They had to give their union headquarters solid estimates of which resources were needed for which goals. And they had

an important role in determining which of the East German officials had a chance to be hired by their union. (Very few have been hired for or elected to leadership positions.) As such they had to balance hard-nosed organizational decisions with the need to deal compassionately with the fate of individuals.

Interviews with East Germans who are now union officials reveal two basic behavior patterns in adjusting to their new situation. The one is characterized by a self-confident readiness to learn and actively participate in formulating union policy. In general this behavior is typical of East Germans who, prior to 1989, had either not held an FDGB post or had held only a very minor one or who had been a respected shop floor representative. The other behavior pattern is marked by a high level of insecurity and anxiety. Usually it is the East Germans who had attained higher level positions in the FDGB prior to 1989 who are under considerable pressure to prove themselves, both politically and in regard to the quality of their work.

All of the former East Germans spoke of the socio-cultural shock that they have had to master. First the disintegration of the old system, then the rapid takeover by the new one, followed by uncertainty and a loss of orientation. In their role as union officials, the massive destruction of jobs has been very difficult for them to cope with, not only politically but emotionally as well. In theory, the societal transformation process as a whole gave East Germans an unexpected chance for individual development. But in fact, the dismantling of the previously existent economic system, and with it that system's occupational structure, has bred doubt, anxiety, and resignation because the new system has not begun to function as a new perspective.

Even in the confines of an imposed collectivity, East Germans developed a form of community feeling, something many of them now miss. On the other hand, the imposed collectivity as well as other sanctions on individuality also inhibited the development of such personality traits as the ability to risk conflicts and question authority. Both sides—East and West—need to recognize such factors if there is to be a constructive dialogue, without which a return to their separate realms of reference as they existed prior to *die Wende* is unavoidable.

Communicational Disturbances: Trade Union Officials and the Works Councils

The dualistic system of labor representation in Germany has often been cited as a key element of the system's success and stability

(Markovits 1988; Thelen 1991). Under the strains of widespread industrial demise, rapid union expansion into the GDR, and the ensuing East-West dichotomy that we pointed out above, the high level of cooperation between unions and works councils attained in the old Federal Republic has yet to be achieved in the new Bundesländer. In the face of massive layoffs many works councillors feel that they are inadequately represented by the unions in negotiations with government and employer representatives. When they mobilize their constituencies, they regard union support to be sorely inadequate. When they take an active role in management decisions, they find themselves in uncharted waters where the unions are also of little help. Indeed, in some cases, works councillors (East) want no part of union representatives (West) meddling in their affairs.

Such problems have not yet led to a mass exodus of members from the unions in the new Bundesländer. As it turned out, most of the DGB unions initially increased their total membership far beyond expectations. At the end of 1991 there were some 4.2 million new members registered in the new Bundesländer. This figure surpasses the estimated total for 1990 by almost 600,000 and, within a much smaller job market, represents more than half as many members as in western Germany. Nevertheless, a sizeable number of them are unemployed, and with the job market still deteriorating it is likely that the unions will incur substantial losses in 1992 and 1993. It should be noted, however, that the unions have a better track record in East Germany than in the West as far as recruiting women and salaried employees is concerned.

Conclusions

The economic crisis in the new Bundesländer is a growing burden on the economic stability and well-being of the old Bundesländer as well. With the artificial barrier between the two parts of Germany torn away, previously held assumptions are losing their validity. The new Germany is not merely an expanded version of the old Federal Republic. To be sure, West Germany ran the process of creating a united Germany on its own terms. But the days of uninterrupted economic prosperity in a highly homogeneous context are just as much history as the GDR.

From the outset, union leaders continually demanded measures to stem mass unemployment and shore up the industrial basis of the Bundesländer until the newcomers could begin to produce and compete on their own. But just as regularly as they have raised their voices,

their plans have been rejected. At the end of 1992, however, the Kohl government moved to include the unions in high-level talks in hopes of stabilizing and improving the situation. The unions have long favored such talks as a means of coordinating policy and spreading the burden equally. But they may also have to forego agreed upon incremental wage increases in East Germany which would achieve parity, putting these off until a later date.

Both on this level of the integration process as well as within their own organizations, the problems facing the unions are immense. The DGB unions, of course, belong officially to the victorious side. Their expansion into East Germany put an end to the stunted reform efforts within the FDGB and created the necessary basis of organized labor representation in the eastern part of Germany. But still, despite the sizeable number of members from eastern Germany, these are western-oriented unions run by West Germans. If there is any lasting substance in this victory, the unions must recognize the existing differences between East and West and make every effort to overcome them. This is a prerequisite for taking union policy beyond its basically protective and defensive orientation at present in the new Bundesländer to include more creative impulses aimed at developing a truly social and environmentally sound market economy. Both elements—protection and creative impulses—belong together. More than ever, the situation in which the unions find themselves today shows that if they fail to engage themselves in finding creative solutions to the many complex aspects of economic development, industrial production, and infrastructural renewal, they will also fail to serve the needs of their members for protection.

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Collective Bargaining in the Unified Germany

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Currency Union

In July 1990 the deutsche mark was introduced into East Germany. At one stroke, currency union exposed the East German economy, hitherto protected from world markets, to international competition before it had been given the time needed for restructuring. It was not prepared for such competition: productivity in firms was considerably lower than that of their competitors in world markets. The one-to-one conversion rate between the East German mark and the deutsche mark represented a revaluation of 300 percent and meant that the prices of East German products on world markets increased fourfold overnight. It was no longer possible to use exchange rate adjustments as a mechanism for improving competitiveness. No economy in the world—including both the Japanese and the West German—would have survived such a revaluation.

The consequence was a drastic decline in production, the most severe recession that has ever afflicted an industrialized country. Its harshness can be illustrated by the following example: in 1919, after World War I, production in Germany was 57 percent of the pre-war level, and in 1932, at the lowest point of the Great Depression, industrial production was 59 percent of what it had been in 1928 (ifo-Schnelldienst 16-17/1991, 39). In East Germany, however, production fell to less than one-third of the 1989 level and has been stagnant since then.

The unparalleled structural breakdown in East Germany was, however, cushioned by considerable transfers from West Germany. In the last two years roughly 150 billion marks per year have flowed from West to East Germany. This is approximately half the gross domestic product of East Germany and 7 percent of GDP in West Germany. However, these transfers are placing a considerable strain on the West German economy. The 1973 oil crisis resulted in the loss of 2 percent

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of GDP from the West German economy, giving rise to a major economic crisis. The consequences of the present crisis, estimated to be three and a half times more severe than those of the 1973 oil shock, will be even greater.

Because of the political mood in Germany, currency union, with its devastating economic consequences, was as inevitable as the weather. However, in the wake of what was a purely political decision, it is extremely difficult, if not downright impossible, to pursue reasonable and socially acceptable economic, collective bargaining, and social policies. My argument is that in the long run the extraordinary situation created by unification threatens to undermine the stability of industrial relations in Germany. This paper will address the far-reaching consequences of currency union on collective bargaining policy.

Collective Bargaining Policy in Germany

More than 90 percent of employees in Germany are covered by a collective agreement. This comprehensive coverage means that collective agreements act as minimum regulations, a function performed in many other countries by legislation such as that laying down minimum wage levels. Thus a law which has existed since 1952 allows the government to set minimum working conditions, but it has yet to be implemented.

Collective bargaining policy, together with the regulations governing labor-management relations in the workplace, lie at the heart of German industrial relations. The law on collective agreements (*Tarifvertragsgesetz*) stipulates that collective agreements can be concluded only by trade unions and companies or their representative organizations. Works councils cannot enter into company agreements that represent a deterioration in the provisions of collective agreements. This distribution of responsibilities between trade unions and works councils is characterized by the term "dual system of the representation of interests." Nevertheless, works councils, which in 1990 had 184,000 members (only in West Germany), many of whom are released from work duties and almost 80 percent of whom are trade union members, do constitute an important supervisory body overseeing the practical implementation of collective agreements at the plant level.

The 16 trade unions that together make up the *Deutsche Gewerkschaftsbund* (DGB, or German Trade Union Confederation) have a virtual monopoly of the trade union voice in collective bargaining. Rival trade unions, such as the *Deutsche Angestelltengewerkschaft*

(German Union of White-Collar Workers) or the Christliche Gewerkschaftsbund (Christian Trade Union Federation), have never been able to acquire any real influence. The employers' associations have formed themselves into a mirror image of the trade unions in order not to be weakened in collective negotiations by fragmented organizational structures. There are currently 36,000 collective agreements in force in Germany and 6,500 new agreements are concluded each year. This large number of collective agreements suggests a multiplicity of different regulations. Thus there are, for example, wide differences in pay from one sector to another. However, one set of negotiations (usually in the metal industry) generally makes the running in the annual wage-bargaining round and determines the pace of wage increases in the economy as a whole (convoy principle). Moreover, since collective agreements apply equally to large, small, and medium-sized companies and to manual and white-collar workers, disputes cannot be restricted to local level but tend rather to become virtually national affairs. This has led to the emergence in post-war Germany of a characteristic type of dispute: every six to eight years there is a major dispute in one area of the collective bargaining process which, once resolved, provides a model for peaceful agreements in the economy as a whole for the next few years. There is an obligation to avoid disputes during the period that collective agreements are in force so that collective agreements offer companies a certain stability. At the same time, the comprehensive coverage of collective agreements guarantees the homogeneity of working conditions, which increases employees' flexibility while at the same time relieving companies of the laborious job of negotiating all working and social conditions at firm level. Furthermore, companies must concentrate their efforts on product and process innovation and not on attempts to acquire competitive advantages by undermining working conditions.

After 40 years' experience of collective bargaining policy in the Federal Republic, both employers and trade unions are equally convinced of the value of autonomy in wage bargaining. They both resist state intervention in wage negotiations. The state's role, in their view, is simply to lay down the legal framework for those negotiations (Keller 1991; Wever 1992).

Collective Bargaining Policy in East Germany

The unification agreement essentially transferred the West German economic, political, and social system, including collective bargaining policy, to East Germany. Trade unions and employers' associations

agreed at a very early stage that the West German collective bargaining system should be adopted in the East. Working conditions were no longer to be regulated solely through legislation and state planning targets but were to be agreed upon to a large extent by collective negotiations.

However, the transfer of the West German system of collective bargaining gave rise to the following difficulties (Bispinck 1992a; Bispinck 1992c):

1. There are as yet no properly functioning employers' associations in East Germany. Many companies are not yet members of an employers' association and are therefore not bound by collective agreements. In some sectors (hotels, catering, retail and wholesale trade, publishing), there has been a determined effort to avoid joining such associations. The new Opel plant in Eisenach was set up as a legally independent company: it does not belong to the German Opel company and is not bound by collective agreements. Clearly the German model of lean production is to be realized outside the collective agreement structures of IG Metall.

2. Certain provisions contained in West German collective agreements, such as rationalization agreements, have so far proved impossible to implement in East Germany.

3. The East German social structure has been completely changed by the transfer of West German salary and wage grades. White-collar workers are now considerably better paid than in the Socialist-planned economy. Skilled production workers have been particularly badly affected by downgrading in the new demand-related wage system. Previously they were paid according to their specialist qualification. Wage differentiation is increasing overall. In East Germany many employees were allocated to lower grades than comparable workers in the West.¹

However, the great political issue in collective bargaining policy was the determination of wage levels. Before currency union, wages in East Germany were only about 30 percent of those in West Germany. The trade unions were faced with the dilemma of how quickly wages in East Germany should be adjusted to match those in West Germany.

The main objection to a rapid adjustment of wage levels was the low productivity of firms in East Germany. Thus in spite of lower wages, unit costs in East Germany are substantially higher than in West Germany. There are considerably more marginal firms in East Germany than in West Germany, and their very existence would be

threatened by wage increases. On the other hand, the following arguments have been advanced in favor of a rapid adjustment to West German wage levels:

1. Such a strategy would prevent East Germany from remaining a low-wage country with low-pay levels and poor working conditions which would also drag West German levels down and reduce the pace of innovation throughout Germany.

2. East German employees have high expectations of a rapid adjustment to West German wage levels, which the unions can hardly ignore. These expectations were raised by promises of rapid prosperity made by federal governments in two election campaigns and are now being further fuelled by rapid price increases in East Germany.

3. Extreme divergences in wage rates would lead to an exodus of labor from East Germany that is urgently required for the reconstruction of the economy in the former GDR. By the end of 1991, 1.1 million of the 9.8 million people formerly employed in the East were already working in West Germany (Bosch and Knuth 1992).

4. Germany is such a compact and highly integrated labor market that substantial wage differentials can hardly be sustained. In some areas such as Berlin, the workings of the local labor market have already led to a rapid adjustment.

Faced with such a dilemma, mistakes will be made whatever wages policy is adopted: the only response is to find a political solution.

West German wage rates have been in force particularly in the building industry in East Berlin since the beginning of 1992. In other sectors, unions and employers have tried to ease the problem by concluding agreements covering several years. About 50 agreements have been based on step-by-step plans which provide for the staged introduction of West German pay rates between 1994 and 1996 (e.g., by 1994 in the metal industry). However, working time remains longer in East Germany than in West Germany (41 hours per week in the East in 1991, 38.3 in the West, 24 days' holiday in the East, 30.7 in the West) and various special payments (e.g., Christmas and holiday money) will be lower for the foreseeable future in East Germany than in West Germany. Thus the trade union research institute calculated that by mid-1992 monthly pay in accordance with wage agreements in the metal industry had already reached 67.4 percent of West German

metal industry rates, but that if differences in other conditions laid down in collective agreements were taken into account, then remuneration levels in the East were only 52 percent of those in the West (Bispinck 1992c). Moreover, several collective agreements contain special provisions for small and medium-sized firms. In the retail trade, for example, firms with fewer than 20 employees may reduce wages by up to 10 percent. In several sectors (e.g., in the printing and metal industries), amendments have been negotiated that state that in the event of economic difficulties collective agreements can be renegotiated.

Employers and the federal government are now assigning a key role in the restructuring of the East German economy to wages policy. In January 1992 the federal government requested the minister of labor to prepare an amendment to the Law on Labor Relations at the Workplace that would make it possible (for the next five years in the first instance) for the provisions of collective agreements to be replaced by less favorable company agreements if companies get into difficulties (Möllemann 1992). The trade unions see this as a fundamental attack on the autonomy of the collective bargaining process. They point out that works councils cannot take industrial action and that firm-level negotiations cannot therefore be a subject for disputes. Moreover, they fear that this attack will also be applied to West Germany and foreshadows the introduction of "concession bargaining" (Meyer 1992). Employers fear that such "loophole" clauses will involve companies in permanent wage negotiations. "Negative examples of wage disputes in English firms are disturbing" (Murmman 1992, 39) and require trade unions to agree to the incorporation of such loophole clauses² into collective agreements for a transitional period.

Collective Bargaining Policy in West Germany

In 1984 after the toughest strike in post-war history, the West German trade unions succeeded in breaking down the employers' resistance to a reduction in weekly working time (Bosch 1986, 1990). In the years that followed, agreements on working-time reductions were concluded in many sectors of the West German economy. It was IG Metall that set the pace; the path to the 35-hour week has been opened up with the 37-hour week having been achieved in 1989 (Figure 1). Companies accepted working-time reductions in exchange for greater flexibility in working time and wage restraint. Despite massive reductions in working time, this wage restraint has led to a decrease in the wage share (from 69.2 percent in 1984 to 65.4 percent in 1990) (Schäfer

FIGURE 1
Wage Agreements in the West and East German
Metalworking Industry

	West Germany		East Germany ¹	
	Agreed weekly hours (effective from)	Wages (effective from)	Pay rates as % of West Germany pay rates	
1984	38.5 hours (1.4.85)	+3.3% (1.4.84) +2.0% (1.4.85) +2.9% wage compensation for the reduction in hours (1.4.85)	82.6% manual workers 57.9% white-collar workers (1.4.91)	1991
1987	37.5 hours (1.4.88) 37.0 hours (1.4.89)	+3.7% (1.4.87) +2.0% (1.4.88) +2.66% wage compensation for the reduction in hours (1.4.88) +2.6% (1.4.89) +1.35% wage compensation for the reduction in hours (1.4.89)	71% manual workers 69% white-collar workers (1.4.92)	1992
1990	36.0 hours (1.4.93) 35.0 hours (1.10.95)	+6.0% (1.3.90)	82% manual workers 80% white-collar workers (1.4.93)	1993
1991		+6.7% (1.6.91)	100% manual workers 100% white-collar workers	1994
1992		+5.4% (1.4.92) +3.0% (1.4.93) +2.8% wage compensation for the reduction in hours (1.4.93)		

¹ 1991-1993 as % of West German pay rates from previous year
1994 as % of pay rates from present year

1992). Trade unionists supported the reductions in working time because they were spread over several years with straight wage bargaining rounds occurring at intervals.

Unification and the subsequent transfer payments to East Germany led to considerably reduced scope for introducing working time reductions. At the beginning of 1990 when the economic problems in East Germany were not yet common knowledge or were being denied because of the imminent elections, IG Metall still managed to push through a step-by-step plan for the introduction of the 35-hour week by 1995.

The situation changed fundamentally in 1991 and 1992. The pressure on the unions to forego wage increases out of solidarity with the

East Germans increased considerably. However, the federal government had promised the people of West Germany that they would not have to pay for unification. Thus expectations were correspondingly high and have been further fueled by tax increases and rising prices. Even in 1992 wage bargaining in West Germany was still being conducted as if unification had not taken place. After a severe public-sector strike, substantial wage increases of about 6 percent were once again agreed upon in 1992.

Already, however, several changes can be discerned that will probably have long-term effects. First of all, the extensive transfer payments to East Germany mean there is increasingly less room for maneuver in distributing the results of economic growth. Trade union members are thus showing a preference for wage increases rather than shorter working hours so that the process of reducing working time is being slowed down or even stopped. Secondly, even in West Germany where signs of recession are emerging, unions are now under pressure to help troubled firms by accepting wage restraint. The concession bargaining at Lufthansa in 1992 in which the unions agreed to wage savings of 500 mio deutsche marks has set a precedent. It remains unclear whether a solidarity pact between government, unions, and companies will emerge that will help to finance the costs of unification.

Conclusions

Presenting accurate conclusions on this situation is like shooting at a moving target. Germany is politically united but remains socially divided. Because of the great differences in productivity between East and West Germany, wages in the East will for the foreseeable future remain below those in the West. This means the end of the homogeneous pay structures that have hitherto been a characteristic feature of the West German industrial relations system. There are two conceivable scenarios:

1. The exceptional situation resulting from unification will be used by firms and government to punch holes in sector-wide collective agreements, to decentralize collective bargaining policy, and at the same time introduce concession bargaining familiar to the U.S.
2. The trade unions will succeed in getting through this difficult period. They will have to accept lower wages in East Germany for some time to come and also forgo wage increases in West Germany. However, special pay rates for the East will gradually be increased as part of an alignment process.

In my view, there are several reasons why the second scenario is the more likely. The geographical compactness of the German labor market will not, in the long term, allow large wage differentials to persist. The German unified trade unions are seeking the rapid alignment of wages in East and West Germany and are able to use sector-wide collective agreements as a very effective instrument in achieving that end. Most employers have no desire to undermine these collective agreements since they fear fragmentation of the wage bargaining system and permanent wage disputes at company or plant level. Moreover, considerable resources will continue for a long time to flow from West to East Germany, creating the economic conditions for wage alignment. The structure of the German financial system, which evens out differences between the poorer and wealthier Länder, will also tend to favor the second scenario, while at the same time the federal system gives the East German Länder the political influence required to defend those structures in the years to come. Finally, no political party will be able to stand alone against the trade unions in any future conflicts over the distribution of the fruits of economic growth. True, the present government has attempted to do so and will try again in future. Presumably, however, these conflicts will open up space for fresh compromises to be agreed.

Endnotes

¹ The need to reduce differentials between manual and white-collar workers and to put the emphasis on skill and flexibility rather than on short-term requirements has long been a subject of debate in West Germany. Because of the enormous pressure to push unification through as quickly as possible, an outmoded wage system has been established in East Germany.

² The leading German financial and business newspaper, the *Handelsblatt*, is much clearer about this than most economists when it writes: "The simple formula 'wage level = productivity level' is correct under normal circumstances. However, conditions in East Germany are not normal. Most firms in the former GDR are scrapheaps. . . . They are no longer productive. . . . Wages in the East have for a long time performed the function of wage substitute . . . but this assumed that firms in the East had adequate productivity. However, after the collapse of trade with the former Comecon countries there were no markets . . . what use are loophole clauses there?" (29 September 1992).

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VI. EFFICIENCY WAGE THEORY: WORK FORCE COSTS, PERFORMANCE AND THE MARKET

What Do Wages Buy?

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This article examines a unique data set containing information on more than 8000 employees of nearly 100 manufacturing plants in the United States and Japan to measure the effects of above-market wages on workplace attitudes and behaviors. Workers who receive above-market wages are less likely to quit, have higher self-reported willingness to work hard, and report higher satisfaction with their pay. This paper extends past research on the effects of wages by (1) examining a broader range of individual-level outcome measures, (2) controlling more carefully for on-the-job training and job characteristics, and (3) examining both U.S. and Japanese data. The measure of market wages controls for skills, training, demographic characteristics, and job characteristics. In all, the estimated effects from paying high wages are positive for 15 of 16 outcome measures in the U.S. and for 11 of 12 measures in Japan. The pattern of the results is inconsistent with the hypothesis that the high wages merely measure human capital or compensating differences, while it is consistent with segmented labor market theories. All results are robust both to variation in specification and to estimation technique.

The measure of high or low wages is calculated by first running a log wage equation with controls for demographic and human capital variables such as tenure, education, training, job characteristics (complexity, autonomy, and supervision), sex, and race. The level of

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training and each of the job characteristics were measured with three or four separate questions, usually Likert scales.

The residual of this wage equation (wage residual) is then used as a measure of relative wages. Workers who have large residuals in the wage equation are paid more highly than are workers with similar observable human capital and demographic characteristics. (Unless otherwise noted, outcomes are always measured so that high levels are desired by employers.)

A number of theories predict the effects (if any) of receiving high or low wages, given one's characteristics. This paper focuses on two sets of theories, segmented labor market theories and neoclassical theories.

Theories of segmented labor markets imply that some employers pay high wages even though workers of similar quality are available for lower wages. Thus, there are high- and low-wage establishments, and within a single establishment there are high- and low-wage occupations (Doeringer and Piore 1971). These high wages are paid for a variety of overlapping reasons: because some workers have strong bargaining power (Lindbeck and Snower 1988), because paying high wages buys sufficiently increased commitment and effort that unit labor costs can actually decrease (efficiency wage theories surveyed in Katz [1987]),¹ or because managers at companies with high ability to pay choose to share the surplus with workers in order to better enjoy a quiet life with lower levels of workplace conflict. All of these theories imply that when workers appear to be receiving above-market wages (wage residual > 0), they actually are and should act accordingly. These theories predict that workers with above-average wage residual will be less likely to quit, will have higher levels of self-reported effort, will be more satisfied (especially with their compensation), and will be more committed to the enterprise. Establishments with high average levels of wage residual will have low quit rates.

Neoclassical economic theories posit that any observed wage differences compensate for either conditions of the job or for skills of the worker. Thus in contrast to segmented labor market theories, no workers are actually receiving above-market wages—even if their wages appear high given their education, experience, and so forth. Instead, unmeasured characteristics of the worker or the job explain the apparently high wages.

Theories of compensating differences posit that high wages are often paid to compensate for undesirable working conditions. Since high wages are merely compensating for bad working conditions,

high-wage workers will not be more likely to recommend the job to a friend, nor will they be less likely to quit.

The theory of general human capital posits that employees who appear to be receiving high wages, in fact, have high levels of human capital such as skills, training, and innate ability that are unmeasured in this data set. When the training is useful to many employers, then human capital theory predicts that high measured wages will have no effect on worker commitment, satisfaction, or turnover.

It is possible for unmeasured human capital to lead to a positive relation between wages and attitudes, if the attitudes reflect human capital. For example, assume that some workers are born with a trait "initiative" that is observable by all potential employers. Then the company will pay high-initiative workers more for their valuable human capital. If initiative is unmeasured in the wage equations, high-initiative workers will appear highly paid and will have a positive measured wage residual. These workers will, presumably, also score high on self-reported effort. These patterns will lead to a high correlation between measured wage residual and effort, but the effect is not due to segmented labor markets.

At the same time if high measured wage residual is solely measuring observable general human capital such as initiative, the measured wage residual should not be correlated with low intention to quit. In this case such a worker could receive the same high wage at his or her next job. Thus the theory of general human capital predicts that wage residual will not predict intention to quit.

Employees with high levels of firm-specific training (unlike those receiving general training) will have low turnover rates and higher commitment after they have been trained. The theory of firm-specific human capital assumes that employees implicitly pay for their training by accepting below-market wages early in their career. Thus workers with high levels of training do not receive high lifetime compensation and would not be particularly likely to recommend this job to a friend. This hypothesis implies that wage residual measures past training; thus when measured over a career, no job pays above-market wages. The theory of firm-specific human capital implies that deleting the measures of training from the wage equation (and, thus, increasing the proportion of wage residual that is due to unmeasured firm-specific human capital) will greatly increase the magnitude of the estimated relationship between the new wage residual and the commitment and turnover measures.

Regressions of Relative Pay on Outcomes

Table 1 presents the core results of this paper. In this table the individual-level outcome measures are regressed against wage residual, the residual from a standard wage equation. Controls for the wage

TABLE 1
Individual-Level Outcome Equations in the United States and Japan
(Independent variable is wage residual.
Each row reports the coefficients from a separate pair of regressions.)

	United States	Japan
<i>Dependent variable:</i>		
Look for job	.36** (.05)	.19** (.06)
Job satisfaction	.13 (.09)	.02 (.10)
Recommend to a friend	.34** (.05)	.04 (.06)
Job Choice ^c	.09 (.05)	.03 (.07)
Mistake to work here ^c	.46** (.07)	.29** (.10)
Job measures up ^c	.14** (.05)	-.03 (.06)
Take any job ^c	.40** (.09)	.13 (.11)
Like values here ^c	.40** (.08)	.15 (.09)
Stay here ^c	.44** (.09)	.16 (.10)
Will work harder	.25** (.07)	.13 (.09)
Proud to work here ^c	.57** (.07)	.24* (.10)
Not loyal ^c	.08 (.08)	.35** (.10)
Absences	.18 (.10)	n.a.
Pay satisfaction ^c	1.58** (.07)	n.a.
Within-company pay satisfaction ^c	.94** (.07)	n.a.
Pay satisfaction compared with other companies ^c	1.35** (.07)	n.a.

Notes: The wage residual was calculated with controls for human capital, demographic, and job characteristics. This table presents only the coefficient of wage residual on the outcome measures; complete results are available from the author. For all measures except absences, responses are coded so that higher values correspond to attitudes desired by the employer. Sample size is 2740 in the United States, 1715 in Japan, except for variables marked with *, which have a sample size of 2619 in the United States, 1702 in Japan.

N.a. indicates not available.

* (**): Coefficient is statistically significantly different from zero at the 5% (1%) level.

equation include age and its square; tenure and its square; education; marital status interacted with gender; and a large number of job characteristics measuring training, autonomy, and job complexity. (A description of these controls, as well as more complete references and a fuller presentation of the results, are presented in Levine [1992b]. The data are described in Lincoln and Kalleberg [1990]. All outcome equations were replicated with controls for demographic and human capital factors that are predicted to affect the outcomes.) Wage residual is the correct measure of a worker's cost of job loss if the worker's alternative or reference wage is equal to what a worker with similar observed characteristics receives in the labor market and if average plant wage levels are uncorrelated with human capital.

In both countries virtually every coefficient is of the sign predicted by segmented labor market theories. For 15 of 16 outcome measures in the U.S. and for 11 of 12 measures in Japan, higher levels of wage residual are associated with more positive outcomes. (All of the variables except absences are coded so that larger values are beneficial for employers.) Twelve of the 16 coefficients in the U.S. but only four of 12 in Japan are statistically significantly different from zero at the 5 percent level or better.

The plant-wide quit rate is also lower at plants paying above-market wages. In an establishment-level regression predicting quit rate, wage residual has a coefficient of $-.15$ (standard error = $.05^{**}$) in the U.S. and $-.07$ ($.05$) in Japan. (Asterisks after a standard error represent significance level: ** for $P < .01$; * for $P < .05$.) This regression has 47 data points in the U.S. and 34 in Japan; thus standard errors can be expected to be larger than in the individual-level sample. These results are robust to the inclusion of plant-level controls such as size, union status, and percent female.

These results imply that in both the U.S. and Japan there appear to be good and bad jobs. Workers in some jobs receive above-market wages; furthermore, workers who are paid more are more satisfied with their pay, are more committed to their employer, have lower intentions to look for another job, and declare that they are willing to work harder than they need to.

The coefficients are modest in size. In the U.S. the median coefficient is approximately 0.40 ; that is, a one standard deviation in the wage residual (a change of about 0.4 in the log wage) increases the median outcome by about 0.16 of a standard deviation—equal to approximately 0.2 points on most of the questions with a 1 to 5 range in possible responses.

Unsurprisingly, given that the independent variable (wage residual) measures high pay, the largest coefficients are on the pay satisfaction questions (pay satisfaction, within-company pay satisfaction, and pay satisfaction compared with other companies), with coefficients greater than 0.90 (all three standard errors = 0.07^{**}). Wage residual also correlated with whether respondents said they were “proud to work here” ($0.57 [0.07]^{**}$) and unlikely to claim that it was a “mistake to work here” ($0.46 [0.07]^{**}$). Workers with high wage residual also reported that they were less likely to look for a new job ($0.36 [0.05]^{**}$). On the other hand, the coefficient on absences was of the wrong sign, very small, and not statistically significant ($0.18 [0.10]$).

The median coefficient in Japan is 0.14. The median coefficient in Japan is less than half the .35 median for the matching questions in the U.S. As in the U.S., respondents with high wage residual were “proud to work here” ($0.24 [0.10]^*$), did not claim it was a “mistake to work here” ($0.29 [0.10]^{**}$), and were less likely to look for a new job ($0.19 [0.06]^{**}$). They were also unlikely to claim to be “not loyal” ($0.35 [0.10]^{**}$).

In short, Table 1 supports the prediction of theories of segmented labor markets: workers with high wage residuals respond to the questionnaire as if they are receiving above-market wages. Their responses include both actions and attitudes desired by their employers. Support is stronger in the U.S. than in Japan.

Neoclassical theories are not supported. It is unlikely that these results are merely due to unmeasured general human capital, since the workers with high wages report lower intentions to quit, higher pay satisfaction, and higher commitment. Such correlations contradict theories of compensating differences and of general human capital.

In addition, high-wage employees are significantly more likely to recommend this job to a friend. If high current wages were merely compensating for low past wages or for poor working conditions, then wages should be uncorrelated with willingness to recommend this job to a friend.

It is always difficult to reject a theory conclusively. The current results are consistent with human capital theory if the observed attitudes reflect propensities of the workers that are observed by managers but are not independently observable in the data set. According to this interpretation, high-wage workers are hired possessing personality traits that lead them to be more satisfied and to quit less, and managers pay more for workers with these valuable traits.

In past research, the correlation between wages and low quit rates may plausibly have been due to the presence of unmeasured firm-specific training. As noted above, such firm-specific training increases wages at the current employer, but not others; thus it lowers quit rates. The wage equation that created wage residual includes four controls for the level of on-the-job training the worker has received: the time required to train someone for the job, the importance of formal and informal on-the-job training, and whether the job keeps the worker learning new things. It also controls for numerous job characteristics correlated with skills and human capital including multiple measures of autonomy, job complexity, and the amount of monitoring.

The multiple measures of on-the-job training in the wage equation reduce the likelihood that wage residual is merely measuring past training. Furthermore, in analyses not shown, the results in Table 1 were almost unchanged if the job characteristics were dropped from the first-stage wage equation that estimated wage residual. These results strongly contradict the hypothesis that the observed wage outcome relation is due to poor measurement of past training.

Statistical issues. In results not shown, the results are also robust to numerous modifications in the specification of the estimating equations and to econometric techniques that take into account the error structure of the data and the ordinal nature of many of the attitudinal measures.

Additional results. In the longer working paper version of this article, additional results are presented that explore the different effects of being a high-wage worker at a plant where everyone else receives average wages as opposed to being a high-wage worker at a plant where everyone else also receives high wages. In both countries working at a high-wage plant leads to more favorable outcomes, and the coefficient is larger than for the total wage residual in Table 1.

In the United States being highly paid at an average-wage plant also correlated with favorable outcomes, but the effects were always smaller than the effect of the total wage residual. These results are consistent with the hypothesis of substantial individual-level measurement error. It is also consistent with the presence of strong plant-wide "atmosphere" effects where highly paid colleagues are more pleasant associates.

In Japan, by contrast, the effects of higher wages compared to one's colleagues was not monotonic. As in the U.S., increasing the wages of workers who are poorly paid compared to their colleagues

increases their satisfaction and commitment. Unlike the U.S., increasing the wages of workers who are already highly paid compared to similar colleagues in a plant leads to lower satisfaction, commitment, and intention to remain. (Coefficients on 11 of 12 measures are negative; eight are statistically significant.) In short, Japanese workers appear to enjoy working in high-wage plants but do not appear to enjoy being either low paid or highly paid compared to similar workers. These results support status inconsistency theory in Japan, the theory that having unusually high as well as low wages (or other forms of status) given one's age, education, and gender may lead to uncomfortableness, perhaps because of resentment from colleagues (Benoit-Smullyan 1944; Petersen 1992). The result is consistent with the strong emphasis on equality in Japanese culture and workplaces, as exemplified by the aphorism: "The nail that sticks out gets hammered down."

Conclusions

In both the U.S. and Japan there are good and bad jobs. In good jobs workers receive high wages given their human capital and demographic characteristics. These workers also report that they are less likely to quit, are more satisfied with their pay, are willing to work harder than they have to, and have higher commitment to the firm. Not all of the estimated effects are statistically significant, and most of the estimated effects are small in magnitude. These results support segmented labor market theories but provide no support for theories that high wage residual merely measures high human capital or compensating differences for poor working conditions.

Outcomes are far more responsive to working at a plant with a high average level of wage residual than to having a high wage residual compared to others within the plant. This result emphasizes the importance of measurement error and of positive atmosphere effects from working with high-wage colleagues; it does not support social comparison theories. The fact that both low and high wages compared to others at the plant leads to dissatisfaction in Japan is consistent with the stylized Japanese model's emphasis on social comparison and status inconsistency. Neoclassical theories receive no support from these tests.

Endnote

¹ Efficiency wage theories require that the benefits from slightly increasing wages equal the cost. Data on worker attitudes or behaviors cannot directly test efficiency

wage theories, since evidence is needed on the total effect on profits from the altered worker performance. Nevertheless, if workers who appear to be highly paid do not act as if they are receiving high wages, then that would be strong evidence against efficiency wages.

The direct test of wages and productivity is followed in Levine (1992a), Straka (1989), and Wadhvani and Wall (1988). In those studies it was possible that the measured high wages were merely rewards for high skills or poor working conditions—precisely the opposite weakness of this study. Thus for the efficiency wage research program, the two forms of evidence complement each other. Each research design alone is unconvincing; on the other hand, if both tests provide supporting evidence they provide a collage of evidence that strongly supports efficiency wage theories.

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Work Force Response to an Efficiency Wage: Productivity, Turnover, and the Grievance Rate

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The notion that employee effort is related to the relative wage holds considerable intuitive appeal. We expect more highly paid individuals to work harder because they should: in the gift-exchange model of an efficiency wage, higher than average wages are viewed as a company-to-employee gift; workers respond with higher effort, a commensurate employee-to-company gift (Akerlof 1982). Alternatively, we expect more highly paid workers to work harder because they must: under the shirking-threat model, significant unemployment resulting from large numbers of employers paying higher than market-clearing wages leads otherwise indifferent employees not to shirk for fear of losing their high-wage job (Shapiro and Stiglitz 1984).

Intuitive appeal aside, empirical support for such a relation thins as units of analysis become small. On an aggregate level unemployment persists, and differentials have been well documented in the inter-industry wage (Krueger and Summers 1988). But the existence of unemployment or finding a range of wages for similar jobs held by workers of similar observed characteristics across industries, across firms within industry (Groschen 1991) or even within firms (Leonard 1989) is not in itself sufficient to show that the reason for this dispersion is the effort or performance variation suggested by efficiency wage theory (Spitz 1989).

On a more micro level, high wages are related to worker satisfaction (Cappelli 1988), turnover (Holzer 1990), self-reports of effort (Levine 1991), and managerial perceptions of employee performance (Holzer 1990). But satisfaction (or perception) and actual performance are not the same thing; evidence for an empirical relation remains slim (Iaffaldano and Muchinsky 1985). To date, micro-level tests of efficiency wage theory using data with direct measures of performance have failed to generate empirical support (Leonard 1989; Spitz 1989).

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This paper tests the central assumption of efficiency wage theory, that greater worker effort is associated with higher relative wages and a higher unemployment rate. Within a single, detailed occupational group, that of unionized food clerks laboring in a modern Northern California supermarket chain, little support was found for the performance-relative wage or performance-unemployment rate, links posited by efficiency wage theory. Other types of work force response—turnover and the grievance rate—showed mixed results.

The failure of this work force to respond to an efficiency wage might be construed as a general nonresponse characteristic of unionized employees. Significant response was observed, however, to quality of management.

Labor Supply and the Efficiency Wage

One explanation for the “job problem,” that of more job seekers than jobs, is that where monitoring supervision is difficult, employee effort is responsive to the relative wage. This effort is suggested to vary within individual employee; this prediction differs from classic theory’s dispersion of wages, based on differences in quality across employees. Under efficiency wage theory, firms recognize that workers respond to high relative pay with even higher relative effort; firms then rationally act to pay their employees a higher than market-clearing wage, creating aggregate unemployment but lowering the firm’s overall wage bill.

Efficiency wage theory thus contains elements of both supply and demand: greater effort on the job is offered where wages exceed the market-clearing price. Employers then recognize that supply contingency and respond with an equivalent high-wage labor demand. This paper focuses on only half the efficiency wage story, that of labor supply.

The high worker effort of efficiency wage theory stems from both a carrot and a stick. Highly paid workers will not withhold effort, engage in sabotage, or give vent to feelings of ill will since such employees are presumably both harder-working and happier than equivalent workers receiving the market-clearing wage. Moreover, unemployment, unlike full employment, offers a penalty for shirking, discovery, and subsequent loss of job. While employees exert greater effort and refrain from malfeasance as a result of these forces, it is worth noting that in efficiency wage theory, individuals are assumed to otherwise prefer shirking to assiduous work; such an assumption suggests its own empirical test.

Predicted effects of high relative wages and relatively high unemployment on the grievance rate are less clear. Cappelli and Chauvin (1991) argue that efficiency wages increase the grievance rate, since employees refrain from exit and turn instead to voice. Whether these behaviors result from higher than market-clearing wages or from a classic work force response to market conditions of demand is not clear, however.

Interestingly, this argument implicitly assumes an unchanging level of work force satisfaction whether in the presence of efficiency wages or not: disgruntled employees leave where relative wages are low and complain where relative wages are high; workers are dissatisfied either way. By contrast, the carrot of efficiency wages suggests that workers will be happier or at least more compliant in terms of managerial demands. If the latter interpretation is correct, a lower grievance rate should be observed.

To date little micro-level evidence has related higher than market-clearing wages or persistent unemployment to increased effort or performance on the job. Higher paid union work groups do appear more productive than their lower paid nonunion counterparts (Brown and Medoff 1978; Allen 1986; Eberts and Stone 1987; although Hirsh and Addison [1986] offer an opposing view), but whether the productivity differential equals or, as efficiency wage theory predicts, exceeds the difference in the wage is less clear. Perhaps more importantly, questions remain about whether it is the higher wage that generates such performance, individual differences in skill (Mincer 1983), or even superior management (Clark 1980).

Similarly, the reason for inter- or intra-industry wage dispersion remains open: if similar jobs in different departments, firms, or industries require even slightly different duties, abilities, or tasks, the classic theory of marginal productivity provides a more parsimonious account. Moreover, where globalization and rapid technological change generate continued turbulence, persistent unemployment may be as much a series of adjustments toward a shifting equilibrium as a reasoned employer response to otherwise evident tendencies of employees to engage in malfeasance and shirk.

Data

Actual performance on the job is the primary dependent variable used in analyses of food clerks' response to an efficiency wage among 22 unionized modern Northern California supermarket stores in a 1987 sample. Performance was measured as scanning speed, less the

corrected error rate on an individual level; it was measured as efficiency in manpower utilization, profit, turnover, and the grievance rate on the level of the store. Managerial quality was assessed by the district regional manager of the supermarket chain.

Because unionized wage rates are homogeneous across stores in this chain, variation in per capita income and unemployment across the 22 locales provides the setting for a natural experiment: performance of food clerks in areas with low per capita incomes (i.e., a high relative wage) can be compared with the performance of food clerks in areas where the per capita income is high. In this work setting employee effort counts: if workers respond as efficiency wage theory predicts, some effect of that response should be observed in scanning speed. Because all sampled stores operate within a single chain and all food clerks are represented by the same union, policy differences that might affect the grievance rate are minimized.

The data are not without drawbacks however. First, per capita income is not the local food clerk market-clearing wage; to the extent that education and skill vary by locale, per capita income and area unemployment may not represent the food clerk labor market. Second, these data measure the response of a unionized group; to the extent that unionized workers are less responsive to market forces than their nonunion counterparts, the effect of those forces will be less. This factor is somewhat ameliorated by the inclusion of an explicit bonus wage, an additional hourly amount dispensed on a daily or weekly basis by management for clerks' assuming additional responsibilities during a particular shift, say being in charge of the produce department. Wage bonuses for night work specified in the contract are excluded from this measure. Thus, while unionized employees may be insulated from market forces, they are presumably less insulated from a directly paid bonus. Finally, scanning groceries is only one task that food clerks perform; to the extent that scanning speed is uncorrelated with, say, customer courtesy or effort expended stocking shelves, then analyses on the individual level will do little to inform our understanding. The four store-level measures of work force response—efficient utilization of manpower, store operating profit, turnover, and the grievance rate—help address this last.

Results

Pay varies across locales considerably less than do per capita income and the unemployment rate (results not shown). The coefficient of variation of average pay (\$13.89 per hour) is .14, about one-third

the coefficient of variation of .39 associated with both per capita income and the unemployment rate. Such pay compression is not unusual in a unionized setting.

Results of ordinary least squares (OLS) regression analyses offer little support for predictions of efficiency wage theory (see Table 1). Per capita income should negatively predict individual performance under the gift exchange model, since the higher the per capita income, the lower the relative wage; coefficients shown in column 1 indicate that this is not the case. Local unemployment should positively predict individual performance as a shirking threat; this it fails to do.

Nor is there a direct effect of bonus wages on individual performance, except where performance is measured as dollar sales rather than items processed per hour; since the value of an item is self-selected by customers rather than by clerks, this is more likely a function of area wealth than an outcome attributable to effort of the employee.

Store-level measures showed mixed results. Store efficiency was responsive to relative wages, but unemployment had a negative effect. Turnover showed predicted effects of per capita income and the unemployment rate, but the grievance rate was positively predicted by both unemployment and per capita income or a low relative wage. These results suggest that stores in wealthy areas, with high profit, may be more lax about enforcing rigorous manpower constraints; they also offer mixed support for both the dissatisfied worker model (where employees turn to voice rather than its now more costly alternative, exit) and the morale version of an efficiency wage (where high relative wages buy work force satisfaction or at least compliance). But turnover results are the same as those predicted by classic theory; they are thus least identifiable as belonging uniquely to an efficiency wage.

The low R squares evidenced in these equations (between .025 and .198 save for the model predicting the turnover rate) call into question the strength of economic forces such as relative wages and the unemployment rate on individual performance within a firm. Results of similar equations testing an alternative predictor, managerial quality, give different results. These coefficients (see Table 2) are shown in standardized form so that relative predictor strengths may be compared.

Management quality is important in affecting individual-level behavior: in the presence of better management, individual-level productivity is higher and the grievance rate is lower. Moreover, the effect of managerial quality on the grievance rate is roughly equivalent

TABLE 1
Performance, Turnover, and the Grievance Rate: The Effect of Unemployment and the Relative Wage.
Ordinary Least Squares Regression Coefficients (Standard Errors in Parentheses)

	Productivity in items/hour	Productivity in sales/hour	Store efficiency	Store profit	Turnover rate by store	Grievance rate by store
	(1)	(2)	(3)	(4)	(5)	(6)
Per capita income ¹	.0011 (.0009)	.0045** (.0014)	-.00019** (.00002)	.00016** (.00002)	.00012* (.00005)	.000073** (.000015)
Unemployment rate	-2.8898 (2.3092)	-.0196 (3.4511)	-.4152** (.0603)	.1540** (.0469)	-.3925** (.1322)	.2689** (.0372)
Bonus wages ²	7.7399 (4.3347)	15.4461* (6.4783)	.0311 (.1132)	-.0497 (.0881)	-.0048 (.2482)	.0595 (.0691)
Store age	-.2007 (.4351)	-1.4656* (.6503)	.0546** (.0113)	.0944** (.0088)	-.4092** (.0249)	-.00073 (.00681)
Intercept	426.812	581.742	103.061	-.793	16.660	-1.506
R square	.025	.059	.116	.198	.372	.073
F statistic	4.673**	11.326**	23.632**	44.213**	106.117**	13.665**
n	719	719	719	719	719	693

* $p < .05$

** $p < .01$

¹ The higher the local per capita income, the lower the relative wage.

² Exclusive of the night work bonus.

TABLE 2
Effect of Management Versus Effects of the Market.
Standardized Ordinary Least Squares Regression Coefficients.

	Productivity in items/hour	Productivity in sales/hour	Store efficiency	Store profit	Turnover rate by store	Grievance rate by store
	(1)	(2)	(3)	(4)	(5)	(6)
Per capita income ¹	.087	.220**	-.462**	.491**	.102°	.208**
Unemployment rate	-.034	.068	-.406**	.226**	-.172**	.253**
Bonus wages ²	.067	.088°	.0097	-.018	-.001	.027
Manager quality	.084°	.131**	.0016	.080°	-.046	-.436**
Store age	-.019	.086°	.174**	.368**	-.502**	.005
Intercept	0	0	0	0	0	0
R square	.032	.074	.117	.204	.375	.248
F statistic	4.648**	11.456**	18.880**	36.556**	85.437**	45.444**
n	719	719	719	719	719	693

° $p < .05$

** $p < .01$

¹ The higher the local per capita income, the lower the relative wage.

² Exclusive of the night work bonus.

to the influence of relative wages and unemployment combined. These results do not support the supposition that unionized employees are unresponsive to work context factors that might otherwise influence their nonunion counterparts. While not particularly responsive to forces associated with an efficiency wage, these unionized food clerks do respond to variation in management quality.

Less obvious is why. Good managers may be assigned better-performing stores, or managers of high-performing workers (i.e., work groups with high-productivity norms) may simply be perceived by the district manager as possessing high quality. The cross-sectional nature of these data unfortunately preclude sorting through such accounts.

Conclusion

Efficiency wage theory's central assumption that greater employee effort is associated with unemployment and the relative wage received little empirical support from this sample of Northern California food clerks laboring in a unionized chain. No effect on individual performance of either high relative wages (the gift-exchange model) or unemployment (the shirking-threat) was observed. The work force did respond, however, to management quality.

While this test alone hardly disqualifies efficiency wage theory from the realm of useful approaches to understanding how labor markets work, lack of micro-level support for a relation between employee performance and either unemployment or a high relative wage does raise doubt. In particular, one might question one notable assumption: that workers prefer to engage in malfeasance and shirk. This assumption may be wrong. If so, generating high employee effort becomes more a matter of enabling workers to do their tasks than of coercing or enticing them to do the same.

Acknowledgment

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Efficiency Wage/Union Effects on the Nonunion Industry Wage Structure

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Research on the nonunion industry wage structure has led to three core results. First, large wage differences across industries remain unexplained after controlling for human capital and other variables. The unexplained differences may thus reflect nonunion wage premia. Second, nonunion wage premia are quite stable over time. High-wage industries in one period remain high-wage industries in other periods, with correlations between industry wage premia across time of 90 percent or higher. Third, the nonunion industry wage structure is best explained by efficiency wage/rent-sharing models. In this paper we provide additional evidence on the second and third results.

First, we document that the stability of the wage structure is to some extent in the “eyes of the researcher.” While the high-wage industries have generally remained high wage, and vice versa, there is considerable movement in wage differentials. In particular, there were large percentage changes in union and nonunion industry wage premia over the 1973 to 1989 period. In the nonunion sector these changes have led to a sharp increase in the variance of interindustry nonunion wage premia between 1973 and 1989.

Second, we show that the observed changes in the nonunion industry wage structure over this period do not appear to be driven by variables that efficiency wage models suggest might be important. More specifically, changes in nonunion wage premia are not positively related to movements in the union wage available in the industry—which is a potential proxy for the reference wage central to many efficiency wage models—or to the percent organized in the industry.

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Union Influences on the Nonunion Industry Wage Structure

The primary efficiency wage explanation of nonunion wage differentials is the rent-sharing model of Akerlof (1982). Researchers have found this model to be most consistent with numerous facts regarding the nonunion industry wage structure (Dickens and Katz 1987). In this efficiency wage model workers respond with greater work effort when their wage exceeds that paid to some reference group. More generally, workers' greater effort generates a surplus for the firm. The willingness to share the surplus encourages the greater work effort in the first place.

The nature of the reference wage, upon which the efficiency wage is based, has not been clearly spelled out in the literature. One plausible reference wage, which we focus on in this paper, is the union wage in the same industry. Union and nonunion firms in the same industry may face similar product market conditions so that nonunion workers may learn about the rents to be shared by observing union wages. Also nonunion workers may have similar skills to union workers in the same industry and hence look at union wages in the industry in assessing the "fairness" of their wage. In either case the role of the union wage as a reference wage may be positively related to the percent organized, since the higher the proportion of workers receiving the union wage, the more likely it is that the union wage is relevant to nonunion workers in the industry, and, in some cases, the more likely it may be that a nonunion worker considers union employment in the industry a feasible alternative. In addition, in shirking and turnover efficiency wage models, wages are negatively related to the pool of unemployed workers with whom workers would compete if they were fired or quit. If workers tend to stay in the same industry, then this pool may include workers who lose their jobs in union firms, in which case the percent organized in an industry would be positively related to the nonunion industry wage premium. Thus the rent-sharing and other efficiency wage models appear to imply that the nonunion industry wage premium should be positively related to the union-industry wage premium and the percent organized in the industry.

The notion that nonunion wages, influenced by the union sector, might settle at a premium to competitive labor market wages has a longstanding history in labor economics in the form of the union threat model (Rosen 1969; Dickens 1986). The argument is that the higher the percent organized or the higher the union wage, the greater the threat

to the nonunion firm of becoming organized, and hence the higher the nonunion wage. In the threat model, however, nonunion firms do not pay efficiency wages to encourage a greater surplus. They pay higher wages to avoid unionization.

Although our hypothesis regarding the union wage and percent organized as capturing influences on the efficiency wage is conceptually very different from the traditional union threat hypothesis, the two hypotheses generate identical predictions. Hence the success of the union premium and percent organized in explaining nonunion industry wage premia would provide evidence to support either the threat or efficiency wage models. In future work we hope to consider other potential reference wages.

The Data

Our estimates of union and nonunion wage premia come from cross-sectional wage equations for individual years estimated separately for white men, nonwhite men, white women, and nonwhite women, using CPS data for the years 1973-1981 and 1983-1989. The equations include a union status (membership) dummy variable, industry dummy variables, a full set of standard control variables (including occupation dummy variables), and a full set of interactions of the union status dummy variable with all of these other control variables (see Neumark and Wachter [1992] for details). To focus on competitive market effects of unions, we exclude government workers from our sample. In addition, we exclude managers and professionals because these occupations have low rates of unionization and are least likely to be affected by the union sector.

The coefficients of the noninteracted industry dummy variables estimate the nonunion industry wage premium (relative to services). The union premium, which we call the "within-industry union premium," is the sum of the coefficients of the industry-union interaction and the union status dummy variable.¹ Wage premia are estimated for the entire sample by weighting (by industry and union employment) the coefficients estimated from the separate regressions by race and sex. Our measure of percent organized is constructed from the CPS data.

Interindustry Variation in Wage Premia and the Percent Organized

In Table 1 we report 1973 levels and 1973-1989 changes in the union and nonunion wage premia, and in Table 2 we show correlation and

TABLE 1
Changes in Within-Industry Union Wage Premia, Nonunion Industry Wage Premia, and Percent Organized

	Constr.	Mining	Manu.- Dur.	Manu.- Nondur.	TCPU	Whole.	Retail	FIRE	Services
Within-industry union premium 1973	.41	.19	.11	.12	.15	.09	.21	.07	.12
1973-1989 Δ (%)	-.10 (-24.4)	-.07 (-36.8)	.04 (36.4)	.02 (16.7)	.04 (26.7)	.04 (44.4)	.07 (33.3)	-.04 (-57.1)	.04 (33.3)
Nonunion industry wage premium 1973	.15	.21	.15	.09	.21	.14	-.08	.11	0.0
1973-1989 Δ (%)	.08 (53.3)	.18 (85.7)	.04 (26.7)	.05 (55.6)	.02 (9.5)	.03 (21.4)	.00 (0.0)	.07 (63.6)	— —
Percent organized 1973	.44	.58	.51	.40	.59	.18	.17	.05	.15
1973-1989 Δ (%)	-.18 (-40.9)	-.31 (-53.5)	-.21 (-41.2)	-.16 (-40.0)	-.18 (-30.5)	-.10 (-55.6)	-.09 (-52.9)	-.02 (-40.0)	-.01 (-6.7)

TABLE 2
Correlations and Dispersion Within-Industry Union Wage Premia,
Nonunion Industry Wage Premia, and Percent Organized, 1973-1989

	1973-1989 Correlation	1989 S.D./1973 S.D.
Within-industry union premium	.82 (.93)	.82 (1.26)
Nonunion industry wage premium	.94 (.99)	1.41 (1.22)
Percent organized	.95 (.97)	.61 (.62)

Note: Top entries are unweighted. Entries in parentheses are weighted by 1973 nonunion employment.

dispersion measures over this period. We also include evidence on the percent of the industry that is unionized. Table 1 shows large absolute or percentage changes in the within-industry union wage premia between 1973 and 1989. In two cases, construction and mining, high premia became smaller, but in most other high-premium sectors the premium expanded. Driven by the decline in the premium in construction and mining, the standard deviation of wage premia within the union sector fell over this period. The data also show the well-known result that the percent organized fell in all nine industries, but most sharply in the industrial sector.

The increase in the union wage premium in most sectors is well known, but Table 1 also documents substantial variation in nonunion industry wage differentials. In four of the nine industries, the size of the premium increased by more than 50 percent. Moreover, the nonunion wage structure pulled apart.² This is illustrated in Table 2, which reports that the ratio of the (unweighted) standard deviation of industry wage premia in 1989 to those in 1973 was 1.41, far above the value of one that might be expected if the nonunion industry wage structure were stable.³ These results contrast with the stability of the nonunion wage structure reflected in high correlations of industry wage differentials across time, also documented in Table 2 and emphasized in Helwege (1992).

Clearly, large changes in nonunion wage premia coexist with high correlations over time. Because large changes in these premia can cause large relative output, employment, and price effects across firms, we believe that focusing on the latter is misleading. These real effects matter but are hidden if one focuses on high wage premia correlations.

Reference-Wage Effects on the Interindustry Wage Structure

The second issue raised in the literature is whether efficiency wage models can explain variation in the industry wage structure. Given our conclusions with respect to the stability question, we focus not on whether efficiency wage models explain the stable component of this structure, but on whether they explain the changes in nonunion industry wage premia that have occurred. In particular, we ask whether the union wage premium (and the percent organized) capture reference-wage effects on the nonunion wage structure.

To pin down these effects Table 3 reports regressions of the non-union industry wage premium on the within-industry union premium and the percent organized. The regressions include industry effects, to capture fixed, unobservable industry characteristics; and year effects, to capture movements in wage premia common across industries. The inclusion of the latter also makes the results independent of the choice of the omitted industry in the first-stage, cross-sectional wage regressions from which the union and nonunion industry wage premia are estimated (by focusing on within-year wage differentials between industries). As detailed in Neumark and Wachter (1992), for the within-industry union premium there are some biases against evidence supporting the efficiency wage and union threat models (stemming partly from the construction of the variables), while for the percent organized there are some biases in favor of these models. We therefore place relatively more weight on the results for the percent organized and regard the negative relationship between the percent organized and nonunion wage premia as particularly compelling evidence against these models.

In the first panel of Table 3 the estimated effects of the union variables are allowed to differ by industry. The estimated coefficient of the within-industry union premium is significant and negative for mining; transportation, communications, and public utilities (TCPU); and services; and is negative for all industries except construction and finance, insurance, and real estate (FIRE). The estimated effect of the percent organized is also negative for eight of the nine industries and is significant for construction, mining, and FIRE. In the second panel of the table the effects are constrained to be the same across industries; both estimates are significant and negative.⁴ These results are inconsistent with the rent-sharing and other efficiency wage models, as well as the union threat model.⁵

TABLE 3
Nonunion Industry Wage Premium Regressions, Fixed Industry and Year Effects

	Constr.	Mining	Manu.- Dur.	Manu.- Nondur.	TCPU	Whole.	Retail	FIRE	Services
A. Coefficients vary by industry									
Within-industry union premium	.06 (.16)	-.75 (.15)	-.02 (.42)	-.26 (.24)	-.38 (.15)	-.12 (.19)	-.14 (.11)	.04 (.09)	-.25 (.13)
Percent organized	-.25 (.10)	-.20 (.06)	-.05 (.12)	-.02 (.11)	-.08 (.09)	-.04 (.16)	.15 (.19)	-1.75 (.63)	-.09 (.38)
B. Coefficients constant across industries									
Within-industry union premium					-.24 (.05)				
Percent organized					-.20 (.05)				

Note: Sample period is 1973-1981 and 1983-1989.

Interpreting the Effects of Unions on Nonunion Interindustry Wage Differentials

Since the evidence is inconsistent with the union threat and efficiency wage models' characterizations of union influences on the nonunion industry wage structure, the question arises as to whether a coherent explanation of the findings exists. There appear to be two alternative models of the impact of union-sector developments on nonunion wages. In both of these the nonunion sector responds competitively to changes in the union sector. One, the "crowding model," is labor-supply driven. A second is the "complements model," which has received less attention in the literature and focuses on the labor demand ties between union and nonunion labor within the same industry. In this model there are three sectors: a union sector, a "substitute" nonunion sector that competes with the union sector (as in the crowding model), and a "complement" nonunion sector that serves as a production complement to both the union and substitute nonunion sectors. In Neumark and Wachter (1992) we argue that only the complements model is consistent with a negative effect of the percent organized on nonunion industry wage premia (while both the crowding and complements models can explain a negative effect of the union-industry wage premium).

Simulating Union Effects on the Nonunion Industry Wage Structure

In Table 4 we report simulated 1973-1989 correlations and ratios of standard deviations of nonunion industry premia using the regression estimates from Table 3. In the first row we report the correlation and standard deviation ratio for the predicted values from this regression. Since only the within-industry union premium and the percent organized vary, the implication of the number in the second column (using the coefficients that vary by industry) is that changes in the union sector increased the dispersion of nonunion industry wage premia by 30 percent. To gauge the separate effects of these two variables, we also computed predicted values: first fixing within-industry union wage premia at their 1973 values; and second, fixing the percent organized by industry at their 1973 values. These simulations suggest that the effects of the percent organized are stronger, since in the absence of changes in the percent organized the ratio of standard deviations would have been 1.11 instead of 1.30.

Finally, we ask the counterfactual question of what the nonunion industry wage structure would look like in the absence of unions (if the

TABLE 4
Simulated Correlations and Dispersion of Nonunion Industry Wage Premia

	1973-1989 Correlation	1989 S.D./1973 S.D.
Predicted nonunion industry premia, 1973 and 1989 values of within-industry union premia and percent organized	.97 (.99)	1.30 (1.20)
Within-industry union premia kept at 1973 values	.97 (.99)	1.19 (1.17)
Percent organized kept at 1973 values	.99 (.95)	1.11 (1.09)
	1989-No Union Correlation	No Union S.D./ 1989 S.D.
Predicted nonunion industry premia, within-industry union premia and percent organized at 1989 values, and "zeroed out"	.97 (.99)	.77 (.81)

Note: Entries are unweighted. First entries are based on estimates from panel A of Table 3; entries in parentheses are based on estimates from panel B.

within-industry union premia and the percent organized fell to zero). This simulation suggests that, compared with 1989, the nonunion industry wage structure would be less dispersed; the ratio of the "no union" standard deviation to that in 1989 is .77. Overall, these simulations point to sizable effects of union-sector developments on the non-union industry wage structure.

Conclusion

The evidence that we present on the impact of union wage premia and the percent organized on nonunion industry wage premia is inconsistent with efficiency wage models, especially those that posit the importance of a reference wage, insofar as the union measures capture the theoretical constructs of these models. Similarly, this evidence is inconsistent with the union threat model. The evidence we present on the instability of the levels of nonunion industry wage premia is also inconsistent with efficiency wage models, to the extent that the factors identified by these models as influencing industry wage premia are relatively fixed over time. In contrast, we provide some evidence consistent with sizable union-sector effects on changes in the nonunion industry wage structure, characterized by competitive wage setting in the nonunion sector.

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Endnotes

¹ An alternative union premium measure would include the nonunion industry wage premium along with the within-industry union premium. In regressions with the nonunion industry premium as the dependent variable, however, this measure would generate an obviously spurious positive correlation. The interpretation of the within-industry union premium as a reference wage is that nonunion workers who are paid less than their union counterparts in the industry must be paid a high premium relative to the competitive wage, generating a positive relationship between the within-industry union premium and the nonunion industry premium.

² These results parallel those in Bell and Freeman (1991). Krueger and Summers (1988) also note changes in the dispersion of industry wage premia over time.

³ We emphasize results in which we do not weight by industry employment in computing these correlations and standard deviations, because weighting severely downweights industries that are important in the union sector (such as construction and mining), but not in overall employment, and our focus is on union effects on the nonunion industry wage structure. Also, in our view the emphasis in the literature is on why industry wage differentials exist, rather than on how important they are to the average worker. We have not corrected the correlations and standard deviations for sampling error in the regression estimates. If sampling errors are uncorrelated across years, this biases the estimates of the correlations downwards. Because the 1989 estimates are generated from larger samples than the 1973 estimates, the ratios of 1989 to 1973 standard deviations are biased downward by not correcting for sampling error.

⁴ This evidence for the percent organized contrasts with the positive effects of the percent organized on the wages of nonunion workers found in much existing cross-sectional work (e.g., Freeman and Medoff 1981). We also obtain positive effects if we omit fixed industry effects. Krueger and Summers (1988) argue against inferring the causal effects of the union sector on nonunion wages from cross-sectional data.

⁵ An alternative specification for these regressions is to interact the within-industry union wage premium with the percent organized. (We chose not to emphasize these results because of the potential negative bias arising from the construction of the within-industry union premium.) Substituting this interaction for the separate variables in the regressions in Table 3, the estimated coefficients were negative for eight of the nine industries (except FIRE) and were statistically significant for three of these (construction, mining, and TCPU). Thus again the results run counter to the efficiency-wage model.

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DISCUSSION

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David Levine's paper attempts to assess the association between efficiency wages and the determinants of worker productivity in Japan and the U.S. While I believe the investigation is most interesting, I still have a number of problems with it. In particular, my primary concerns are that his analysis is likely to suffer from important omitted variable biases and is open to charges of presenting more "halo" effects. Consider one omitted variable, the capital labor ratio. When the wage is high, this ratio is also likely to be high, and this phenomenon can have a significant impact on workers' perceptions of their jobs. As for the "halo" effect, I do not believe that Levine has 16 independent readings of workers' attitudes toward their job.

Ultimately, Levine and other believers in efficiency wages wish to demonstrate that wage rates can condition workers' productivity. In an earlier piece Levine estimated a production function where he had output per worker depending on capital per worker and the wage premium that the firm chose to offer. Since I believe that much of the effect of efficiency wages will be captured by the capital/labor ratio (under the assumption that firms cost minimize in the long run), I feel that the very basic question as to the relationship between wage rates and productivity must be carefully addressed before one begins an analysis of potential mediating factors.

Levine believes that longitudinal data would solve many of his econometric problems. I am far from convinced. First of all, for longitudinal data to be of the greatest value, all changes must be exogenous. This, however, is most unlikely. Also, there can be critical omitted variables in the changes that cannot be ignored without generating biased results.

In sum, while I think this paper does much to explain how efficiency wages can affect productivity, I await convincing empirical evidence that they do.

The paper by Janet Spitz is extremely interesting, but it suffers from many of the problems endemic to the literature on efficiency wages. My first problem concerns potential simultaneous-equation bias. If firms choose efficiency wages when their productivity is "low," then the impact of wage premia on productivity cannot be assessed. What we need is a sample of firms who are paying high wages for reasons other than low productivity.

Spitz, like many others, suffers from the illusion that longitudinal data can solve all the world's empirical problems. This is obviously not correct. Longitudinal data are extremely valuable because they give us an experiment that is distinctly different from one provided by cross-sectional observations. Neither of these two experiments is "perfect," but if they generate similar results, I find it most comforting. This is because I know of no reason why cross-sectional biases and longitudinal biases will condition results in the same fashion.

At a very basic level I am troubled with the measurement of her two key variables. In particular, the construct of wages divided by per capita income and the unemployment rate are poor proxies of what one gains from keeping a job. Unfortunately, assessing a worker's view of the quality of his job and the state of the relevant labor market are most demanding tasks. However, they must be undertaken if we are to have empirically based beliefs about efficiency wages.

I think that Spitz's result concerning the impact of managerial quality on worker productivity is more interesting. I encourage her to go back to the work of Sumner Slichter who devoted much attention to the issue of managerial effectiveness. Moreover, as Spitz notes, the recent work by Kim Clark is most enlightening. He, too, finds that managerial quality is a key determinant of worker productivity. Thus even though this paper did not focus on managerial quality, I think this issue is empirically more tractable than efficiency wages and is likely to be at least as important. I look forward to future contributions on this subject.

VII. A PERSPECTIVE ON THE THEORY AND PRACTICE OF JACK BARBASH

Impact of Industrial Relations on Equity in the Workplace

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In a seminal article in 1964, later in his books published in 1984 and 1989, and in several recent papers, Jack Barbash has set forth the “elements of industrial relations.” The present paper explores one aspect of those elements—the concept of equity. Barbash has stated that the problem of industrial relations “arises out of the tension between the employer’s application of rational pressures and the workers’ resistance to these pressures through his protective devices” (Barbash 1964). He was referring to the old dilemma of efficiency versus equity in the employment relationship. In his 1989 book Barbash argues that “equity is a necessary condition of a workable industrial society,” and that “formal efficiency needs to be modified by equity.” In this sense, according to Barbash equity complements efficiency in the utilization of labor (Barbash 1989a).

In this paper, the authors have attempted to build on the concepts introduced by Jack Barbash. These concepts will be applied to the contemporary issues in industrial relations concerning equal employment opportunity, innocent absenteeism, and alcohol and drug testing in the workplace, primarily in the Canadian context. As Barbash has noted, “With the weakening of collective bargaining as an instrument

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of equity, advocates turn to legislation as alternate means for equality, and labor relations law gives way to employee relations law" (September 1989b).

Equal Employment Opportunities (EEO)

Discrimination in employment or EEO has been a major theme in industrial relations in recent years. John Dunlop (1984) has observed that "the labor market has to meet tests of equity, seniority, equal employment opportunity, in addition to efficiency" (cited in Barbash 1991b). Barbash concurs. He suggests that equity in the contemporary context calls for, among other things, prohibitions against discrimination on account of race, sex, etc. (Barbash 1988).

Employer, and to a lesser extent trade union, discrimination against women and minorities in both the United States and Canada is well documented (Jain 1979, 1982, 1989; Jain and Sloane 1981; Jain and Hackett 1989, 1992). Several empirical studies of economic costs of employment discrimination against racial minorities and women are available. In one study, discrimination against blacks, Puerto Ricans, Spanish Americans, Indians, and others was calculated to cost an estimated loss of up to \$20 billion per year of potential production (*Economic Report of the President* 1965). Similarly, two additional studies of racial minorities in the U.S. (Bergmann 1971) and females in Britain (Tzannatos 1983) have found that if occupations were desegregated and workers employed according to their qualifications, the increase in national income in the U.S. would have been about \$9 billion in 1967 and as much as 8.3 percent in Britain, respectively.

It is clear that underutilization of women and minority workers can entail significant costs in terms of lower national output, labor market efficiency, higher inflation, and excessive welfare and penal costs. Hence government intervention has taken the form of employment equity, pay equity, and other measures. In Canada affirmative action is employment equity, and equal pay for comparable worth is pay equity. Legal decisions emanating from EEO have resulted in the sanctioning of voluntary affirmative action plans with numerical goals and timetables to remedy past discrimination in occupations traditionally closed to minorities (*United Steelworkers vs. Weber* [1979]). The imposition of quotas, abolition of testing programs, and changes in other discriminatory staffing policies have been upheld; for instance, see the unanimous decision by the Supreme Court of Canada (*ATF vs. CN* [1987]) and numerous court orders and consent decrees in the United States. Decisions have also approved back pay, reinstatement

of employees, seniority credit to women and minority employees for the time they were discriminatorily denied employment, and other remedies (Jain and Sloane 1981). In our view such government intervention can be justified both on equity and efficiency (i.e., economic) grounds.

There are numerous factors that have led many employers and trade unions to negotiate antidiscrimination clauses, affirmative action/employment equity programs, sexual harassment and racial harassment mechanisms, among other initiatives. Some of these factors are the rising female and minority share of the labor force in both the U.S. and Canada, government legislation, the thrust of the feminist movement, publicity generated by tribunal and court decisions in employment discrimination cases, and enlightened self-interest (in the form of diversity management to become more competitive in the case of employers and attracting women and minorities to become union members in the case of trade unions) (Kumar and Acri 1991). In addition, employers in the U.S. have learned to live with affirmative action. While government intervention in enforcing affirmative action in the decade has been anything but vigorous, the goals and timetables have not been dismantled (Taylor and Liss 1992, 32). A number of studies have demonstrated the effectiveness of affirmative action/employment equity policies both in the U.S. and Canada (Leonard 1985; Jain and Hackett 1989; Leck 1991). As Arthur Okun (1980) has observed, "Equity is . . . not an extraneous constant imposed upon the market by political institutions, but rather a vital lubricant of market process (cited in Barbash, 1989a).

Due Process and Privacy Relating to Innocent Absenteeism and Substance Use

Barbash has noted that "equity is both procedural (due process) and substantive (privacy) . . ." (1988). We will explore the issues of due process in both innocent absenteeism and substance use/abuse and privacy, especially relating to drug testing.

Exploring the issues of due process and job rights leads one, inexorably, to the grievance process and the potential for rights arbitration. Space limitations prohibit an exploration of nonunion relationships; we recognize that a majority of workers in North America are not unionized. In those cases common law would be applicable. Pressures of economic competition have heightened the emphasis on cost control. Employers look for "maximum results at a minimum cost" (Barbash 1964). This does not mean that the manager necessarily lacks humanity,

rather it assumes, as Barbash has pointed out, that management will engage in techniques to determine worker productivity to ensure the firm's ability to balance labor and other costs against revenue. The heightened need to measure labor input provides increased tension and worker reaction. This brings us to the concept of discipline. This paper will not explore the discipline process or the issue of culpable conduct. Rather, it explores the process of nonculpable behavior—that is, behavior often beyond the worker's control, which reduces his or her productivity in the firm and occasions a response from management. Such conduct is often associated with absences or chronic lateness. Specifically, we explore employer reactions to alcoholism and illegal substance abuse at the work site and look briefly at the concept of the duty to accommodate.

Innocent Absenteeism

There can be little question that arbitrators will not uphold discipline or discharge for an employee who has a bona fide illness and is absent from work as a result. Arbitrators have concluded that the inability to work for that reason is a matter that must be dealt with in some other manner (Brown and Beatty 1992). Have employers, therefore, been left without any remedy if an employee is absent due to some illness, disability, or other incapacity? The answer is clearly no since there is a balancing of interests in the employment relationship. The union-management bargain has two edges. On the one hand, management has agreed to deal exclusively with the trade union as the representative of its employees and reach an accommodation through collective bargaining. However, out of that bargain the firm has a right to insist that employees provide a productive work effort in return for negotiated wages and other benefits.

We begin with the proposition that an employer has the right to expect a standard for productive work which, at a minimum, will be regular attendance at the job. The employee has the right to expect fair treatment and will expect that the employer will accept certain lost productivity because of innocent absenteeism. However, there is a limit beyond which the employee will be unable to extend that right. Arbitrators have held that the rights of the employee can be set aside if the employee's absenteeism has effectively undermined the employment relationship (Weiler 1969). However, who bears the onus of determining that the employee will not be able to maintain an employment relationship? Is the matter determined by past absences or future probability of regular attendance, and if the latter, what evidence is

both admissible and to be relied upon in determining these questions? An employer who seeks to terminate an employment relationship on the basis of absenteeism may be faced with the requirements of addressing the prognosis for regular attendance. Some arbitrators have held that it is the employee who bears that onus; whereas other arbitrators have indicated that the employer will be required to bear the onus of establishing the prognosis (Brown and Beatty 1992). The arbitral jurisprudence is not consistent in this regard (Picher 1981; Burkett 1977). There is often a dual requirement—first, that there are problems with an employee's ability to attend consistently at the work site, and, second, that there is little chance of improvement. The rationale is one of fairness (Burkett 1977).

Some arbitrators have recognized that the concept of equity requires that an employee, who otherwise performs at an acceptable level but for illness or other debilitating condition, should be given the benefit of demonstrating that the future employment relationship can be continued. The interesting feature is that the employer is brought into this decision because some arbitrators have required employers to demonstrate that they have both considered and investigated the prognosis. It is clear from the arbitral jurisprudence that arbitrators "are generally reluctant to sustain the termination of a person's employment simply on the basis of an absenteeism record which, though checkered, is *bona fide*" (Brown and Beatty 1992). As a result there is a shared responsibility. The concept of equity, therefore, has been imposed by arbitrators on an employer's action. An employee who has performed satisfactorily in the past, but who has had an absenteeism problem, cannot be dismissed simply because of that without a full investigation into all of the factors. In the Canadian context, arbitrators have held that an employer has the responsibility not just to ask but to become involved in assisting the employee find a solution to a problem which could be undermining the employment relationship. This is different from culpable misconduct. In those cases, once proven, arbitrators may be loathe to alter the discipline imposed by the employer. In the case of innocent absenteeism, the employer must demonstrate that some inquiry has been made, subject to medical privacy, to assist the employee in solving the particular issues that have arisen. This may take the form of informal guidance or may become more formalized with employee assistance programs. The employee and employer frequently will have a full and open discussion with the assistance of a union representative. Because the collective agreement, which establishes the employment relationship, is the underlying constitution

between the two parties, it would be inappropriate for an employer to engage in discussions with an employee concerning behavior that was undermining that employment relationship without the presence of the union.

Employee assistance programs have been the subject of negotiations over at least the past decade. Such programs offer employees the opportunity to be referred to a counsellor who could be an outside agent or a management representative with no relationship to the employee's own position within the company. After a full discussion of the difficulties, the employer and the employee, with the assistance of the union, can jointly prepare a document which states the difficulty, the solution, and any stipulations or conditions concerning the employee's status at the job site. One of the conditions may be referral to further confidential counselling. When employees fail to abide by conditions which they have negotiated themselves and to which they have agreed in the presence of their union, an arbitrator has a rich history against which to judge the actions of the employee and the employer. This type of arrangement can solidify the concept of equity on the job. The employee is treated as an individual whose contribution to the overall life of the firm is recognized as an integral part of the production process. When an integral part of that process suffers damage, either through partial or complete breakdown, the concept of job equity requires that both sides of the production process—labor and management—meet to discuss the reasons and possible solutions. Employees must demonstrate that they have undertaken courses of treatment such that the prognosis is favorable. This issue arose recently, not in an innocent absenteeism case but one of apparently culpable conduct. In a case involving Canada Post and the Postal Workers, an employee was found to have opened mail, taken and used a bank credit card, was arrested, subsequently discharged, and grieved that action. The grievor had been a victim of sexual abuse, including sexual assault as a child, and was also a victim of sexual harassment on the job. Expert testimony was heard from two psychiatrists, and the arbitrator came to the conclusion that "the legitimate interest of the Corporation and the employee can be fairly balanced . . ." (Picher 1992). The employee will be reinstated upon recovery from the medical condition.

Innocent absenteeism is a general case and is most often the incident that triggers an investigation by an employer in matters of alcohol and drug abuse and leads to the question of drug and alcohol testing at the work site.

Alcohol and Drug Abuse

It is important to distinguish between an employee who arrives at work in an unfit condition on occasion and one who has a problem with abuse of alcohol or other substances. In the former case an employee may be subject to discipline (Brandt 1990). However, an incident in which an employee arrives at work under the influence of alcohol or consumes alcohol on company premises during working hours may be a symptom of a deeper problem—alcoholism. In these cases alcoholism is treated as an illness (Shime 1983). The appropriate response is not discipline, rather an employer may be required, at arbitration, to demonstrate how it would have acted had it known the employee was suffering from an illness rather than a simple incident of intoxication. Where alcoholism is involved, arbitrators have looked at the question of the equity of the discipline or discharge of an employee who suffers from a condition which could involve absenteeism but also could involve inappropriate behavior at the work site. One arbitrator looked at the interests of all stakeholders in an employment relationship and concluded that preservation of that relationship could benefit all parties, including society (Adell 1983). Arbitrators and employers have recognized that there are cases in which the salvation of a productive employee is worth the extra time, effort, and cost involved in what amounts to a rehabilitation program. Employers who have put employee assistance programs in place often find that referral to such programs is a first step. There is a question of how long an employer must wait before deciding that an employee cannot be rehabilitated. This is difficult to answer because often medical prognosis is equivocal. Medical predictions concerning an alcoholic's future may often be stated in terms such as, "If the employee does not consume alcohol, then (s)he would be productive." Some employers, as a result, have taken the position that contracts should be drawn up between employee, employer, and union to make all parties part of the decision process concerning future relationships with the firm.

The issue of drugs presents a more difficult problem. In some cases an employee's use of drugs is not immediately apparent, whereas alcohol is often very noticeable. Arbitrators have applied the principles that arise from alcohol-related offenses to drug cases. There is a similarity between the two because the use of illegal substances also affects the employee's productivity and ultimately can affect the employment relationship. A finding that an employee was charged with a drug or alcohol-related offense while off company premises may not

be upheld in arbitration if that employee is disciplined. On the other hand, if an employee is found to be in possession of drugs or alcohol and arrested, and by virtue of that arrest is unable to attend work, arbitrators have held that the employer may be able to terminate the relationship. The first reported case in Canada to deal with the issue of drugs was a case in which a railway conductor refused to submit to a drug test or explain an incident in which he had been charged with the cultivation and possession of large quantities of marijuana. The arbitrator held that this refusal violated public safety interests and these outweighed the matter of individual privacy (Picher 1987). Cases of this type have led employers to demand drug and alcohol testing at the work site. A study done for the Ontario Law Reform Commission concluded that the testing of bodily samples should not be permitted. The arbitral jurisprudence is very new in this matter and only about a dozen cases have been reported to date in Canada. The issue is whether or not an employer has the right to insist that employees submit to random tests to determine if drugs or alcohol are present. This is a very different matter than a supervisor who sees an employee enter the work site under the influence of a substance, whether it be alcohol or drugs. In cases in which an employee is found to have an acknowledged drug problem, random testing may be appropriate (O'Shea 1989).

The Ontario Law Reform Commission concluded that random testing should be banned because it is a significant invasion of privacy; the testing techniques are incapable of detecting impairment, and there is no conclusive evidence to date to support the proposition that drug abuse is a serious problem in the work force.

Employers, however, continue to be interested in testing as a deterrent and as a forerunner to possible dismissal. However, it could be argued that penalties of suspension and discharge for the use of alcohol have not deterred employees from continuing to appear on company premises in an unfit condition. The notion of deterrent and discipline seems to run counter to the notion of equity in the employment relationship. If equity is defined as fair treatment of the employee and an employee suffers from an illness such as alcoholism or drug dependence, the question of whether discipline and discharge is appropriate must be raised. Rather than simply impose drug testing to justify dismissal, employee assistance programs can be used as strategies to identify, assist, and rehabilitate alcoholic or drug dependent employees. The interests of the employer are to ensure that employees have the opportunity to solve their particular difficulties and either return to the

workplace as productive employees or remain at the workplace in some capacity while undergoing assistance.

Duty to Accommodate

Recognition that alcoholism or drug dependency is not a culpable misconduct problem and that some accommodation is needed is difficult for many employers. Recently in Canada the duty to accommodate has become enshrined in various human rights statutes. This can be related to the matter of alcohol and drug testing because the Human Rights Code of Ontario, for example, states that equal treatment in employment must be given regardless of handicap. The question is the definition of handicap. In many cases the subject matter is employer rules and regulations that affect an employee because of religion or physical disability for example. These cases stand for the proposition that an employer must attempt to accommodate an employee unless it involves undue hardship. The Supreme Court of Canada listed factors relevant to undue hardship such as financial cost, disruption of a collective agreement, staff morale, and comparative ease with which the accommodation can be made (Winkler and Thorup 1992). Accommodation has relevance for alcoholism and drug abuse cases. An employer may be forced to show that it attempted to accommodate an employee's problem; this is because alcoholism or drug dependence may be treated as a handicap under human rights legislation. For example, should an employer be required to accommodate the absenteeism of an employee because that employee suffers from alcoholism? If alcoholism is an illness and is declared to be protected under a human rights code, an employer could be in the position of being forced to accommodate that employee even though the absences reduce productive efficiency.

The thrust of arbitral jurisprudence and human rights legislation puts employers and unions on notice that the deterrent feature of discipline and discharge is inappropriate for employees who have an alcohol or drug dependency. The dilemma facing employers is that an employee with such dependency may cause losses in productive efficiency, safety problems to the employee personally and to other employees, and as a result involve the employer in additional costs. On the other hand, employees who have been productive in the past and who have an opportunity to continue their productivity in the future, if discharged because of alcohol or drug dependency, will be thrown into society in a situation in which they may not regain suitable employment and make any contribution. In other words, there is a private

cost to assisting the employee but there could be an enormous social cost without that assistance. Balanced against this is the employee's right to privacy in the matter of the detection of dependency on alcohol or drugs. Fair treatment would dictate that a test that shows a positive result is not appropriate if the test itself has validity or reliability problems. On the other hand, prohibition of testing which would divulge problems is also not fair, either to the employer or the employee. The dilemma, therefore, is real. It may be solved by an improved testing technology. On the other hand, a proactive counselling program may be the forerunner to early discovery of difficulties and treatment. Just as medical tests for returning employees who have been ill are quite appropriate, so tests for drugs or alcohol dependence may become the norm to serve as a predictor. At the present time, however, random testing does not appear to be an appropriate method because of its lack of reliability and validity.

We can see that following Barbash's "elements of industrial relations," employees seek fair treatment in their employment relationship. An employee who suffers from an illness will come to expect an accommodation from the employer; however, that accommodation cannot be infinite. The employee must also bear responsibility for self-help. Employers interested in a productive and loyal work force may have to turn to a much more proactive counselling program to ensure that employees continue to be fit to perform the jobs to which they have been assigned.

In this paper we have attempted to highlight the link between equity and efficiency advocated by Jack Barbash. Both concepts are of continuing relevance in industrial relations. Collective agreements should include equity issues. Where they do not, legislative action will address employment equity, pay equity, human rights, and the duty to accommodate. Arbitral jurisprudence appears to be the primary force so far in the Canadian context in innocent absenteeism and alcohol and drug use/abuse. What is clear is that equity and efficiency are related—equity brings the concepts of fair and humane treatment to the work site, and both complements and augments efficiency.

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The Elements of Industrial Relations: A Retrospective View

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While Jack Barbash has written many books and articles over the years on a variety of topics, the book that had the most impact on me was *The Elements of Industrial Relations*, published by the University of Wisconsin Press in 1984. This book was the culmination of some twenty years' work in developing and expanding the article that he first published in 1964 in the *British Journal of Industrial Relations*.

Why is this particular book an important contribution to the field of industrial relations? First, it is an analytical rather than descriptive contribution. It identifies key factors that help us understand the workplace in an industrial society and how these factors created the need for unions and the emergence of labor-management relations. In addition, his book recognizes the role of management in the process, unlike many earlier studies that centered on the labor movement. Barbash also identifies the role of impersonal forces that lead management to expand technology and emphasize cost discipline and a disciplined work force. In this sense, his book has more to say about the manufacturing sector than the service or public sectors of modern, industrialized societies. Finally, this book is solidly based in the spirit of institutional economics.

We first discuss how *The Elements of Industrial Relations* fits into theory building in industrial relations. Then we address the various elements from the perspective of the 1960s when the basic framework was developed by Jack Barbash. Next we look at those same elements from the perspective of the early 1990s. Finally, what does the current scene tell us about the viability of labor-management relations in the coming years?

The Elements and Industrial Relations Theory

Barbash's book is consistent with earlier attempts to lay out a theory of industrial relations. In this sense it is similar to earlier theories

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of Commons, Perlman, Dunlop (and the broader framework later developed by Kerr, Dunlop, Harbison, and Myers) and much of the British School of industrial relations (Clegg, Fox, and others). It does not take the approach favored by Heneman (in Somers 1969) which lays out a positivist model for industrial relations that is more associated with the field of experimental psychology.

The *Elements of Industrial Relations* is clearly a macro-based theory. As Barbash says in the first chapter:

I do not offer a grand "theory" of industrial relations which demonstrates quantitative interrelationships, although the first step in any sort of theory is the identification of the component parts which are to be theorized about. This is what I try to do here for industrial relations and this is what I mean by the *elements* of industrial relations (p. 8).

One of the distinctive features of our field is the general belief that conflict is a given in the workplace in industrial societies. As Barbash states, "If this work has a thesis it is that labor problems are normal, not pathological, in an industrialized society. Labor problems arise naturally out of the continuous interaction of management efficiency, work security, and public policy" (p. 3). This position is contrary to much of the literature in organizational development and conflict management. It also flies in the face of managerial advocates of the union-substitution model.

The Elements from the Perspective of the 1960s

Let us assume for the moment that we are back in the early 1960s when Jack Barbash first laid out the general thesis. We will use the United States as our example, since it was the most industrialized nation at the time. Barbash identified the following elements as crucial to understanding industrial relations in industrial societies: technology, scale, cost discipline, disciplined labor force, organization, uncertainty, and the role of the state. He saw the main processes of industrial relations as including management efficiency, a work society and union protectivism reacting against cost discipline, management's counter-protectivism on behalf of management rights and prerogatives, and the interaction of these processes through collective bargaining and state regulation and intervention.

In the 1960s America was the richest country on the face of the earth. The productivity of its work force was considerably higher than that of any other nation. Unemployment was in the range of 4.5 to 5.5

percent (Handbook of Labor Statistics 1989). Layoffs were typically short term and cyclical in nature and were mostly confined to the blue-collar labor force. Union leaders still thought of the labor movement as a growth industry, even though union membership had largely plateaued. Unionization of the public sector was seen as the growth sector. With some exceptions, employers had not developed sophisticated union-substitution programs. Nor were most employers prone to return to the days of aggressive antiunionism, even if many of them had not fully accepted the legitimacy of pluralism in the workplace.

Technology and automation were central issues in the industrial relations literature at that time. Part of the debate was philosophical in terms of the role of the technical elite in transforming our society to the demands of technology (Ellul 1965; Ferkiss 1969; and Galbraith 1967). But there was also a genuine fear by some that cybernetics, automation, and robotics would result in major employment dislocations. Rezler (1969), Walker (1957), and MacBride (1967), among others, were concerned that automation would move so swiftly that large numbers of production workers would be displaced. Kennedy (1962) looked at job displacement resulting from technological change.

The discussion was not limited to the factory. Hoos (1961), for example, saw office automation as making clerical jobs more rationalized, standardized, diluted, and routinized. She was concerned about the tendency of automation to downgrade skills but was hopeful that management would and could address these problems brought about by computer technology. In the mid-1960s Harold Leavitt forecasted that by 1985 the computer would seriously reduce the need for middle managers in American firms. Fortunately, the changes brought about by technology in the 1960s, though not inconsequential, were never as cataclysmic as some forecasted.

The 1960s showed a continuation in the trend toward large scale organizations in which a growing number of employees worked for Fortune 500 firms. The emergence of conglomerates operating in a number of industries was a phenomenon of the 1960s.

As in former years, cost discipline was primarily centered on the factory floor. Supervisors were expected to monitor performance, and detailed records were maintained on employee and machine output and product quality. On a grander level, PERT systems were installed to assure efficiency standards on large construction projects. Cost discipline in the office, though often mentioned in the business literature, was not very widespread, except for the work of consultants on trying

to reduce the number of office forms generated by a growing bureaucracy.

By the 1960s America largely had attained a disciplined work force as the private-sector work force accepted the legitimacy of efficiency techniques. This applied to the need for regular work hours, the need for qualitative and quantitative standards, and a commitment to the success of their employer. Discipline, however, was more apparent on the factory floor than in the office or research laboratory. The standards of professionalism were strong motivators for technical and professional staff, while unskilled and sem. skilled staff were influenced more by the rules of the employer or the union contract.

The level of uncertainty, or unpredictability of economic events, at the time was not very great. Most employees could assume that they could work for one employer for a considerable number of years before retirement. Their need for health care coverage was assured in all but the smallest companies. It was expected that with each passing year their standard of living would improve.

Finally, the role of the state was generally supportive of the right of employees to organize and bargain collectively with their employer during the early to mid-1960s. While collective bargaining was not endorsed as strongly as during the 1935-1947 period before the Taft-Hartley Act, the regulatory agencies were activists in protecting workers' rights to form unions and bargain with their employer in the private sector. However, government as employer was more reticent in conferring the same rights to their employees.

Barbash's theory, in what he calls the lower case, provides considerable insight into the major union growth from the 1930s through the early 1950s and, to a lesser extent, the proliferation of collective bargaining in the public sector during the 1960s and 1970s. It is now time to look at the *Elements of Industrial Relations* through the lens of the early 1990s.

Barbash's Theory from the Perspective of the 1990s

The scenario in the United States today is very different from the one we have highlighted for the early to mid-1960s. America no longer dominates the world economy. Although we still have the largest share of the world economy, Japan and Germany are formidable competitors, not to mention smaller countries that are not far behind the leaders. While we continue to be one of the richest countries in terms of per capita income, real wages of the average American worker are lower than was true in 1973. We continue to have the most productive work

force, but differences have narrowed with our major competitors. Labor productivity growth since the early 1970s has averaged about 1 percent per year, considerably below the roughly 3 percent annual growth of the early postwar years (*Fortune*, October 19, 1992).

International competition and corporate restructuring have had a devastating effect on our auto, steel, and defense industries in terms of plant closings and permanent layoffs. As an example, *Business Week* (October 19, 1992) reported that ten large U.S. defense contractors in December 1989 employed 834,200 people. By the early fall of 1992 the number was 684,500. Total unemployment was 7.7 percent of the work force in July 1992 or 9,760,000 people in a total civilian labor force of 117,772,000 (*Monthly Labor Review*, September 1992, 65).

Recent polls show that Americans are pessimistic about maintaining their and their children's standard of living. Such pessimism flies in the face of the longstanding optimistic nature of Americans (Stewart 1991).

With the current troubled economic situation, how can we characterize Barbash's elements at present? Technology and technological change are more with us today than in the 1960s. While robotics has not significantly reduced the work force (Hunt and Hunt 1983), programmed change has reduced the need for production workers in much of our manufacturing industry. Some of this loss was picked up by growth in service-sector employment during the 1970s and 1980s, but the recession of 1990-1991 and its aftermath have hit the service industries particularly hard.

Hoos's conclusions are in line with most assessments that the computer and word processor have resulted in the loss of clerical employment and/or the normal growth that would have happened without them. Furthermore, Leavitt was on target with his prediction of the large-scale retrenchment in middle management caused by the computer (and corporate restructuring). Whole levels of management have been removed from the organizational chart of such firms as Xerox. It is surprising how little debate exists today concerning the role of technology in decreasing employment opportunities.

The scale of private enterprise has continued its long-term trend toward larger and larger firms as a result of the accelerated merger and acquisition mania of the 1980s. Uncounted jobs were lost as a result of nonfriendly takeovers. These actions might have been justified on the basis of improving corporate performance and saving jobs had it not been for the fact that many of these mergers and acquisitions didn't result in better firm performance. In addition, in the last ten years the Fortune 500 industrials shed about 25 percent of their work

force (*Fortune*, November 16, 1992, 10). Had it not been for the growth of small companies and entrepreneurial ventures, overall job growth would have been even slower than it was in the past few years.

The element of cost discipline has become a growing reality to a greater segment of the labor force. Once largely restricted to the factory floor, cost discipline governs even professional employees. For example, public accounting and law firms use ever tightening control devices such as billable hour competition to assure that everyone is carrying his or her share of the load and also to assure comfortable partner bonuses. Top management is continually reminded by the financial community that they need to improve quarterly and yearly profits to maintain or improve stock price and assure better executive bonuses. Telephone operators and service representatives are regularly monitored to count the seconds that an operator takes to complete a call.

All this is taking place at the same time that the U.S. has the highest productivity of any manufacturing work force in the world. Data from the Organization for Economic Cooperation and Development show that the average American worker produced over \$7,000 more than the average German worker and almost \$11,000 more than the average Japanese worker in 1990 (*Fortune*, October 19, 1992, 54). Furthermore, a Harvard University economist has shown that the American employee is working longer hours than was true in the early postwar period (Shor 1991). Commitment to total quality management is expected, even though there are few inducements given by management to balance the added employee efforts or contribution (Barnard 1938; March and Simon 1958).

Next we turn to the element of a discipline work force. If anything, more and more sectors of the American economy are being influenced by business efficiency models for evaluating performance. Business schools teach the latest techniques to administrators in colleges and universities, hospitals, medical clinics, nonprofit organizations, and government. While some of these techniques are beneficial, often the administrator or professional experiences more hours of work and stress.

Management "gurus" speak eloquently on such themes as empowerment and a committed work organization where both employees and management can win. And yet, a sense of loyalty by and to most corporations is sadly lacking—a point often made in the popular business literature. Interestingly, today one rarely hears or reads about employee or union views on the subject. The "soft" labor market in recent years has meant that the employers' agenda has taken primacy.

Organization, in terms of specialization, professionalization, and bureaucratic rules, is still present in the workplace, even with the criticism aimed at its negative features. Engineers in the defense industry find their skills don't match where the jobs are. Redundant typists find limited transferability of their skills. Medical specialists often can't treat the simple health problems that fall outside of their medical specialty. The flexible work force needed is far from being a reality in most organizations. The lines between occupational categories have become increasingly blurred.

Uncertainty about one's job and income is far more evident in the labor force now than it was 30 years ago. Historically most job layoffs affected the factory work force, unless the plant, office, or company was closed. However, with the recessions in the mid-1970s, early 1980s, and the most recent recession, managers and professionals/technical began to share the brunt of unemployment. Statistics show that in 1968 professional/technical employees and managers were three to four times less likely to be laid off than operatives and kindred workers. Twenty years later, while managers and professionals still maintained the same ratio to operative employees, the percent of managers and professionals laid off had more than doubled (*Handbook of Labor Statistics* 1969 and 1989). Managers and professionals also are more likely to experience longer periods of unemployment than other workers. These traditionally privileged groups, in terms of pay, benefits, and job security, increasingly find themselves vulnerable to economic events and top management mandates.

In 1991 one in five members of the labor force was unemployed for one or more periods during the year. Uncertainty is not confined to those laid off, since many more employees and managers fear the possibility of losing their job temporarily or permanently. The *Christian Science Monitor* (October 29, 1992, 9) notes that a Bureau of Labor Statistics economist says that 85 percent of the layoffs between July 1990 and June 1992 were of a permanent nature. This compares with an average of 56 percent for the previous four recessions. The same article cited a survey by the American Management Association that showed firms expecting layoffs and job eliminations to continue at record numbers in 1993.

Finally, what is the present role of the state in industrial relations? In large part, the federal government has taken a laissez-faire posture in regulating labor-management relations with some exceptions (the exceptions include the Donovan appointment to the NLRB, President Reagan's action against PATCO, and the appointment by Reagan and

Bush of people to the Supreme Court who would likely take conservative stances on labor and other matters). What made the situation radically different from the 1960s is that the administration stood on the sidelines while many private-sector employers were using sophisticated union substitution and antiunion programs. If we learned anything from the experience, it was that the federal government must be an active participant in the process as a regulator to see that union-management interactions take place on a level playing field.

Looking at Barbash's *Elements* in 1992, one would assume that employees would be using informal protective behavior or even seeking unionization to minimize their weakness in dealing with international competition, corporate restructuring, technological change, and the soft labor market. Since none of these factors is likely to decrease in impact for some years, why don't we see more assertive behavior by employees and even managers in protecting their job and pay as we would expect from Barbash's theory? There seem to be several reasons.

First, managers, even if they wanted to unionize, have no enabling legislation to support them in such action. Second, technical and professional staff could unionize but are heavily socialized by management and most professional bodies to see unionization or even informal employee action as unbefitting of their station. Third, the current American work force is conditioned by individualism to see any collective action as antithetical to society's and their own good. Fourth, some employees have chosen to accept generous early retirement packages in lieu of keeping their jobs. Fifth, there probably is a genuine fear of pressuring the employer to stop using record overtime hours in lieu of retaining more employees and hiring new ones. Sixth, it is possible that the present economic situation is not sufficiently desperate enough to lead to large-scale organizing as in the Depression. Finally, a goodly part of top management has been using union substitution or hardball tactics in reacting to attempts at unionization.

The neoclassical school of economics, and their infatuation with "the market," seemingly considers people only as factors of production. At a time when downsizing is the quickest way of improving the short-term balance sheet, employee "voice" is probably as weak as it has been since the Depression. For example, a growing number of companies are considering or actually doing away with health care for retirees, pensions, and health care coverage for part-time staff. Where collective bargaining is not present, these actions are taken unilaterally. There is rarely debate or discussion with employees of alternatives.

Once management has taken these benefits from the nonunion staff, the employer then presses their union(s) for similar concessions.

In closing I leave you with two thoughts. Perhaps the private-sector work force needs more "voice" and clout, given the power wielded by top executives, shareholders, and the financial investment community. Also, perhaps those of us in the academic community need to be more critical of what is happening in the world of work than has been true for some two or three decades.

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Trade Unionism and Industrial Relations: Notes on Theory and Practice for the 1990s

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Jack Barbash has had an enormous impact on my interest in and approach to trade unions and industrial relations. He attracted me to this field of study as an undergraduate with his exuberant, engaging, and powerful classroom performance. He encouraged me to study industrial relations as a graduate student and supervised my Masters' thesis. He supported my decision to study organizational behavior for my Ph.D. dissertation. So on a purely personal level I owe much of my intellectual underpinnings in this field to Jack.

On a broader scale Jack personifies the best of that generation of labor union professionals turned scholars who shared with us the practical and personal insights about people such as John L. Lewis, Walter Reuther, and the other great leaders who shaped industrial unionism in its formative years. Yet Jack went beyond personal stories to conceptualize the essence of the employment relationship and the role of unions in a democratic society. His discussion of the inherent conflict of interests between efficiency and security and the structural rather than class sources of this conflict presented in his 1964 article, "The Elements of Industrial Relations," is a classic. It stands today as the single paper that has had the greatest impact on my thinking about our field. Given Jack's penchant for moving between the world of practice and theory, from *The Practice of Unionism* (1956) to *The Elements of Industrial Relations* (1984), it is fitting that I use this occasion to examine the role of unions in today's economy and industrial relations system from both a practical and theoretical point of view.

Industrial Relations: The 1930s to the 1980s

The trade unionism Jack knows so well grew out of the economic and social environment of the 1930s. Industrial unionism emerged to fill an ideological niche somewhere between Marxist and neoclassical

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economics with a structure that overcame the demonstrated weaknesses of craft and company unionism. As such it represented a brilliant innovation, filling a void in worker representation with a model of unionism that was well suited to the production and organizational arrangements of the growing large-scale manufacturing sector. Collective bargaining and industrial unionism accommodated the needs of workers and employers of the day: to negotiate and resolve periodically, through regularized channels, conflicts at the workplace and to develop incrementally rules for sharing the economic benefits attained through peaceful accommodation of labor and management interests. Out of this confluence of innovation in law and institutions evolved what we now describe as the New Deal system of collective bargaining and industrial relations.

The need for continual resolution of conflicting interests at the workplace is as necessary today as it was in the 1930s. We have yet to reach that utopian state where differences in interests evaporate or disappear. Yet for reasons I will outline in more detail below, the essence of the industrial relations problem has shifted in ways that call for fundamentally new approaches to worker representation in the enterprise and to labor law equivalent in scope to the changes introduced in the 1930s.

The 1930s industrial unionism and collective innovations focused on the distributive side of the employment relationship and did a good job of resolving conflicts between two clearly defined groups—labor and management. But sustained integrative bargaining (Walton and McKersie 1965) has proved to be a more elusive goal. Instead of institutionalizing a pattern of problem solving and pursuit of joint gains on topics of mutual interests, American industrial relations has been characterized by episodic waves of joint initiatives from the 1920s through the 1980s (Bailey 1992). The human relations movement, labor management committees, job enrichment and enlargement, quality of working life, quality circles, total quality management, and organizational learning are among the different labels attached to these successive efforts. Each of these experienced some initial successes and partial, sometimes quite substantial, diffusion followed by atrophy and decline, only to be replaced by a new approach at some later point when the parties once again recognized the need for such a process. The fact that these efforts reoccur suggests that there is an unmet need for integrative activity in the U.S. industrial relations system. The challenge for contemporary law and institutions is to encourage integrative processes and outcomes of the employment relationship by

supporting and encouraging the diverse range of interests found in the modern employment relationship, to find solutions that produce joint gains for the parties in the employment relationship, and to contribute to the improvements in the long-run standard of living in society.

Industrial Relations: The 1990s and Beyond

Why the shift in focus? As in the 1930s, labor today suffers from its inability to take labor costs out of competition. Industrial unionism and the rise of the national union addressed this problem for labor in the 1930s by expanding union coverage and adapting the structure of collective bargaining to be coterminous with the scope of product and labor markets. This worked as long as these markets were largely contained within regional or at most national boundaries. Individual firms could be left to decide how else to compete without input from labor representatives because an effective floor was placed on wages and working conditions by the presence or threat of unions and collective bargaining and by the knowledge that their chief competitors would be disciplined in a similar fashion. Distributive bargaining, with peaceful accommodation during the contract term, served the parties' joint interests sufficiently well to allow each to prosper. But for two inter-related reasons industrial unionism and the New Deal collective bargaining system are no longer adequate to the task at hand.

In the international economy of the 1990s and beyond, collective bargaining and industrial unionism can no longer protect interests by taking wages out of competition. Instead, given the wage variability across locations that employers have to choose from for producing goods and services, it is the basic entrepreneurial decisions regarding competitive strategy, location, design of technology, organization scope and structure, relationships with suppliers and customers, and managerial style that shape the employment relationship and determine long-term worker welfare. One challenge then is to structure institutions for worker representation that reach and effectively influence these basic managerial decisions.

A second interrelated reason arises out of the diversity in the contemporary work force and workplace. The contemporary work force no longer divides easily into separable categories of labor versus management or separate communities of interests that define appropriate bargaining units under the National Labor Relations Act (NLRA). Boundaries among production workers, supervisors and middle managers, scientific and technical personnel, and office workers are or

should be blurring. New Deal precepts of exclusive representation, narrow or separate bargaining units, clear cutoffs between who is exempt and nonexempt, who is covered by collective bargaining and who is excluded are all outmoded and lie as obstacles to effective conflict resolution, problem solving, and integration within organizations. To be sure, these different groups have economic interests that partially conflict with those of the owners of the firm and their managerial agents that need to be accommodated. Current law and structures of union representation do little, however, to meet the needs of these groups, a point I will return to later.

The net result of these developments is that the key decisions affecting worker interests are now made well before labor and management representatives sit down to the New Deal style of collective bargaining. The competitive strategies, investments, technological choices, and responses to short-run pressures from financial markets are the critical determinants of worker economic and employment security today. Unless our institutions for worker representation can effectively join these issues as these decisions are made, they are unlikely to be able to protect worker interests by negotiating over the impacts of these decisions after the fact.

But gaining access to these decisions requires, in Jack's terms, a new "effort bargain." The key to this new effort bargain is to choose strategies and design workplace practices that can achieve continuous improvements in productivity, product quality, and innovation and then share the returns from these strategies in a way that is perceived to be fair to the different stakeholders in the enterprise. At the strategic level this means that worker representatives must add value to managerial decision making by organizing and committing the work force not just to industrial peace as under a collective bargaining contract but also to sustained use of their discretionary effort to improve organizational performance. To add value at the workplace, unions must ensure all employees have the skills, training, and opportunities to participate in problem solving and improvement activities needed to contribute to productivity, quality, and innovation. To sustain a sense of trust and fairness over time, compensation and employment security policies need to be designed so that all the parties share in the risks and the rewards of the enterprise. While ironclad guarantees of employment security may not be possible in any individual employment relationship, unions can advocate continuous investment in training and learning to provide employees with sufficient general human

capital to protect their earning power against the specific risks associated with a given employment relationship.

The general features described above are what my colleagues and I have earlier referred to as transformed employment relationships (Kochan, Katz, and McKersie 1986), or what in the current vernacular are referred to as "high-skill/high-wage" jobs. Whether such new effort bargains or transformed relationships are capable of achieving their anticipated results and how to achieve these transformations are, in my view, the central theoretical questions facing contemporary students of unions and industrial relations. But these questions are more than of just theoretical interest. They also are practical challenges for the labor movement equivalent to, if not more difficult than, those faced at the beginning of the 1930s. How then might unions take up these challenges?

Union Strategies: A Range of Services Model

Like all social innovations, the seeds of a new model are already being sown through trial and error experimentation of managers, workers, and unions. If these experiments can be supplemented with lessons from institutional arrangements found in other countries, perhaps the outlines of a new mix of strategies for labor unions can be identified.

There is no single institutional arrangement for worker representation that dominates others or fits all situations in the American economy today. Instead, a variety of representative forms need to be available for workers, their representatives, and employers to choose from and adapt to different situations. Among the options that should be available in addition to traditional collective bargaining include employee representation on corporate boards of directors either as a financial stakeholder in an ESOPS plan or otherwise, works councils, labor management consultative forums such as those negotiated in recent agreements between the Communications Workers of America and AT&T, or joint co-management partnership arrangements from the shopfloor to the supervisory and executive levels, such as those built into the governance system of the Saturn corporation. Each of these, or various combinations of participatory and representative processes, may be appropriate in different settings. Advocating their adoption and providing the expertise and leadership required to make these processes work for employees and other stakeholders should be part of the full-service capacity of the unions of the future.

Union Structures

A first principle of unionism, as Jack noted in his writings many times, is that union structures must adapt to changes in the organization of production and the structure of decision making in the modern enterprise. As corporations grew in size and markets expanded in scope, national unions emerged as the critical centers of power in New Deal-style unions. In contrast, in craft unions or other settings where managerial decision making remained local because product markets were local, union power in collective bargaining remained local. Following this principle, if decision making power is now focused at the strategic level of the enterprise and workers' contributions through their side of the effort bargain are determined at the workplace, institutions for worker representation must reach across these levels of activity.

Katz and Sabel (1985) accurately captured the implications of this new model of representation by arguing that unions must become both more centralized and more decentralized. Centralization is required to provide the technical services and training needed to develop and support new forms of participation and representation within specific enterprises in a fashion similar to the way that some German unions provide support for enterprise works councils. Centralization is also necessary to set the broad parameters around wages and working hours as the German unions do in regional and industry-level negotiations or as Japanese unions do with regard to wage movements in the annual spring offensive. But decentralization is also needed to allow worker representatives in individual enterprises and workplaces to develop the participatory processes and new effort bargains suitable to their particular settings. As our study of the union at Saturn suggests, this structural and political realignment of roles, power, and internal processes is, like any other organizational innovation or structural change, difficult and itself subject to significant internal conflicts (Rubinstein, Bennett, and Kochan 1993).

Union Leadership and Governance

The trade-off for participation before the fact is shared accountability for implementation and sustainability of agreed upon decisions. This makes the politics of partnership complicated, risky, and often fatal. The favorite example from the 1960s was the human relations committees in the steel industry advocated by United Steelworkers President David MacDonald and branded "tuxedo unionism" by I. W.

Abel in his successful challenge of MacDonald for the Steelworkers' presidency. Today in organizations like NUMMI, Saturn, and CAMI in the auto industry, similar politics of partnership continue (Rubinstein, Bennett, and Kochan 1993). The following description of the changed role of the union representatives at NUMMI captures the risks and challenges associated with the role of a union leader in this type of setting (Wilms 1992):

The stresses and strains of NUMMI's participative system makes life in the UAW Local stressful as well. As the relationship between management and labor was radically transformed from adversaries to allies, many of the union's founding principles were thrown into a cocked hat. George Nano and Tony DeJesus [two UAW leaders at NUMMI] each felt the sting of being called backsliders and sellouts when they took the reins of this new experiment in labor relations. Suspicion of collaborating with the company is buried just as deeply in rank-and-filers' bones as authoritarian instincts are lodged in managers'.

Also, unions' representative form of government and the turmoil of union politics slows change and injects a certain sense of unpredictability into the process. No sooner does one group assume leadership and head in a new direction that threatens the old guard, than an opposition group forms, advocating a return to the old ways. Thus, trying to reshape the union while being accountable at the polls is every bit as daunting as reforming management. To succeed, elected representatives must demonstrate that they have their members' interests at heart. It's like a dance—one with fatal consequences for elected union officials who misjudge the limits of the constituency. Working *with* the company under these conditions is not an easy balance to strike, because any move to cooperate with management can be quickly interpreted as selling out. In a less trusting environment, cooperating with the company would be setting yourself up for defeat.

These political tensions are to be expected and even valued. The potential to challenge elected worker representatives must remain as a safeguard against allowing representation in organizational decision making before the fact to devolve into simple acceptance of managerial choices and actions or cooptation. The challenge, therefore, is not to eliminate internal politics from unions but to change the leadership styles and internal governance processes in ways that support this new role (McKersie, Cutcher-Gershenfeld, and Wever 1988).

The Role of Law

Industrial unionism could not have been institutionalized as a lasting feature of American industrial relations without the passage of the NLRA. Similarly, the new strategies outlined here will require equally fundamental transformation of labor law to legitimate and institutionalize these new forms of participation and representation. To be specific, three basic shortcomings in the current law must be addressed.¹

First, the law must be changed to not only allow but to encourage the parties to go beyond the single form of participation it currently provides—exclusive representation in collective bargaining over a predetermined set of issues affecting wages, hours, and working conditions. Participation via informal work groups, employee-management committees, consultative groups over issues as varied as production and manufacturing policies, capital investments, choices and design of new technologies, and the organizational design of new facilities or work processes must be sanctioned. Indeed, the December 1992 Electromation decision of the National Labor Relations Board illustrates the difficulty of incorporating participation of unorganized groups of workers into these types of decisions (Schlossberg and Reinhart 1992). The law needs to be updated to accommodate and support these forms of employee participation and empowerment, but it must do so in a way that protects individual employee rights and does not devolve into a simple company-dominated and controlled entity.

Second, the demonstrated flaws in the law's enforcement of basic worker and union rights to recognition and collective bargaining need to be fixed (Weiler 1990). Any employer determined to avoid unionization or discourage organizing drives can do so by employing legal delaying tactics and/or illegal practices that seldom result in enforcement actions that are quick or expensive enough to deter such conduct. Frustration over this aspect of the law and its effects on the ability to organize has been the single biggest argument some union leaders give for opposing innovations in labor-management relations. Addressing these problems in the law and its enforcement should, once and for all, eliminate this argument and take this issue off the table.

Third, the NLRA leaves a large number of supervisors and middle managers outside its scope of protection and does not effectively contend with the diversity of occupational groups found in the contemporary workplace. Managerial and supervisory employees, for example, face significant job security risks in the current environment and hold the keys to implementing the organizational reforms needed to sustain continuous improvement in organizational performance. Moreover,

although not legally excluded from coverage under the law, the vast majority of nonproduction workers—professional, technical, and office workers—are, for all practical purposes, left out. The types of participation these workers want and need cannot be satisfied by formal collective bargaining carried on in separate bargaining units as envisioned in the NLRA. These groups need to be part of cross-functional teams working hand in hand with each other and with production workers to design and implement new products, technologies, and organizational practices. To require engineers, technicians, other professionals, or office workers to form separate bargaining units and petition for exclusive representation so they can bargain over wages, hours, and working conditions only constructs further functional barriers that organizations now are desperately trying to remove in order to improve the innovation process. Thus these groups also need to be enfranchised in a way that also supports and facilitates the innovation process.

Addressing these issues requires more than minor, incremental modification of contemporary labor law. It will require endorsing forms of participation and representation that are specifically designed to promote integrative or mutual gains employment practices and extend these policies to cover the full range of employees found in contemporary workplaces. For this as well as other reasons, it is time to open up American labor law to allow experimentation with organization-wide participatory and representative arrangements that can serve as the American equivalent to Japanese-style workplace participation and consultation and European-style works councils and representation on corporate boards.²

Labor Strategy and Labor Law

Just as Sidney Hillman and his clothing workers union served as the “dress rehearsal for the New Deal” (Fraser 1983), labor leaders at NUMMI, Saturn, the CWA, the Steelworkers, Teamsters, Mineworkers, Clothing and Textile Workers, and many others have rehearsed many of their new roles backstage under the curtain of an oppressive political environment and outdated labor law. Thus, to its credit, the labor movement has not stood idly by waiting for the law to change. But the potential for change is as real today as it was in the 1930s, provided that labor builds on its experience, takes advantage of the change in political power and social environment that seems to be occurring, and does what it failed to do in the 1930s—champion a comprehensive change in labor policy that will support these new

forms of representation. At no time since the 1930s has there been both the recognized need and as great a potential for a fundamental change in labor law and industrial relations practice. But it will take a new union political strategy and a variety of new organizational structures and processes to translate this potential into a reality.

The AFL-CIO has already endorsed some of these reforms by supporting bills such as the OSHA Reform Bill and the High Skills Competitive Work Force Act and economic policies linking worker consultation to investment tax credits. Moreover, through its deliberations within the Evolution of Work Committee over the past decade, union leaders have actively debated a new policy platform that would embrace these initiatives. Now is the time to bring that debate to a successful conclusion and to become the active and visible champion for a new, full-service strategy for representing the diversity found in the American work force.

Jack Barbash and the Wisconsin Legacy

From the time he joined the University of Wisconsin Jack Barbash helped to carry on the legacy of Ely, Commons, Perlman, and their colleagues who applied the Wisconsin Idea of scholarship and policy activism to the area of labor and industrial relations. Those who wish to carry on this tradition in a fashion that is relevant to today's world need to be equally analytic and grounded in empirical data and real world practicalities. But like our predecessors we also need to be guided by a firm and clear set of values about the need for effective employee voice in economic and social affairs. Often such a role leads to proposing ideas that are neither perfect in theory nor acceptable to the parties in the short run. It is in keeping with this tradition and respect for the man we honor at this symposium that these ideas are put forward.

Endnotes

¹ The following points on labor law are also presented in Thomas A. Kochan, "Employment Policy for a High Skills and High Wages Economy," *Looking Ahead* (Washington, DC: The National Planning Association, January 1993).

² Space does not permit a complete discussion of the changes in national labor, human resource, and macro-economic policies that are needed to support the model of unionism and industrial relations outlined here. For a more complete discussion of these public policy issues see Thomas A. Kochan, "Principles for a Post New Deal Employment Policy," in *Labor Economics and Industrial Relations: Markets and Institutions*, eds. Clark Kerr and Paul Staudohar (Stanford: Stanford University Press, 1993).

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DISCUSSION

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I am personally indebted to Jack Barbash for my career in the labor movement. Jack came to the University of Wisconsin from a stint as a union researcher. I came as a graduate student just discharged from the army. He encouraged and nourished my budding interest in trade unions, and he supported my application for a new research internship in the AFL-CIO's research department.

Jack has provided more than two generations of scholars an understanding and a love of unions. He spelled out the role of unions in the economic, social, and political structures of our society, both in its broad national implications as well as in the workplace itself. He described the continual struggle of workers and their unions across the broad swath of history from Taylorism and the advent of industrial unionism to what is now called the post-industrial era.

He wrote his first book 45 years ago and entitled it *Labor Unions in Action*. That interest in the actions of labor unions is still evidenced in his recent works describing new union developments of the UAW at Saturn and of the CWA and IBEW at AT&T.

He also understood unions' involvement with politics as he wrote some 30 years ago that "the influences acting on the labor movement to commit its forces to a comprehensive political program have come first from its own assessment of the fitness of things."

In that view the labor movement supported Clinton in 1992 with hope for change in the future. As workers knew, Clinton recognized that the economy was "the issue." That campaign now needs to be translated into a program for full employment and fairness. Policies to encourage jobs through an effective stimulus program and a realistic fair trade program are essential ingredients of a new era of change. Fairness needs to be reintroduced into tax policy and worker rights safeguarded by changes in the nation's labor laws.

Jack Barbash understood the basic role of unions in health care, from institutionalizing the basic right in collective bargaining contracts to the fight for national health care which would ensure health care for

all citizens. Health care reform can well be labeled the major challenge of the 1990s.

Jain and McKechnie ascribe the heritage of the issue of "Equity in the Workplace" to the influences of Jack Barbash. While they start with the traditional role of collective bargaining, they develop the role of law in broadening and certifying this concept. But it is important to recognize the continued role of the union movement in making the fight for the legislation and carrying out its implementation at the workplace.

In regard to job training, Jack Barbash wrote his first article on this issue 58 years ago—in 1935. Then he wrote about "Apprenticeship Admittance Requirements in Trade Unions in New York City." Today apprenticeship is rediscovered, and the appropriate role of labor in training is once again being recognized. Labor management training committees are considered a desirable structure for providing worker training.

Tom Kochan highlights Jack's contribution to the understanding of trade unionism in a review of the activities of the AFL-CIO's evolution of Work Committee and its recommendations in its interim report on "The Changing Situation of Workers and Their Unions." Growing out of that report is the Labor Institute for Public Affairs with its TV programming and commercial advertising; the development of new worker education activities such as the "one-on-one" programs; and the establishment of the Union Privilege Benefit Program with its credit cards, travel benefits, low-cost housing loans, insurance programs, and other special benefits for union members. An associate membership category was specifically created for workers not covered by the traditional collective bargaining relationship.

But much more needs to be done. Dick Peterson hints at some in terms of worker empowerment. Workers used to be able to choose freely their representatives without fear and intimidation. There needs to be a better sharing of the gains of the economic system rather than the excesses of executive salaries demonstrated over the past decade. The collective bargaining process needs to be enhanced and broadened. Workers and their unions need to share in the basic decisions affecting work, and that involvement needs to be on a regular and sustained basis.

The Wisconsin legacy of Ely, Commons, Perlman, Witte, and Barbash needs to be continued so that Americans can have a proper understanding of trade unions and their role in a democratic society.

VIII. TEACHING ETHICS AND VALUES IN THE IR CURRICULUM

The Past and Present of Ethics in Industrial Relations

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When we give as much thought to the solution of the human problem as we give to the solution of the steam problem and the electrical problem and the water problem we will have no labor problem. The point is we have gone daffy over things like steam and electricity and water power and buildings and railroads and ships and have forgotten the human soul upon which all of these things depend and where all of these things have originated. (Roger W. Babson, quoted in *Personnel Club Exchange* [1920].)

The impetus for this session was provided by the apparent absence of an explicitly ethical component in industrial relations (IR) graduate training programs, in contrast with the boom of “in-house” ethics course work and faculty appointments in MBA programs. Possible explanations abound: perhaps IR programs are too small to afford the luxury of a full-time ethicist; perhaps MBA students and faculty need the presence of one much more desperately; perhaps ethical issues are handled otherwise in industrial relations. One purpose of this essay is to review some of the ethical material embedded in industrial relations, both historically and currently, to see (1) where that material is located, and (2) what it has seemed to say.

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Some Historical Elements of Industrial Relations Ethics

Taylor and Scientific Management

It may seem odd to think of Taylorism as a place to look for sources of the IR ethical tradition, but it is one of them. All the disparaging comments about workers' universal tendency to "soldier" and the demeaning "story of Schmidt," which often typify *Scientific Management* in our thinking, must be set aside; the good thing about scientific management is that it permits a better world for all: high profits and higher wages. Derber calls Taylorism the "second . . . strand of welfare capitalism," and summarizes a 1914 interview of Taylor by Robert Hoxie which stressed (*inter alia*) "the fundamental harmony of interests between employers and workers" (Derber 1965, 208).

A contemporary observer (hardly hostile to labor), Sidney Webb, held similar views. Industrial inefficiency—the source of the "genuine contempt the thinking workmen sometimes have for the way we do our business" (Webb 1918, 135)—is a *management* problem; scientific management is a challenge to management to do its job better ("though it will task the brains of the manager to the utmost!"). Webb concluded that any manager trying to "exploit" scientific management "will be met (*and in the national interest . . . ought to be met*) with unrelenting opposition" (p. 138, emphasis added). Normative or ethical standards are clearly at work here.

Rerum Novarum

Pope Leo XII's 1891 encyclical envisioned an active Church role in an antisocialist response to the strains and conflicts of the Industrial Age. Not only do Christian (i.e., Roman Catholic) trade unions and Christian Democratic parties find their charter here, but the general call to work for social justice was picked up, as relates to industrial relations, by the Jesuits. Around the world we find Jesuit colleges with strong programs in industrial relations, while (in the U.S.) Jesuit professors and arbitrators do research and provide industrial jurisprudence.

The Legacy of the Wisconsin School

From the socialist inclinations of Richard Ely, through the labors of John R. Commons and his associates, to the "manualist psychology" of Selig Perlman, the Wisconsin tradition has viewed with favor workers' efforts to improve their lot. This philosophy has taken physical,

organizational form in the School for Workers, unique (I think) in its kind at major research universities in the U.S.

The Personnel Movement

Even in companies strongly influenced by scientific management, the personnel department and principles of personnel management “had wider sources than industrial engineering. [It] . . . owed its character more to a welfare work philosophy than to scientific management” (Jacoby 1985, 48). The “personnel manager, ready to be the worker’s counselor and confidante, was a far cry from Taylor’s planning clerk or shop disciplinarian” (p. 49).

Employer Housing: Differing Motives, Similar Initiatives

However, the nobler or more “objective” sentiments of the personnel movement were not the whole or the only story. Peter Nugent (1976), for example, has sought to disentangle the differing motives and objectives that underlie a set of 19th and early 20th century programs which are often unwisely lumped together: the provision of employee housing by the employer. Very different experiments are often papered over by the pejorative term “company town.” What Nugent called “Uplift and Systems Communities” would probably be built on the ethical principles of the personnel and scientific management movements respectively, while the classic company town incorporated many of the principles of exploitative control that mainstream industrial relations ethics repudiated. The variety of employer housing experiments has for Nugent less to do with moral purity than that “housing experiments . . . can trace their motivational origins to the market and the economic pressures arising out of it” (p. 25).

Pervasive Issues of Bad Practice

More recently Jain and Murray have turned their attention to the “failure of HRM”: for decades eloquent teachers (and ineloquent alike, I suppose) have taught “best practice” to successive cohorts of industrial relations graduate students; yet today best practice is not commonly actual practice. (The best example is probably job analysis, “the bedrock of HRM,” which is surprisingly seldom done—perhaps by 40 percent of the largest companies—and when done, often used incorrectly, episodically, or not at all.) Ahlburg (1992) has recently confirmed this finding in important respects. As seems likely from the survey of “codes of conduct” below, “best practice” is probably assumed to underlie ethical management principles. Thus, it would appear that

Jain and Murray have identified a pervasive ethical gap between theory and practice.

The Current Situation: Codes and Statements of Ethics

Table 1 reflects an attempt to summarize the diversity of norms enshrined in nine professional codes drawn from areas of IR or related disciplines (like psychology). The AAA and SPIDR codes are not well represented in this schema, as they contain a great deal more detailed procedural material about conduct of hearings, jurisdiction, use of assistants and published awards, etc. than would be conceivable in the other professions. The IRRRA, perhaps following the lead of its parent AEA, has no code at all.

On the surface Table 1 suggests a very limited degree of consensus: only one standard—the vague “apple-pie and mom” duty to maintain the highest standards of conduct—is asked by all nine associations. The influence of the University of Minnesota Industrial Relations Center is seen (apparently) in the Twin Cities Personnel Association’s unique norms of stimulating research and creating forums for discussion. Public administrators differ from four other professions which prohibit use of one’s position for personal gain, by finding only “undue gain” ethically repugnant. Only psychologists have an ethical duty to refrain explicitly from plagiarism and to “rat” on unethical colleagues.

The level of ethical meaningfulness may be even lower than the surface view might suggest. As can be seen in Table 1, five of the nine organizations expect their members to “obey all laws.” While such a standard may be ethically irrelevant or even unsound, it is not clear that the organizations know what it might mean. Consider Table 2 which shows the “protected classes” enumerated or implied by six of the previous nine organizations, plus the Personnel Recruiters’ group. (The TCPA, AAA, and SPIDR don’t mention specifics, nor do they have the blanket legal obedience clause, so these three are omitted.)

The most interesting fact about classes protected by these codes of ethics is in the bottom part of Table 2 and relates to one of the most difficult concepts to get through the heads of first year students: concurrent jurisdiction. While the SHRM and ASTD codes may (“?”) cover locally legislated protections through their blanket clauses, the other codes never mention the possibility and only add one or more groups of particular relevance to their membership and its professional duties.

TABLE 1

Major Provisions of Ethics Codes

[illegible]

TABLE 1 (Continued)
Major Provisions of Ethics Codes

Standard	Organization								
	SHRM	TCPA	ACA	ASTD	AAA	SPIDR	ASPA	NAPC	APA
No plagiarism									x
Serve customers/ public well							x		
Announce fees or fee schedule up front					x	x		x	
No illegal, immoral, or questionable business								x	
No applicants will be referred as strike- breakers unbeknownst to themselves								x	

Notes:

Organizations: SHRM = Society for Human Resource Management; TCPA = Twin Cities' Personnel Association; ACA = American Compensation Association; ASTD = American Society for Training and Development; AAA = American Arbitration Association; SPIDR = Society of Professionals in Dispute Resolution; ASPA = American Society for Public Administration; NAPC = National Association of Personnel Consultants; APA = American Psychological Association.

- (1) "Avoid conflict with official duties."
- (2) No "undue" gain.
- (3) A clause proscribing compensation for referrals was repealed in 1989.
- (4) A noncompetition clause was repealed in 1989.

A Major Shift in Emphasis

The preceding discussions are really two different papers, said a reader of an earlier draft. There is an enormous difference between the ethical and social concerns of the earlier writers and the narrower visions of personal moral behavior embodied in the so-called codes of ethics. Whether this shift is symptomatic of, or merely contemporaneous with, the diminution of stress on class and labor relations and trend toward a human resource management focus is a topic worthy of future consideration. However, regardless of our feelings toward that issue, it seems unlikely that today's codes could equip an IR practitioner to face the larger social issues or even to narrow the gap between best and actual practice.

The Current Situation: MA Programs

Both the Nugent and Jain-Murray analyses suggest, and the review of ethics codes confirms, the existence of a continuing problem: even if industrial relations has and has long had a major ethical component to

TABLE 2
"Protected Classes"

Classes	Organizations						Recruiters
	SHRM	ACA	ASTD	APA	ASPA	NAPC	
Race	°	x	°	x	x	x	x
Color	°		°		x	x	x
Religion	°	x	°	x	x	x	x
Creed	°	x	°			x	
National Origin	°	x	°	x	x	x	
Sex/Gender	°	x	°	x	x	x	x
Age	°	x	°	x	x	x	x
Non-relevant phys. HC	°	x	°	x	x	x	x
Non-relevant mental HC	°	x	°	x			x
Sexual preference	?		?	x			
Political affiliation	?		?		x		
Marital Status	?		?		x		
Non-relevant life-style	?		?		x		
Income level	?		?			x	
Natural origin [sic]	?		?				x

In this table an "x" means that the code of ethics specifically names this class; an asterisk means that coverage is implicit through a duty to obey three federal laws: Title VII, the Age Discrimination Act, and the Americans with Disabilities Act; a "?" indicates lack of clarity since these classes are sometimes protected by state or local legislation; while a blank reflects silence.

its research, teaching, and best practice, there are considerable differences in the degree to which these principles are in fact applied. This would suggest a continuing need to deal with ethical issues (most particularly their sheer existence plus some ideas on how to think about them) for our pre-professional students.

Yet a quick survey of major MA programs suggests that ethical problems and principles are rarely addressed. Queries of colleagues at a half-dozen graduate programs suggest little, often no, ethics discussion in formal curricula, even in the capstone review or audit courses which many programs have. This is consistent with the most recent survey of industrial relations graduate program contents (Wheeler 1989) which made no reference to ethics, although it would seem that ethics discussions would be a logical link between the *theoretical* and the *practical* sets of courses distinguished by Wheeler (p. 450). Everywhere, individual faculty may and do introduce ethical matter, but only one school (Michigan State) appears to have gone through a faculty and task force process that will result in making a focus on ethics part of the program's "organizational culture."

At the same time two other trends seem apparent in these (and other) graduate programs and the textbooks they employ: the erosion

of concern with labor relations (areas from which many of my historical examples came, including *Rerum Novarum* and major elements of Taylorism) and the shift in personnel thinking away from Babsonian philosophies toward a bottom-line model of "human resource management." The typical textbook contains no explicit material on ethical issues or ethical reasoning (although some case studies will pose ethical problems); the typical table of contents or subject index can be searched in vain for the subject or term "ethics." As a result, students (for example, in my capstone courses in recent years) report little or no exposure to such issues or questions. Even the organizational codes of ethics or conduct are news to them.

Conclusions

Concern with the ethical dimensions of the employment relationship, particularly with respect to labor relations, goes back to the first beginnings of emergence of industrial relations as a field of practice and inquiry. Surely any ethical conclusions we have reached should be embedded in normative codes of our fields and its subfields; approaches to the analysis of ethical issues should be part of professional training. Yet the normative codes show little consistency or coherence, and graduate training programs do not bring ethical questions regularly, rigorously, and as a matter of course into courses or seminars. In such circumstances the documented gap between best and actual practice in industrial relations, although perhaps fundamentally ascribable to other causes and forces, can and will not be forcefully addressed by IR professionals and notably our graduates.

IR faculties have shown initiative on social problems in the past: witness the widespread program for minority recruitment. As faculty, we have responsibility to lead in the broader area of ethics as well.

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Ethical and Unethical Conduct and the Collective Bargaining Process

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To everyone who proposes to have a good career, moral philosophy is indispensable. (Cicero, *De Officiis*, 44 B.C.)

This paper will attempt to highlight the connections between ethics and ethical behavior and distributive and integrative bargaining.

The objectives of this paper are as follows: to review tactics and strategies of distributive and integrative bargaining that present opportunities for unethical conduct; to evaluate the relations between ethics, trust, and the dilemmas of distributive and integrative bargaining; to discuss the significance of trust and ethical behavior as catalysts for integrative bargaining and for achieving more efficient bargaining outcomes; and to propose a methodology and the formation of a pre-negotiation ethics workshop (PNEW) which could assist the parties in developing their own ground rules and a code of ethical behavior prior to bargaining.

Ethical Behavior in Negotiations

In Dante's *Divine Comedy*, the eighth circle of hell is reserved for "falsifiers of all sorts" and for those "false in words" (Norton 1920, 194-207). Under Dante's criterion some negotiators could qualify for admission to hell.

Some scholars state that "various forms of lying and deceit are an integral part of negotiation" (Lewicki and Litterer 1985, 324) and although negotiations are not always unethical, "The opportunity to engage in unethical behavior is almost always present in bargaining" (Murnighan 1991, 187). One author provides a list of five forms of deception and disguise that appear in negotiations: misrepresentation, bluffing, falsification, deception, and selective disclosure (Lewicki 1983).

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As paradoxical as it may sound, whereas misrepresentation is seemingly regarded as part of the negotiation process, it is important to stress that negotiators value highly their integrity and reputation.

Misrepresentation strategies and tactics are often followed by both sides at the bargaining table. Negotiators typically distort their initial proposals. They may threaten strike action over an issue that they are willing to concede. All this seems to be a part of the ritual or dance of the negotiation process.

Some authors express the view that ethical appropriateness does not mandate telling the truth. What it requires is for the parties to understand and acknowledge the boundaries within which misrepresenting, puffing, bluffing, or lying is acceptable. Some scholars suggest that telling the truth is not just an issue of moral character but is related to the situation in which one finds oneself.

The Negotiation Process

Over the years the negotiation process has been studied by many scholars. One of the most significant contributions was made by Walton and McKersie in *A Behavioral Theory of Labor Negotiations* ([1965] 1991). The book presents a conceptual framework of "four sets of activities or subprocesses, which together account for almost all the behavior in negotiations" (Walton and McKersie 1991). These are distributive bargaining, integrative bargaining, attitudinal structuring, and intraorganizational bargaining. Our paper addresses only the first two of these subprocesses.

The Distributive Bargaining Model: Tactics and Strategies

We will first try to review briefly the links between ethical behavior and distributive bargaining. Under the distributive model the parties behave in a competitive manner. Their objective is to resolve conflicts of interest and to influence to their own advantage the distribution of fixed resources.

The distributive approach (Walton and McKersie [1965] 1991) recognizes some of the following strategies and tactics that can be utilized in bargaining: assessing an opponent's utilities of outcomes and strike costs, modifying an opponent's perceptions of a party's utilities, manipulating strike costs, communicating a party's commitment and making it credible, preventing an opponent from becoming committed, enabling the other side to revise its commitments and to abandon the commitments made (Walton and McKersie 1965, 58-125). Each of these tactics and strategies presents opportunities for unethical behavior.

In assessing their opponent's utilities for outcomes and strike costs, parties may apply a variety of tactics, some of which "flow along ethically questionable channels and may involve cloak-and-dagger operations . . ." (Walton and McKersie 1965, 61-63). In attempting to modify an opponent's perception of party's utilities, negotiators try to minimize clues, sometimes by "appearing uninformed," or by appointing people to negotiating committees who do not know their party's resistance points. Sometimes in trying to convey "deliberate impressions," negotiators overstate or even "grossly" exaggerate the significance of a particular demand. There are ethical problems "as well as . . . risks in communicating misinformation . . . spiraling of misinformation can lead to greater uncertainty and miscalculation" (Walton and McKersie 1991, 71-72). The boundary between misrepresentation and lies is very vague; the former may be acceptable as "natural," the latter may result in hostility.

Application of commitment tactics and manipulation of strike costs of party and opponent provide further opportunities for misleading the other side, some of which could be considered ethically problematic.

Thus some of the tactics of distributing bargaining can be regarded as ethically questionable while others are unacceptable; for example, "false statement of law or fact" (Goldman 1991).

Integrative Bargaining

In integrative bargaining both parties stress common interests, joint gains, and problem-solving activities, but the opportunity for unethical tactics is nonetheless still present.

Although integrative bargaining can contribute to more efficient outcomes, its acceptability is controversial; many negotiators are reluctant to adopt it. There are various reasons for the resistance: history of the relationship, fear of being taken advantage of by the other side, lack of trust, discomfort in engaging in problem-solving negotiations, interpersonal and motivational orientations (Rubin and Brown 1975; Lax and Sebenius 1986, 29), institutional attitudes, personality characteristics, background beliefs, organizational climate and culture, and intraorganizational pressures from second tables. Furthermore, many negotiators have a vested interest in preserving the status quo because they have built up successful careers on the basis of hard-line distributive bargaining.

In our view the understanding and mutual acceptance of ethical norms and ethical behavior can help the parties increase the integrative and reduce the distributive dimensions of collective bargaining.

This in turn can lead to larger joint gains, more efficient settlements, and assist the parties to move in the northeasterly direction towards the Pareto frontier.

Even when the parties engage in integrative bargaining, they cannot totally distance themselves from the distributive dimension for two reasons: first, some agenda items are mixed, they "involve significant elements of conflict and considerable potential for integration . . ." (Walton and McKersie 1991); second, because distributive agenda items exist in almost all negotiations, the parties have to consider the implications and the effects of integrative activities on distributive bargaining. Negotiators who engage in integrative bargaining face ethical dilemmas between the needs to disclose true interests, to be honest, open, and trustworthy and the temptations to mislead and to hide actual utilities. These dilemmas appear in such areas as (1) problem identification, (2) "search for alternatives and their consequences," and (3) preference ordering. These dilemmas are discussed at some length by Walton and McKersie (1991, 169-179).

For integrative bargaining to be productive, it is important that both sides honestly outline their preferred solutions, interests, and utility functions (Walton and McKersie 1991, 153). Unfortunately, in some cases the parties may be engaged in integrative bargaining and simultaneously attempt to misrepresent their true interests and priorities. Clearly such an approach to problem solving undermines trust and is counterproductive for integrative bargaining.

Trust and Ethics

Trust is an important ingredient which is necessary for integrative bargaining (Walton and McKersie 1991, 141, 143; Gergen 1969; Peterson and Tracy 1976). Trust is affected by the conduct of negotiators in all four negotiation subprocesses referred to previously (Walton and McKersie 1991); it is related to the behavior of labor and management during negotiations as well as to developments taking place over the life of an agreement.

A minimum level of trust is necessary for problem solving to be successful (Walton and McKersie 1991, 143). Without trust some negotiators develop low-risk approaches to integrative bargaining. Others give up the problem-solving process in favor of distributive bargaining.

Unethical behavior obviously undermines trust. Negotiators who are not open with each other during the integrative phase of bargaining will not benefit from this activity (Parker Follett 1942). The process of problem solving is very fragile and can easily be derailed by

misunderstandings and differences in perceptions. In our opinion, trust cannot be developed and maintained in a bargaining relationship without adherence to some implicit or explicit ethical norms within an organization as well as among negotiators. Without ethics trust will remain an elusive commodity.

The recent literature on trust manifests the existence of certain phenomena that inhibit the development of trust; specifically, the correspondence bias, egocentric fairness bias, and false consensus bias (Michalos 1986). Briefly these biases involve such common human tendencies as seeing "arrangements which favor themselves over others as fairer . . ."; seeing one's "own motives as less self-centered . . ."; believing that while they themselves generally act morally, others or other groups are not nearly as ethical; for example, that "other companies [are] less scrupulous than their own company and themselves" (Michalos 1986).

Unfortunately, all of these tendencies operate to undermine the initial trust which is essential to productive negotiations. It is by now well established that for most people the *belief* or *perception* of ethical behavior and intentions on the part of others strongly influences the likelihood of ethical behavior in oneself (Michalos 1990). Conversely, if we believe others are trying to take advantage of us and frequently act unfairly towards us, we are likely to respond in kind. Trust cannot be separated from ethical conduct; these two are closely intertwined. What is true of ethics in general applies even more to trust. Trust exhibits what has been called the *intentional paradox*. If we mutually intend to trust, that intention by itself increases trusting behavior and our perception of trusting behavior, which leads to even more trust and confirms our original intention. And, of course, distrust has the opposite effect (Dasgupta 1988). It follows that we, in part, *create* the conditions required for trust and successful negotiations.

We believe that if one becomes aware of the existence of these biases, it is only reasonable to apply them to oneself. Thus for each of us the chances are that the demands of others against us are fairer than we initially perceive them to be. More importantly, it is likely for each of us that others, including the individuals comprising the other negotiating party, are more moral than we are initially inclined to believe. Thus a rational response to the facts of these commonplace biases should result in an increase in the trust between the parties to negotiations.

Our proposal is that a prenegotiations ethics workshop may be an ideal way to encourage just the kind of trust, understanding, and

mutual fulfillment of expectations during subsequent negotiations which have proven to be essential to productive negotiations.

The Prenegotiation Ethics Workshop (PNEW)

As stated earlier, increasing the level of trust in negotiations can facilitate the movement of bargaining towards the integrative end of the distributive-integrative continuum. Furthermore, the level of trust can be expanded through actual or perceived ethical behavior of the parties. In order to encourage such ethical conduct and to promote trust, we would like to propose the formation of a prenegotiation ethics workshop (PNEW).

The objectives and benefits of such a workshop are as follows: (1) to address ethical issues, problems, and dilemmas that could arise during negotiations; (2) to provide an introductory understanding of ethical theories and concepts relevant to negotiations; (3) to discuss such issues as deception, misrepresentation, respect for the rights of others, and professional obligations and responsibilities; (4) to assist the parties to reach a consensus on general ethical standards, or on an implicit or explicit "code of ethics"; (5) to introduce, accustom, and orient negotiators to each other, to their communication styles, personalities, etc.; and (6) to raise group awareness of individual differences in ethical standards, perspectives, cultural assumptions, and background. This may become extremely valuable in avoiding potential misunderstandings which could decrease the level of trust between the parties. A discussion of the meaning and importance of specific professional ethical standards or guidelines may increase the awareness of participants as to what matters to each of them personally. This in turn may expand the level of trust and understanding among them.

The details of our proposed workshop should be decided by the parties themselves. We believe, however, that even one or two sessions devoted to ethics and to the development of a consensus about ethical procedures to be followed in negotiations will prove highly valuable to the participants.

In our view the specific topics and procedures are not nearly as important as the fact that the parties involved explore jointly their beliefs and expectations about what is and what is not ethically acceptable.

We suggest that the prenegotiation workshop address two major questions: First, what does it mean to be an ethically responsible negotiator? And second, what behavior during the course of negotiations should be ethically prohibited or regarded as unfair?

In our expanded paper we offer further suggestions concerning specific topics and issues that might be discussed in the proposed workshop such as honesty, confidentiality, integrity, responsibility to principals, and keeping commitments and promises; we also offer suggestions concerning how contemporary theories in business ethics, which base ethics on role responsibilities and contractual rights and duties, might prove more helpful than traditional ethical theories such as utilitarianism in resolving ethical problems and dilemmas in the context of negotiations; however, again we stress that the precise content of the ethics workshop should be decided by the negotiators themselves.

Conclusion

To conclude, it is our belief that awareness and application of ethical rules and procedures will tend to increase the degree of trust and understanding between the parties involved in negotiations.

This in turn could increase the integrative component of the distributive-integrative continuum resulting in larger joint gains and more efficient settlements. Our proposed prenegotiations ethics workshop is one possible means towards the goal of increasing ethical conduct during negotiations. But, in our view, whatever means are adopted, both negotiators and their constituencies will benefit from an increased attention to ethics, and we strongly urge negotiators and their principals to begin exploring this challenging field.

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Ethics Education in IR Programs: Patterns and Trends

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A primary goal of academic programs at the bachelor's and master's level in industrial relations (IR) is to educate current and prospective industrial relations managers (including specialists in human resources management and labor relations) and union representatives for positions of responsibility in the formulation and implementation of policies and programs that involve the employee-employer relationship.

Like other managers in a business enterprise, the IR manager must daily confront difficult issues that involve ethical, as well as economic, legal, and technical questions. Typical issues involving conflicting goals and values include employment, discipline, and termination decisions; economic security of the work force or union membership; contract negotiations; due process; discrimination; employee safety and health; privacy; sexual harassment; and others. There is seldom a single correct course of action for resolving these issues and this leads to ethical dilemmas for the IR manager. The author believes that the IR manager, like the business manager, needs "a more or less orderly way of thinking through the moral implications of a policy decision—a perspective and a language for appraising the alternatives available from an ethical point of view" (Goodpaster 1984, 1).

This need has been recognized by many businesses that have adopted ethical codes of conduct and initiated ethics training programs for their employees (Berenbeim 1987) and by business schools that now include ethics instruction in their course work. For example, a 1987 national survey of business schools, conducted by the Ethics Resource Center, found that 90 percent include ethics-related course work, and that three-quarters of the MBA programs require some ethics instruction (Paine 1988, 1-2). Indeed there are now periodicals on the subject, such as the *Journal of Business Ethics* and *Ethikos*, and at

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least one program (Arthur Anderson and Co. SC Business Ethics Program) devoted to developing instructional materials and strengthening faculty skills for teaching ethics within business schools.

As those familiar with the IR field and programs are aware, there has not been such an obvious flourish of interest in the subject of ethics as related to IR work or studies. While in recent years there has been a limited discussion of values as related to IR or IR programs (Barbash 1991; Franke 1988; Godard 1991), the issue of ethics is seldom raised. Does this mean that we in the IR field and academic programs do not recognize the ethical dimensions of IR problems, or consider ethics so unimportant as to not be worthy of discussion, or are we incorporating ethics instruction within our programs, but just not saying much about it publicly? This study was undertaken to determine whether or not IR students do receive ethics education as a part of their graduate and undergraduate studies. It specifically addresses the following questions: Is ethics education included in IR programs? If so, what form does it take? In what subjects and topics are ethics included and who teaches it? If it is not offered, why not? What are the trends and outlook for ethics education in IR programs?

The Survey

To obtain data on current practices and trends in ethics instruction in IR programs, a questionnaire was distributed in fall 1992 to the directors of 54 U.S. and Canadian programs that are members of the University Council of Industrial Relations and Human Resources Programs (UCIRHRP). UCIRHRP members are universities and colleges with academic and/or IR-oriented research programs. The nine-item questionnaire was modeled, in part, after one used by the Ethics Research Center to survey business schools in 1987 (Paine 1988).

Responses were received from 24 universities for a 44 percent response rate. Twenty-one of the respondents offer a master's level IR program, seven also have a bachelor's program in IR, one has a bachelor's level program only, while two do not have academic programs. The results below are based upon the 22 academic programs, which include many of the more prominent ones from the U.S. and Canada. These programs accounted for a fall 1992 enrollment of 1,691 master's level students and 2,460 undergraduates.

Findings

The Occurrence of Ethics Instruction

The primary finding of this study is that 14 (67 percent) of the

graduate programs provide ethics instruction as a part of their curricula, generally through required course work (62 percent), while seven (33 percent) do not. However, only three of the undergraduate programs (37 percent) include ethics in their course work, and in two of these schools it is an elective. The programs with some ethics instruction account for 78 percent (1,315) of the master's level students and about 40 percent (975) of the undergraduates enrolled at the responding programs. Data on the occurrence of ethics instruction are presented in Table 1.

TABLE 1
Occurrence of Ethics Instruction in IR Programs

	Master's Programs (21) (in percent)	Undergraduate Programs (8) (in percent)
Ethics is not included	33 (7)	63 (5)
Ethics is included	67 (14)	37 (3)
in/as required course	62 (13)	13 (1)
in/as elective course	5 (1)	25 (2)

Where ethics instruction was not offered, directors were asked why. The most frequently cited reason was "curriculum too full" (three graduate, three undergraduate programs). (Subsequent reporting of program data will indicate number of graduate programs, then the number of undergraduate programs.) Others said that the subject is not "appropriate" or "necessary" (1,2) for an IR program, or simply that the faculty had not gotten around to considering the issue (2,0). It is informative that none selected such options as "ethics cannot be taught" (a frequently raised objection to ethics training programs), "lack of qualified faculty," "lack of student interest," or "instructional materials not available." In short, at those universities where ethics is not taught the belief seems to be that it is simply not a priority issue for an IR program.

Ethics instruction is most likely to be integrated into required and elective courses rather than taught as a subject in its own right. The most frequently cited courses that cover ethical issues are labor/employment law (10,2), collective bargaining (8,1), human resources management (8,1), arbitration/dispute resolution (7,2), seminars and other courses (4,0), labor relations (2,1), and industrial relations (1,1).

Several of the respondents indicated that the extent of ethics instruction in a course depends on who is teaching the course, which suggests that the topic is not always a standard component of the course. A separate course on ethics was found at one graduate program, and separate ethics course modules were included in two graduate programs.

A total of ten graduate (71 percent) and one undergraduate program (33 percent) reported that all of their current students will receive some ethics instruction prior to graduation. A smaller number of programs (3,2) indicated that somewhere between 10 and 25 percent of their students will receive ethics instruction, and one was not certain.

Topics in which Ethics is Taught

Directors were asked to indicate which topics in their programs (from a long list of IR and business subjects presented to them) included a discussion of ethical issues. Those topics that were cited a total of seven or more times are shown in Table 2.

It is noted that ethical issues associated with both labor relations and human resource management topics receive attention. Sexual harassment, discrimination, and negotiations were the three most commonly cited topics that involve ethical issues. However, a number of others including employee privacy, employee screening, confidentiality of employee records, whistleblowing, dispute resolution, mediation, and arbitration were covered in approximately two-thirds or more of the programs. Ethical foundations of IR (5,2) as well as ethical foundations of capitalism (2,4), were cited relatively infrequently. This is puzzling considering that the origins of IR are so heavily value laden but is perhaps reflective of the decreased emphasis on teaching the history and development of the IR field in some programs. Ethical theory was also cited infrequently (3,2), perhaps because ethics is less likely to be taught as a separate subject rather than integrated with other course work.

Ethics Instruction

It was found that regular IR faculty were most likely to teach the ethical components within the curriculum (10,2). This result is not surprising considering that most ethics instruction is embedded within IR course work. Business faculty teach ethics at seven programs including three that were located within a school of business, while less common approaches involve the use of nonfaculty guest lecturers (2,1), economics faculty (1,0), and psychology faculty (1,0). Only one program

TABLE 2
Curriculum Topics Which Include Coverage of Ethical Issues,
by Number of IR Programs

Topic	Master's Programs (14)	Undergraduate Programs (3)	Total
Sexual harassment	14	3	17
Discrimination	13	3	16
Negotiations	12	2	14
Employee privacy	10	3	13
Employee screening	10	3	13
Confidentiality of employee records	10	3	13
Whistleblowing	10	2	12
Dispute resolution	9	3	12
Mediation	9	3	12
Arbitration	9	3	12
Occupational safety and health	9	2	11
Employee termination	8	3	11
Employee discipline	8	3	11
Drug testing	8	3	11
Conflicts of interest	8	2	10
Drug/alcohol abuse	7	3	10
Relations with government	8	0	8
Compensation	7	1	8
Honesty	7	1	8
Ethical codes of conduct	6	2	8
Employee benefits	5	3	8
Relations with customers	7	0	7
Employee surveillance	6	1	7
Kickbacks	6	1	7
Ethical foundations of IR	5	2	7

stated that an ethics professor was brought in as a guest lecturer in an IR course, and one undergraduate program reported that students were required to take a philosophy course that included ethical concepts.

Instructional materials utilized most often include case studies (9,2), supplemental readings (8,3), and textbooks (8,2). Several programs also use student paper/essay assignments (5,2), audio-visual materials (3,0), and simulations (3,0). Among the specific instruction materials mentioned by respondents were videotapes, instruction related to the Canadian Charter of Human Rights, Harvard Business case studies, and materials from the Anderson Business Ethics Program.

Trends and Outlook

It appears that the amount of ethics instruction is on the increase, at least at the IR programs included in this study. Ten of the graduate and two of the undergraduate programs report increases in ethics

instruction over the past three years. Only four (3,1) report no increase. The increase occurred primarily by integrating ethics into one or more IR courses (9,1). One graduate program added an ethics module, and one undergraduate program added a separate ethics course.

In contrast, however, programs that do not currently include ethics instruction are not rushing to add it. All seven graduate programs and four of the five undergraduate programs said that they had no plans to introduce ethics instruction within the next year. One undergraduate program was unsure.

Candidates for adding ethical instruction are likely to be those programs where it is felt that there is an insufficient amount of instruction now. The respondents at the majority of both the graduate and undergraduate programs (11,5) feel that the amount of ethics instruction was "insufficient" at this time, while a smaller number (6,2) say that it is "about right." Even at schools where the amount of ethical instruction has been increased over the past three years, some directors characterized their current level of instruction as "insufficient" (7,1).

Discussion

The purpose of this study was to determine whether IR programs provide ethics instruction to their master's and bachelor's level students. The short answer is that many do—some two-thirds of the master's programs and one-third of the undergraduate include ethics within their course work. Though somewhat lower than that reported for business programs (Paine 1988), this number is nonetheless considerably higher than one might have estimated, considering the lack of discussion of ethics in the IR literature. Moreover, the amount of instruction has increased at many of the schools over the past few years and may be expected to continue to increase in the future. The instruction generally seems to be integrated within the required and elective courses that comprise the core of an IR curriculum in labor relations and human resources management. While there are variations in their approaches toward ethics instruction, there is considerable agreement among programs that the ethical dimensions of several specific IR topics be covered. On the other hand, one-third of the graduate and two-thirds of the undergraduate programs report no ethics instruction within their courses.

As with any survey study, one must be concerned about the sample and response rate. It is unknown whether the nonresponding programs differ in their teaching of ethics from those reported in this study. No

claim is made that the results reported here can be generalized to the entire population of IR programs. Moreover, it should be remembered that the respondents were directors of IR programs (or their designee). While they may be expected to have a good overall view of their programs, courses, and curriculum changes, they do not necessarily know how much or little emphasis is placed on ethical issues within individual classes. It is possible that a survey of faculty teaching in each of the programs would reveal greater or less coverage of ethical issues.

Finally, what remains unknown is whether the current level of ethical instruction is adequate to prepare IR students for the complicated ethical issues that they will confront as practitioners. Relatedly, is the practice of integrating ethical concepts into courses without a formal discussion of ethical theory the best pedagogical approach? IR faculty may wish to survey their alumni and the employers of their graduates to determine whether there should be more or less ethical instruction and if the instruction is actually effective. It is time for faculty to engage in a healthy debate on the purposes and methods of ethics instruction in our graduate and undergraduate level IR programs.

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IX. UNION WAGE DETERMINATION IN THE U.S. IN THE 1980s AND 1990s

Union Wage Concessions in the 1980s

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The 1980s have been heralded a new era in collective bargaining (Freedman 1982) owing to the large numbers of union concessions occurring over the period. While the relatively high incidence of wage and benefit concessions in collective bargaining settlements in the 1980s are well documented (Mitchell 1985, 1986, 1992; Bell 1989), there has been relatively little empirical work exploring the various determinants of the 1980s' pattern. With the exception of certain key sectors in which settlement outcomes have been evaluated at the establishment and firm level (Cappelli 1985a, 1985b; Nay 1991), most studies have tended to focus on concessionary outcomes at the aggregate industry level (Freeman 1986; Mitchell 1986; Vroman and Abowd 1988). The absence of a general study on the role of firm-specific factors is a serious deterrent in evaluating the extent to which the 1980s' pattern represents, in fact, a fundamental change.

This paper makes use of an establishment-level data set compiled from private-sector bargaining settlements over the period 1975-1988 to evaluate the impact of firm-specific factors as well as the types of aggregate and industry factors used in other studies on the concessions that occurred. The research finds that the performance of the firm, as summarized by its employment and stock-price growth, the size of the firm, the level of wages it pays its workers, and the union coverage at the firm are all significant predictors of concessions in union contracts.

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Combined with aggregate factors such as the level of unemployment economy wide, these factors are able to account for the majority of the trend in union concessions.

Documenting Union Concessions in the 1980s

The contract data used in this analysis are compiled from published Bureau of Labor Statistics contract reports in *Current Wage Developments* (CWD). This source lists all major collective bargaining settlements covered by the Labor Department (settlements involving more than 1000 workers) and includes data on bargaining pairs (establishment and union), industry, region, negotiation and settlement date, number of workers covered, and settlement terms (including information about wages, lump sums, profit-sharing arrangements, cost-of-living adjustments [COLAs], benefits, and work rules). In total, the CWD-based data set compiles information from 5,443 contracts negotiated in 1,241 establishments between 1975 and May of 1988 in private industry excluding construction. Each bargaining pair is followed from the date of the initial contract through subsequent contract settlements.

Defining concessions according to the nominal value of the bargaining outcome poses definitional problems in the case of the CWD data. Therefore this study adopts the usual approach of defining concessions according to wage or compensation outcomes (Freeman 1986; Cappelli 1983, 1985a, 1985b; Mitchell 1985, 1986; Nay 1991), with concessions occurring when a settlement involves some kind of "give-back" from workers to management in the terms of some earlier specified agreement (Cappelli 1983). In this vein several categories of concessions are constructed according to wage, benefit, and COLA term changes, and contract outcomes are evaluated according to the several classifications of concession severity.

Industry Concessions Trends

Table 1 lists the percentage of workers involved in settlements with various types of concessionary outcomes over the period 1980-1988 by two-digit (Standard Industrial Classification) industry. As is clear from the table, large shares of union workers agreed to settlements in which their wages were frozen or reduced. Indeed, over the period 1980-88 the majority of industries (14 of 24) had more than 30 percent of workers affected by first-year wage freezes or reductions, and in only one sector, namely services, were fewer than 10 percent of workers affected. Moreover, in many sectors first-year wage freezes were followed by wage reductions in subsequent years of the multiple-year agreement.

TABLE 1
Union Concessions by Type, 1980-88
(Percentage of workers negotiating contract with concession)¹

Industry	First-Year Wage:			All-Year Wage:		
	Freeze or Reduction	Plus No Benefit Improve	Plus No Lump Sum Clause	Freeze or Reduction	Plus No Benefit Improve	Plus No Lump Sum Clause
Food and Kindred	38.4	13.6	12.0	9.2	5.4	4.5
Tobacco	12.8	0.0	0.0	0.0	0.0	0.0
Textiles	30.0	30.0	30.0	16.6	16.6	16.6
Apparel	52.3	21.3	21.3	6.7	0.11	0.11
Lumber	54.8	30.0	25.1	28.0	27.5	22.6
Furniture	31.2	23.3	19.0	8.2	4.0	4.0
Paper	33.2	11.2	3.8	4.3	4.3	0.6
Printing	20.3	8.7	5.8	3.6	3.6	3.6
Chemicals	18.7	8.5	2.8	12.9	6.4	0.7
Petroleum/Coal	46.5	0.0	0.0	0.0	0.0	0.0
Rubber	53.5	4.3	4.3	52.5	4.3	4.3
Leather	18.4	4.9	4.9	4.6	3.7	3.7
Stone/Clay/Glass	20.9	13.3	12.1	11.6	11.6	10.4
Primary Metals	64.2	53.7	22.5	53.2	46.6	15.6
Fabricated Metals	34.5	12.3	9.6	19.0	10.0	9.6
Nonelectric Machinery	67.9	16.6	8.6	40.8	14.3	6.2
Electric Equipment	30.8	5.8	3.0	7.5	3.6	1.9
Transportation Equipment	34.8	5.8	1.7	28.0	4.8	1.0
Instruments	16.7	13.7	1.9	0.0	0.0	0.0
Misc. Manufacture	19.9	9.7	9.7	0.0	0.0	0.0
Transportation/Utilities	19.9	4.8	4.0	15.3	3.3	2.9
Wholesale/Retail	33.0	18.6	10.8	20.0	11.0	7.0
Finance/Insurance	11.4	1.9	0.0	9.5	0.5	0.0
Services	7.9	2.6	0.7	2.8	0.7	0.7

¹ Percentages calculated by taking the ratio of workers settling for contracts with concession as listed divided by total number of workers negotiating contracts over the period 1980-88.

Lump sum and profit-sharing plans were increasingly common in union contracts through the 1980s and in many cases occurred in lieu of standard base-wage adjustments (Bell and Neumark 1993). To account for this as well as the possibility that benefits may substitute for wage increases, Table 1 lists concessionary settlements in which first-year wages were frozen or reduced and benefits and COLAs did not improve (columns 2 and 4) and in which no lump sum or bonus payment was made to workers (columns 3 and 6). Comparison across columns demonstrates that while lump sum or bonus plans were substituted for wage increases, in many cases this correlation is by no means perfect. In many concessionary situations in which wages were frozen or reduced, there was notably no benefit improvement and no lump sum or bonus plan. While the effect on *total* compensation of wage reduction depends on what happens to benefits and bonus plans,

and settlements involving wage concessions may arguably not be truly concessionary, it is very clear that large numbers of union workers experienced unfavorable contract settlements over this period. (For more detailed discussion of the nature of these settlements see Bell [1989].)

The Determinants of Concessionary Bargaining Outcomes

To the extent that the pattern of concessions in the 1980s herald a new era in collective bargaining, they should be largely unexplained by the standard aggregate, firm, and institutional factors linked traditionally to bargaining outcomes. Instead, concessionary settlements should be largely "unexplained," linked perhaps to some sort of structural trend. To evaluate this possibility, a series of regressions are evaluated below linking the probability of a concession to a set of aggregate, industry, and institutional variables traditionally believed to influence bargaining outcomes as well as a linear trend. (Several versions of the trend were tested with little qualitative change to the conclusions [Bell 1993].)

Ability-to-Pay, Aggregate, and Institutional Factors

In order to control for conditions at the firm, the CWD contract data are matched to firm-level financial data from *Compustat*. Many firms in the collective bargaining data set are not included in *Compustat*, and the matching between the two databases reduced the number of establishments in the sample from 1,241 to 304. Data on employment and stock-price growth are averaged over the three-year period preceding the settlement year in order to summarize the firm's performance over its most recently concluded contract. In addition, total firm assets is used to control for the well-documented effects of firm size on ability-to-pay factors (Brown and Medoff 1989; Groshen 1991). Because labor costs are frequently unreported in the *Compustat* data, a rough measure of the firm's average hourly earnings over time is constructed using employment and earnings data on average hourly earnings at the four-digit level as the base wage in 1975 and the bargaining data terms of contract to compute the change in this base in each firm case over time.

Although union wages are likely to be more insulated from cyclical shocks (Wachter 1970), they are also likely to be more responsive to inflation. Presumably the combination of high and rising unemployment in the early 1980s and declining inflation rates in the middle and late 1980s may account for some of the wage moderation in the union sector over this period. The prime-age male unemployment rate and the

TABLE 2
Probit Estimates
Probability of Wage Concessions, 1980-1988

Probability of:	First-Year Wage Freeze or Reduction				Term Wage Freeze or Reduction			
	(1)	(1') Derivative	(2)	(2') Derivative	(3)	(3') Derivative	(4)	(4') Derivative
<i>Trend 1980-88</i>	.278 (.113)	.084	.446 (.204)	.131	.188 (.130)	.044	.389 (.263)	.084
<i>Ability-to-Pay Factors</i>								
Last Contract Growth in:								
Employment	-2.168 (.761)	-.661	-1.760 (.912)	-.514	-1.377 (.785)	-.326	-1.838 (1.036)	-.394
Stock Price	-1.003 (.451)	-.306	-.736 (.540)	-.215	-1.539 (.469)	-.364	-.862 (.595)	-.185
ln(Assets)	-.055 (.078)	-.017	-.142 (.099)	-.042	-.088 (.085)	-.021	-.131 (.109)	-.028
ln(AHE-1)			.432 (.471)	.126			1.230 (.514)	.264
<i>Aggregate Factors</i>								
Import Share			2.752 (1.400)	.805			1.663 (1.129)	.357
Deregulation	-.870 (.346)	-.265			-.189 (.368)	-.045		
Unemploy Rate	.049 (.086)	.015	.086 (.102)	.025	.223 (.108)	.052	.306 (.136)	.066
Exp. Inflation	-.013 (.093)	-.004	.103 (.152)	.030	-.065 (.104)	-.015	.108 (.196)	.023

TABLE 2 (Continued)
 Probit Estimates
 Probability of Wage Concessions, 1980-1988

Probability of:	First-Year Wage Freeze or Reduction				Term Wage Freeze or Reduction			
	(1)	(1') Derivative	(2)	(2') Derivative	(3)	(3') Derivative	(4)	(4') Derivative
<i>Institutional Factors</i>								
Union Cov	.079 (.509)	.024	-.432 (.638)	-.126	.428 (.527)	.101	.408 (.665)	.088
National Contract	.521 (.239)	.159	.381 (.286)	.111	.033 (.257)	.008	-.219 (.318)	-.047
% Unfair	-.036 (.043)	-.011	-.103 (.070)	-.030	-.037 (.060)	-.009	-.081 (.076)	-.017
% Union Wins	-.004 (.007)	-.001	.005 (.009)	.002	-.001 (.009)	-.000	-.003 (.011)	-.001
Observations	382		294		382		294	
Log Likelihood	-204.74		-150.69		-161.80		-113.18	

Derivatives are evaluated at the means of the independent variables. Standard errors are given in parentheses. Unreported intercept included in regressions.

TABLE 3
 Probit Estimates
 Probability of Wage, Benefit, and COLA Concessions in Contracts without Lump Sums, 1980-1988

Probability of:	First-Year Wage Freeze or Reduction Plus No Benefit/COLA Improvement Plus No Lump Sum or Bonus Plan				Term Wage Freeze or Reduction Plus No Benefit/COLA Improvement Plus No Lump Sum or Bonus Plan			
	(1)	(1') Derivative	(2)	(2') Derivative	(3)	(3') Derivative	(4)	(4') Derivative
<i>Trend 1980-88</i>	.277 (.149)	.051	.281 (.336)	.036	.145 (.172)	.021	.692 (.393)	.072
<i>Ability-to-Pay Factors</i>								
Last Contract Growth in:								
Employment	-2.273 (.889)	-.421	-2.251 (1.454)	-.289	-1.611 (.960)	-.228	-1.798 (1.568)	-.186
Stock Price	-1.483 (.504)	-.274	-1.324 (.764)	-.170	-1.734 (.564)	-.245	-1.272 (.880)	-.131
ln(Assets)	-.263 (.099)	-.049	-.744 (.173)	-.056	-.330 (.116)	-.047	-.600 (.175)	-.062
ln(AHE-1)			4.311 (.856)	.554			4.636 (1.036)	.479
<i>Aggregate Factors</i>								
Import Share			3.198 (1.482)	.411			3.085 (1.908)	.319
Deregulation	.330 (.372)	.061			.276 (.452)	.039		
Unemploy Rate	.383 (.117)	.071	.611 (.169)	.078	.231 (.127)	.033	.457 (.194)	.047
Exp. Inflation	.091 (.117)	.016	.307 (.248)	.039	.017 (.135)	.002	.618 (.295)	.064

TABLE 3 (Continued)
 Probit Estimates
 Probability of Wage, Benefit, and COLA Concessions in Contracts without Lump Sums, 1980-1988

Probability of:	First-Year Wage Freeze or Reduction Plus No Benefit/COLA Improvement Plus No Lump Sum or Bonus Plan				Term Wage Freeze or Reduction Plus No Benefit/COLA Improvement Plus No Lump Sum or Bonus Plan			
	(1)	(1') Derivative	(2)	(2') Derivative	(3)	(3') Derivative	(4)	(4') Derivative
<i>Institutional Factors</i>								
Union Cov	-.797 (.609)	-.148	-3.667 (1.071)	-.471	-1.228 (.720)	-.182	-3.175 (1.194)	-.328
National Contract	-.002 (.280)	-.000	.546 (.387)	.070	-.032 (.338)	-.005	.311 (.475)	.032
% Unfair	-.081 (.074)	-.014	-.277 (.116)	-.036	-.054 (.084)	-.008	-.183 (.124)	-.019
% Union Wins	.008 (.009)	.001	.001 (.013)	.000	.014 (.010)	.002	-.003 (.014)	.000
Observations	382		294		382		294	
Log Likelihood	-128.07		-68.51		-99.60		-56.88	

Derivatives are evaluated at the means of the independent variables. Standard errors are given in parentheses. Unreported intercept included in regressions.

rate of change in the personal consumption expenditure deflator are included in the regression models presented below to control for these aggregate factors. In addition, industry controls for the degree of import penetration into the sector and a dummy variable for whether or not the sector was deregulated over the period were included.

High union coverage rates are associated positively with industry union wage premiums (Freeman and Medoff 1984) and imply greater bargaining strength for the union at the firm (Cappelli 1983). Although the decline in union density in the 1980s was pervasive, it was not entirely uniform across sectors (Mitchell 1992). A variable to proxy for union coverage by firm is added to the model by dividing bargaining unit coverage (as reported in CWD) with employment at each firm (as reported in *Compustat*) on an annual basis. A dummy variable to control for whether the agreement is a national agreement is added to the analysis. Finally, the bargaining environment in the sector is proxied by the percentage of union wins in certification elections and the percentage of unfair labor practices. (For a description of the construction of the independent variables included in these regressions see Bell [1993].)

Empirical Results

The estimates for the probit model with wage concessions are presented in Table 2, and results for concessions with wage, benefit, and COLA reductions and no lump sum or bonus plan are presented in Table 3.

Firm ability-to-pay factors play a strong role in determining the likelihood of a wage concession, regardless of whether the wage freeze or reduction occurs in the first year of the agreement or over the term of the contract and regardless of the severity of the concessionary settlement. Specifically, firms with above average growth in stock prices and in employment over the previous contract term were less likely to experience concessions, holding fixed for industry and aggregate factors. In addition to firm performance, firm size and the level of wages influence the likelihood of a wage concession occurring. Specifically, holding fixed for firm and aggregate performance, larger firms are less likely to experience wage concessions. This result is strengthened by the addition of the previous year average wages ($\ln AHE-1$), presumably because large firms pay higher-than-average wages and because higher-than-average wages are associated with a significantly greater probability of wage concessions. In addition to firm performance, high unemployment rates increase the likelihood of

a union concession, even after controlling for firm performance. Neither deregulation in the industry nor the share of imports in sectoral value added seem to matter in concessions. Among the institutional factors likely to influence bargaining outcomes, union coverage at the firm was negatively related to the likelihood of a concession, although this effect is significant only in the case of the more severe concessions.

Significant for the purposes of this paper, the pattern of union concessions appears to be predicted by a set of reasonably chosen aggregate, industry, and firm-specific factors likely to influence bargaining outcomes. After controlling for these factors, the unexplained component of union concessions, captured by a time trend, is significant only in the case of first-year, wage-only concessions.

Conclusions

Union wage concessions were spread across diverse industries in both manufacturing and nonmanufacturing. While wage concessions in certain firms were traded for lump sum and benefit plans, a significant share of concessions in the 1980s were more severe—with nominal wage levels, benefit, and COLA terms reduced and with no bonus or lump sum plan offered to workers in lieu of their standard wage increase.

Firm-specific ability-to-pay factors play a key role in explaining the likelihood of a concession over this period. Specifically, the growth of employment and stock prices at the firm, the size of the firm, and the level of wages it pays, collectively influence the likelihood of a union wage concession in theoretically predictable ways. In addition, high unemployment and low union coverage increase the likelihood of settlement being concessionary. Since the pattern in settlement outcomes is well explained by a set of traditional aggregate, industry, and firm-specific variables, the 1980s' concessionary pattern is unlikely to represent something fundamentally new in collective bargaining.

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The Role of Strikes in the Formation of Wage Norms

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Throughout the post-World War II period there has been discussion of the role of “key” union settlements in influencing other wage decisions, union and nonunion. In some cases the discussion has been cast in terms of pattern bargaining or coercive comparisons. Other discussions, especially among those interested in macro-level wage determination, have referred to the more general establishment of wage “norms.”

Information and Wage Norms

In this paper, while we do not attempt to sort out the alternative approaches (or even to measure wage norms), we do start with the premise that all such notions presume the existence of labor-market information. This information might be important for both nonunion and union wage formation. Note, for example, the significance often attributed in the literature to union wage rules such as “3 percent plus COLA” or to innovations in benefit systems during much of the post-World War II period.

Information is a necessary, although not necessarily sufficient, condition for wage norms to form. For events in lead decision units to affect potential followers, there must be information about what the lead units have done. If information channels become more limited, then the formation of wage norms (if such things exist) will be impeded.

Strikes and Information

One important channel of information about union settlements is the popular news media. The media will report on settlements if they are perceived as interesting to readers. Thus media reports can be viewed both as sources of information *and* as an index of public interest in particular bargaining situations. Bargaining situations are likely to be thought especially interesting if they are surrounded by dramatic

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events. In particular, as critics of media coverage of the union sector are prone to point out, strikes often attract media attention (Puette 1992, 35, 70).

Whether or not this possible focus on strikes in the media is "fair" to unions (or to management or to the collective bargaining system) is not an issue we consider here. We do note, however, that from the viewpoint of *other bargainers*, strike developments and outcomes might well provide important information on the relative bargaining power of the two sides. And this information might be an indication of relative power in their own situations. Thus it has been argued that the decision of the United Auto Workers Union to terminate its strike against Caterpillar without attaining a new contract in 1992 could signal union weakness to General Motors in its 1993 negotiations with the same union (*Economist* 1992; Harmon 1992). In short, strike developments have special significance for other collective bargainers. And for nonunion wage setters, strikes may simply attract attention to particular union settlements.

If strikes do attract media attention to settlements, and if there are fewer strikes, then there will be less information and any tendency for wage-norm formation will be weakened. Alternatively, the decline in unionization or a drop in the perceived relevance of union activity for nonunion wage-norm formation might have led to less media attention to union bargaining situations. That is the major focus of what follows. It is well known that major strike frequency declined in the 1980s with the general perception in the industrial relations field that strikes are no longer as effective from a union viewpoint as they once were.¹ So whatever the cause of the strike decline, there may well have been less information on settlements and, hence, weakened norms in recent years. Alternatively, the decline in unionization of the work force (or other factors) might have led to less media attention to settlements in the 1980s, independent of the number of strikes. Certainly there has been a decline in labor (union-sector) journalism in recent years.

Coverage in New York Times

To measure press attention we use *New York Times* coverage of strike (and later certain nonstrike) situations as a proxy. Our measure of the *Times*' attention is the number of articles devoted to the negotiation as gathered from the annual index published by the *Times*.² We recognize, of course, that the *Times* may not be a perfect proxy for media information on labor negotiations and that there may well be nonmedia information sources available.

Unfortunately, detailed data on work stoppages ceased to be published by the U.S. Bureau of Labor Statistics (BLS) after 1981. Hence we confine the situations analyzed to major stoppages involving 10,000 or more workers, as collected from annual BLS bulletins from 1949 to 1980, combined with more limited BLS reports thereafter gathered from press releases and *Current Wage Developments*.³ The BLS bulletins provided brief descriptions of the strike, union(s) and employer(s) involved, its causes and surrounding events, its duration, and the number of workers. For the post-1980 period we had to gather some of this background information from other sources.

Based on this information a computer file of 742 major strike situations has been built from the private and public sectors, including names of unions and employers, industry code (SIC),⁴ number of workers (assumed to be positively related to *Times*' coverage), duration of strike in days (assumed to be positively related to coverage), and location of the dispute in or out of the New York area (assumed to be positively related to coverage).⁵ We also sorted out interest disputes from rights and other disputes⁶ (e.g., typically short walkouts, sometimes wildcats, over grievances). The interest disputes were classified as "narrow" if they resulted in new contracts dealing with wages, benefits, or conditions; or "broad" if they resulted in some change in wages, benefits, or conditions even if a formal contract renegotiation was not involved.⁷ For purposes of this paper we present findings using the broad definition of interest dispute.

Finally, we created a variable indicating executive or judicial federal intervention (e.g., through the creation of Taft-Hartley and Railway Labor Acts emergency boards or through actions under wage controls and guidelines). Such intervention was thought likely to increase the *Times*' coverage.

Data Analysis

Table 1 presents summary statistics on the strike file. As can be seen, strikes involving large numbers of striking workers clearly have received more attention from the *Times* than others, even within our truncated sample (which excludes strikes with fewer than 10,000 workers). The mean number of articles per strike situation involving 30,000 or more workers was 25.5 as opposed to only 5.8 for those involving fewer than 13,000 workers. Federal intervention also provoked attention to the dispute by the *Times*. It was not uncommon for strikes to receive no coverage at all; 27 percent had no articles.

TABLE 1
Summary Statistics on the Major Strike File

	Median Articles Per Strike	Mean Articles Per Strike
Number of workers involved:		
30,000 or more	12	25.5
18,000 - 29,999	3	8.1
13,000 - 17,999	2	7.8
10,000 - 12,999	1	5.8
Duration of strike (days):		
43 or more	9	27.5
16-42	3	8.9
6-15	3	8.3
1-5	2	3.3
Manufacturing	4	11.4
Non-manufacturing	3	12.6
Interest dispute	4	13.3
Other type of dispute	3	9.1
Federal intervention:		
Yes	9.5	24.7
No	3	11.1
New York location	9.5	23.5
Other location	3	9.9

Time Period:	Strikes Per Year	Days Per Strike	Articles Per Strike	Articles Per Day
1949-1959	21.1	28.4	11.6	0.77
1960-1969	20.4	31.1	12.8	0.81
1970-1979	21.6	31.2	10.4	0.70
1980-1991	7.5	37.8	16.4	0.70
1949-1991	17.3	31.1	12.2	0.75

Note: The file includes 742 strikes involving 10,000 or more workers as reported in various documents published by the U.S. Bureau of Labor Statistics. "Articles" refers to the number of articles about these strikes which appeared in the *New York Times*. No articles appeared in 27 percent of these strikes. See text for data definitions and method of collection.

On the other hand, it does not seem from the table that there was a drop in the *Times'* attention in the 1980s, independent of the number of strikes or strike characteristics. In fact, Table 1 shows that the mean number of articles per strike situation was *higher* in the period 1980-91 than in earlier years. Strike duration rose, a factor that could account for this seeming increase in attention. Mean articles per strike day was about the same in the 1980-1991 period as in the preceding decade, although somewhat below the level of still earlier years.

Multivariate Analysis of the Strike Sample

Because the dependent variable, number of *Times*' articles, is bounded from below by zero (and because many strikes [27 percent] received zero coverage), ordinary least squares analysis is inappropriate. Thus Table 2 presents a series of Tobit regressions explaining the number of articles published in the *Times* per situation. Equation (1) suggests, as expected, that the number of workers involved, the duration of the strike, federal intervention, and New York location increase

TABLE 2
Tobit Regressions Explaining Articles Per Strike or Settlement

	(1)	(2)	(3)	(4)
Size of unit (000s of workers)	.116** (.011)	.106** (.014)	.116** (.008)	.122** (.008)
Strike dummy(a)		18.77** (2.33)		18.27** (2.30)
Duration of strike(b) (days)	.256** (.020)	.248** (.029)	.287** (.016)	.262** (.017)
Manufacturing dummy	4.14* (1.67)	.593 (2.04)	2.11 (1.22)	3.00* (1.22)
Interest dispute dummy	-.926 (1.91)	(c)	-3.58* (1.57)	-2.21 (1.56)
Federal interven- tion dummy	10.14** (2.99)	(d)	(d)	(d)
New York location dummy	17.53** (2.04)	9.91** (2.07)	13.02** (1.43)	14.65** (1.43)
Dummy for 1980-91	5.06* (2.42)		-7.32** (1.35)	4.47* (2.02)
Constant	-10.49** (1.88)	-19.80** (1.66)	-6.90** (1.48)	-25.77** (2.77)
No. of observations	742	546	1198	1198
Log likelihood	-2590	-889	-3140	-3119
Period	1949-91	1980-91	1949-91	1949-91
Content	strikes only	strikes & non- strikes	strikes & non- strikes	strikes & non- strikes

(a) Dummy = 1 if situation was a strike; 0 if a nonstrike settlement.

(b) Duration = 0 for nonstrike settlements.

(c) All nonstrikes and most strikes in the period covered are interest disputes.

(d) Data are not available on the presence of federal intervention in the nonstrike observations.

* Significant at 5% level.

** Significant at 1% level.

Note: Standard errors in parentheses. Dependent variable is number of *New York Times*' articles.

the coverage afforded by the *Times*. Although there was a simple correlation between the presence of an interest dispute and articles in Table 1, when other controls are added the relationship turns negative and insignificant.

In order to examine the marginal effects of the independent variables for those strike situations which had at least one article, we performed the transformation outlined in McDonald and Moffitt (1980). This transformation roughly halves the size of the marginal effect relative to the size of the regression coefficient. Thus equation (1) of Table 2 suggests that for each 20,000 workers involved in a strike, the *Times* adds one article of coverage (if it would have covered the strike at all). Each incremental eight days of strike duration adds an article. Federal intervention adds five articles, and New York location adds about nine articles.

Despite the various controls, the impression garnered from Table 1 regarding propensity to cover strikes by the *Times* remains. Specifically, there seems to be no tendency by the *Times* to reduce its coverage of strikes in the post-1979 period. Indeed, the coefficient on the dummy for post-1979 is positive and significant at the 5 percent level. Thus despite whatever decline there may have been in labor journalism and expertise, a strike of fixed characteristics provoked at least as much information flow in the 1980-91 period as before. If there is a wage-norm mechanism and if it is geared to settlements in large union situations, a change in policy with regard to strike coverage did not weaken that mechanism.

Strikes Versus Nonstrikes

Since strike frequency fell in the 1980s, there could have been reduced reporting of all union-management settlements, strike and nonstrike. To the extent that such settlement outcomes go into the formation of wage norms, reduced strike frequency could have reduced the information flow, even if the strike coverage propensity in the media remained unaltered. To explore this issue it is necessary to add nonstrike settlements to the strike sample.

For the period 1980-91 we have added a "control" sample containing all nonstrike settlements involving 10,000 or more workers reported in *Current Wage Developments*.⁸ A total of 456 additional observations were included.⁹ Duration for nonstrikes was reported as zero. The presence of federal intervention has not been coded and hence cannot be included in regressions involving nonstrikes. Equation

(2) is a Tobit regression including a dummy for strikes. Even with control for duration, the dummy indicates that strikes received more coverage than nonstrikes during 1980-91. Hence there was probably reduced net coverage of union settlements due to the lower strike frequency during that period.

A Structural Break?

Since we do not have nonstrike settlements for the period before 1980 in the sample, it is not possible to be sure there was no structural break in the 1980s. Even if there was no decrease in the propensity for the *Times* to cover strikes, it might have changed its practices regarding nonstrikes. As our research progresses we intend to add pre-1980 nonstrike settlements to the sample, but at this stage we can only look at results combining all major strikes (1949-91) with nonstrikes (1980-91).

Equation (3) shows the results of a regression with the entire sample of strikes and nonstrikes and all possible control variables. The dummy for post-1979 turns negative, but this could simply reflect the presence of nonstrikes in the sample in that period with a lower propensity to attract *Times* coverage. When we add a strike dummy (equation [4]), the post-1979 dummy is again positive. But this is more a confirmation of our earlier result on strikes than it is proof of no trend away from coverage of nonstrike settlements. We expect our future research with pre-1980 nonstrike data to clarify this point.

Conclusions

Wage norms—if they exist—depend on information. Often such norms have been seen as emanating from “key” union settlements which attract substantial attention. Our analysis suggests that strikes are most likely to attract attention to union-management disputes, at least in the *New York Times*, our proxy for the media as a whole. Strike frequency fell in the 1980s and thus it is likely that less attention was paid to union settlements. To the extent they received less attention, whatever propensity there was to imitate such settlements probably diminished. Our evidence does not suggest a reduced propensity for media coverage of strikes in the 1980s, despite other signs of decline of labor journalism. Because of limitations of our sample at this point in our research, we cannot be sure about the propensity to cover nonstrike settlements.

Acknowledgment

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Endnotes

¹ For example, Feller (1992, 546) argues that because unions can no longer strike effectively, courts no longer feel compelled to grant finality to arbitration decisions (which may avert strikes).

² We also have data on the number of front-page articles for each negotiation as a measure of the prominence of coverage which is not used in this paper. It should be noted that the articles include those referring to pre-strike negotiations and the post-strike settlement and aftermath as well as to those actually describing the strike in progress.

³ We use the word "strike" in this paper to refer to any work stoppage. It should be noted that with the discontinuance of BLS bulletins, it becomes much more difficult to assemble such files. For example, strike duration can only be determined by following monthly reports of the strike in *Current Wage Developments* until references ended. Strikes that petered out posed particular problems, since *Current Wage Developments* (now called *Compensation and Working Conditions*) stops reporting strikes if fewer than 1,000 workers become involved.

⁴ We have created detailed SIC codes for our file, based importantly on knowledge of the authors. However, in this paper we use only manufacturing vs. nonmanufacturing.

⁵ By New York area we mean the dispute took place in the city or state of New York (even if other areas were also involved). In some cases we could not be sure if New York was involved, although it seemed likely, e.g., strikes designated as occurring on the "East Coast." Our coding separates these two categories, but in this paper they are combined.

⁶ "Other" includes political strikes.

⁷ In the early years of the observation period, there were a number of spontaneous walkouts in which essentially interest issues were raised, although a contract may not have expired.

⁸ The BLS definition of how many workers are in a strike situation differs from its definition of how many workers are in a wage settlement, so there may be some discrepancy between the estimates for the added sample of nonstrikes and the strike sample. BLS tends to clump striking workers from various groups together in its estimate of strike participation. But it generally follows actual contracts in reporting settlements. Thus a construction strike may aggregate all the crafts, but a construction settlement may include each craft separately.

⁹ All of the nonstrike settlements are interest disputes by virtue of being reported in *Current Wage Developments*.

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Pattern Bargaining in Public Education: Evidence from Ohio School Districts

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Pattern bargaining has been recognized as a strategy adopted by many unions during the bargaining process. Pattern following is probably best known within industries. For example, in the auto industry a target settlement is made by GM or Ford and then "copied" onto the other firms' respective settlements. Pattern following is also discussed across industries. In this scenario one industry (e.g., auto) settles its contract and the agreement is used to fashion wages in other related industries (e.g., rubber).

Yet while pattern bargaining has long been studied in the private sector, little, if any, mention has been made of its existence in the public sector. This is all the more interesting as private-sector unions have suffered dramatic declines while public-sector labor unions have undergone remarkable growth. Much of the public-sector unionization growth during the last decade has been among the professional ranks (e.g., teachers) due, in part, to recent duty-to-bargain laws permitting groups to bargain collectively.

Considerable controversy has recently surfaced over the resilience of pattern bargaining, particularly in light of the concession bargaining period during the late 1970s when many companies claimed they were looking at their own internal financial conditions for wage determination. When analyzing the same data Freedman (1982) used to indicate patterns were no longer being followed, Ready (1990) found that patterns were being followed across several industries. Wage patterns were evinced by a decline in wage variance during the 1980-83 period. Budd (1992) concluded that patterns were being followed within the

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auto industry from 1955-79 and 1987-90 and that these patterns extended across other related industries as well, although the effects were smaller in the later rounds. Nonetheless, evidence presented during the 1990s appears to contradict the demise of pattern bargaining that was hailed during the 1980s.

It is obvious that bargaining in the public sector is in some ways unique from that in the private sector. Bargaining in the public sector operates under state budgetary constraints and is influenced by the public's ability to pay. In order to better understand collective bargaining outcomes in the public sector and their impact on regional school districts costs, we propose to study the nature of patterns or wage following that are being employed among teachers. In this paper we first compare teacher negotiations with other private-sector negotiations. Next we examine wage following by teachers in the state of Ohio. Patterns are measured by both wage levels and wage percentages and compared for both large and small districts.

How Do Teacher Negotiations Differ from Other Private-Sector Negotiations?

Public-sector bargaining has become more multilateral in nature with unions able to apply more political power and community interest or public pressure on the bargaining process. Fossum (1992, 480) points out that these multilateral bargaining attempts include public officials influencing the negotiations outside the process, union representatives discussing contract terms with management members who are not on the bargaining team, and the involvement of community interest groups among others.

In teacher negotiations, education laws and funding methods vary by state, and most bargaining occurs at the local school board level. Teachers are a relatively homogeneous occupational group; a rather small geographic area may have several municipalities with separate school boards and separate negotiations. Despite recognition that the process occurs distinctly among these separate districts, the outcome of that process (e.g., wages) may be similar.

This similarity may be due, in part, to the pressure placed on school districts to control costs by being mindful of taxpayer and budgetary constraints. The majority of school districts in this country determine teacher salaries through a salary schedule. In a typical schedule, a matrix is created using two teacher characteristics—length of service and highest educational attainment—to establish salaries. Teachers are placed on the matrix according to their individual years of service and

educational level and are paid accordingly; those with more years and/or education receive higher salaries. This results in teachers receiving higher salaries for acquiring additional college credits or degrees, while still performing the same duties and responsibilities as defined in their job descriptions irrespective of subject matter.

On the other hand, private-sector employers or university systems are more market driven and would pay more for demanded scarce skills than for those in abundance (Wynne and Watters 1991, 33). They provide higher pay levels only for higher levels of duties and responsibilities, not just for additional education or other qualifications.

As Hartman and Whitaker (1991) point out in the development of a model to explain the teacher negotiation process, both prior year salary schedule and actual salary increase are used to determine individual pay increases which *then* determine individual percentage increases. This process coincides with an issue often raised in the pattern bargaining debate. Should levels of wages or percentage change in wages be the measure of pattern following? Whereas employees (i.e., teachers) are concerned with equity and what other teachers are earning, one would expect them to care more about wage levels than about percentage changes. While percentage changes may be important, *levels* of wages are more important in making direct comparisons, particularly if one is in a lower paying district. While higher paying districts may have achieved a small (e.g., 2 percent) increase, this same increase would create further variance in wage *levels* and would therefore not be the optimum bargaining strategy.

This argument is consistent with Ready's (1990) argument that pattern bargaining is an outcome of the collective bargaining process and is best measured by wage levels. The extent of pattern bargaining has been measured by dispersion in wages (or other benefits) in the relevant markets, usually by using the variance of log wages. (See, for example, Freeman 1980; Rees and Hamilton 1963; and Budd 1992.) Detecting settlement patterns and recognizing wage imitations may be difficult; the key bargaining may not always be made by the same parties, and the application of the pattern may vary considerably from firm to firm or, in this case, school district to school district.

Recognizing that a basic premise of unions is to take wages out of competition, one would expect less wage variance among highly organized teachers than the majority of nonorganized professionals in the private sector given the same level of educational attainment. Between 80 and 90 percent of the nation's elementary and secondary school teachers are represented by the National Education Association

(NEA) or American Federation of Teachers (AFT). Membership in the NEA in 1989 stood at 2,000,000 and the AFT at 544,000.

Methodology

The model of patterns in teacher salaries developed here incorporates important considerations raised in earlier models of teacher wage determination (Delaney 1988). The dependent variable examined is the log of the base salary in both large and small school districts in the state of Ohio (lsal) during the 1987-91 school years. Specifically, the model is as follows:

$$\ln \text{Sal}_{it} = B_0 \ln(x) + B_1 \text{Year} + E.$$

The independent variables used in this study capture pattern following, school district size, wealth of district, and ability to pay within the district. The incidence of pattern following is measured in both wage levels (patl) and percentage increases (patc). Size is measured by the natural log of average daily attendance or headcount (lnhead); ability to pay (lnexpend) is a composite measure of state and local dollars divided by number of pupils or per pupil expenditures; (lnassesm) is the total evaluation per pupil, as measured by the assessed value of property within the county, divided by the average daily enrollment of students as a measure of wealth for the district; and (big) is a measure for all school districts contained in counties with the largest school districts in Ohio. The largest school districts are contained in eight counties that include the major cities of Cleveland, Columbus, Toledo, Dayton, Akron, Youngstown, Cincinnati, and Canton.

Data for bargaining school districts analyzed in this study are derived from three major sources. Actual contracts containing wage information were obtained from the Ohio Public Employment Relations Board. Data on school districts and counties were obtained from the Ohio School Territory Guide, and information on assessments, expenditures, and valuation was obtained from the State of Ohio Department of Education.

Whereas most research on public-sector nonwage bargaining outcomes has been cross-sectional, longitudinal analyses may be conducted here by pooling the data over the five-year period. This approach provides larger sample sizes and yields statistics that summarize the average effect of the explanatory variables over the entire period. Year dummy variables are included in the model to capture the time effect, which is assumed to be identical for each school district in a given year.

Data for 285 out of a possible 615 school districts in the state of Ohio are analyzed in this study. The largest school districts in the state were selected first with the remaining districts located in those eight counties comprising the 135 total big districts. Size varies among these large school districts from the smallest with an average daily attendance of 774 to the largest which has 74,000 students. Next, 150 small school districts were randomly chosen from the remaining districts located around the state. These districts are located in 24 counties in Ohio and vary in size from 291 to 12,368 students. Two of the school districts in our sample were the sole school district located within their county. The AFT represents only four teacher groups in our sample and the Ohio Education Association (OEA) represents the remaining districts.

We begin our analysis by determining if wealthy districts that can afford to provide higher wages actually do so. Enrollment (head-count) has been found to be positively related to salaries (Chambers 1977; Hall and Carroll 1973; Lipsky and Drotning 1973). We hypothesize that teachers in the largest school districts enjoy higher pay and act as pattern setters for other districts in the county.

Previous studies have found that firms with more employees followed the pattern settlement more readily. For example, Levinson (1960) found firm size to be an important determinant of pattern following but was unsure whether this result reflected the greater profitability of larger firms or a greater effort by the UAW to make the pattern hold at larger firms. Most studies have also indicated that the target is not an inflexible standard to be met in all instances (Seltzer 1951; Levinson 1960). In particular, outcomes at firms that are in a weak financial state are thought to deviate from the pattern. This view has been expressed most pointedly in regard to pattern following during the 1980s.

While differences in the private sector may be couched in terms of ability to pay and inefficiency in management, the same arguments do not apply in public-sector negotiations. Ability to pay is critical when dealing with diverse school districts in the same county. The wealth of the district may vary, due in part to differences in assessed value, but state aid formulas are consistent on a per pupil basis. In addition, salary minimums are mandated in the state of Ohio with minimums also operating for pension funds, class size, and sick leave.

Results

Table 1 presents the results for the evidence of pattern following as measured by salary levels during the 1987-91 school years. Pooled results using the Standard Chow-test revealed that there were no significant differences found between years.

TABLE 1
Pattern Levels Outcomes

	LNSAL N = 1200 R ² = .80	LNSAL N = 1298 R ² = .06	LNSAL N = 1200 R ² = .80
lnhead	.0225 (14.56) ^{***}	.2410 (3.25) ^{***}	.0228 (13.25) ^{***}
lnassesm	.0323 (7.48) ^{***}	.5574 (2.66) ^{***}	.0334 (7.65) ^{***}
lnexpen	.0804 (7.30) ^{***}	.2790 (.555)	.0759 (6.65) ^{***}
big	-.0036 (-1.05)	.1014 (.684)	
patl	.5222 (16.62) ^{***}		.4992 (16.40) ^{***}
patc		.2291 (4.03) ^{***}	
d87	-.0553 (-8.89) ^{***}	.6676 (2.95) ^{***}	-.0601 (-9.96) ^{***}
d88	-.0400 (-7.60) ^{***}	.3336 (1.61)	-.0435 (-8.45)
d89	-.0280 (-6.04) ^{***}	.2093 (1.05)	-.0298 (-6.63) ^{***}
d90	-.0153 (-3.75) ^{***}	.1957 (1.79) [*]	-.0165 (-4.05) ^{***}
cons	3.5276 (12.58) ^{**}	-7.6478 (-2.59) ^{**}	3.776 (14.32) ^{***}
big25			.0003 (.05)
big50			.0092 (1.89) [*]
big75			-.0004 (-0.11)

* Significant at the .10 level

** Significant at the .05 level

*** Significant at the .00 level

Model 1 in Table 1 shows that larger school districts, wealthier districts, and districts with higher per pupil expenditures pay more. The variable (big) which measured the large school district effect on wages was not significant. Big districts do not spend more for teachers than smaller districts. This finding may be due in part to our measurement of big. All school districts within the county containing the largest school districts are part of our big measure. There is a huge variance

in school size contained in this measure. Nonetheless, a strong adherence to pattern bargaining as measured by wage levels is realized in both large and small districts. From this finding we hypothesize that smaller districts are following the lead set by larger districts.

Model 2 in Table 1 presents the results for the evidence of pattern following as measured by percentage change in wages during the 1981-91 school years. These results, while significant, are not as strong (lower R_2) as the results shown in model 1. Percentage change in wages does not capture the extent of pattern following that comparing wage levels does and is consistent with our earlier argument that when determining wage outcomes, the wage level is a better method of pattern following than is percentage change.

It is possible that the big county effect is not the best measure for larger school districts. Due to the variance in school district size in those eight counties, we break down the school districts within the large counties into quarter percentile ranges to determine if size of school district within large counties has a different effect on wages and pattern following. Model 3 shows the results of this analysis. These results show that districts that are in the second quartile in size pay significantly more than do smaller and the largest districts.

Conclusion

Pattern bargaining is alive and well among both large and small school districts in the state of Ohio. While many (e.g., Cappelli 1990) have argued that pattern bargaining is best measured by percent change of wages, this study provides evidence to the contrary. The change in levels of wages is a better indicator of pattern following as evinced by the high R_2 in the model that uses wage levels rather than percentage changes. Also, school districts that are in the top 50 to 75 percent pay more than other districts. This study lends support to the Fogel and Lewin (1973) conclusion that the common practice in the public sector is to seek wage information over the geographical area included within the governmental jurisdiction and only from medium- and large-sized employers. We find that schools in the top 50 to 75 percent would be the optimum pattern setters.

In this initial study of pattern following in the public sector as measured by school districts in Ohio, it appears that school districts look to one another in determining wages. Districts with higher assessed value of property, higher per pupil expenditures within a district, and larger districts all pay higher salaries. Most importantly, pattern following as measured by wage levels and percentage change in

wages among school districts does have a significant effect on teacher salary.

Because this study focuses on wages, it does not explore the other wage and nonwage provisions of the negotiated contract that may affect pattern following. It is, of course, possible that districts that could afford to pay higher wages provided superior or costlier benefits (e.g., these districts provided more money toward health care or had a superior health care policy than less wealthy districts). In this case, although wages would be similar, the pattern package would be more variable. This distinction was not able to be tested in our data.

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Furnished upon request from authors.

DISCUSSION

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The Bell paper confirms what we expect: firms doing poorly are more likely to receive wage concessions from their unions. Less expected, at least to me, is the evidence that larger firms are less likely to experience wage concessions. The author notes in this connection that adding the previous wage to the right-hand side of the equation strengthens this result by removing the confounding effect of the well-known firm-size/wage differential. I wonder whether this result can help us to understand that differential.

Explanations for the firm-size/wage differential have been proposed based upon (a) worker quality, (b) compensating differentials, (c) threats of unionization, (d) the relative size of the firm's labor pool, and (e) efficiency wages. The literature has shown all of these to be lacking. Those explanations that remain have been left in the field primarily because we have no evidence on them either way. These have to do with (a) sharing the "rents" from market power or economies of scale or (b) a greater degree of specific training or greater hiring costs at large firms.

As to the first of these, if the measure of firms' profits used in the paper are inadequate (and data on profits are notoriously poor), then the finding of fewer concessions for larger firms is consistent with the rent-sharing hypothesis. Even if rents are reduced, unions may insist that the firm take the loss without fearing major repercussions on employment.

As to the second, according to the usual arguments concerning quasi-fixed labor costs and specific investments, fewer concessions for larger firms is also consistent with a specific human capital or hiring cost story. Again, unions have less reason to fear reductions in employment if the firm is only losing the return to its sunk investment.

Several suggestions will conclude my comments. First, if the data allow, it may be useful to distinguish between concessions that appear in a new settlement following the scheduled expiration of the previous

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contract and concessions that appear when a previous agreement has been renegotiated before its scheduled expiration. Second, the 24 sectors defined in Table 1 vary tremendously in size and heterogeneity. Therefore to say, for example, that "in only one sector, namely services, were fewer than ten percent of workers affected" by concessions is misleading. After all, that one sector is as big as six or eight of the 20 listed manufacturing industries combined. One needs to weight the sectors by, say, employment share, or else simply speak in terms of the number of workers affected. Third, a few years back Dan Hamermesh (among others) argued that when a plant shutdown or business failure is at issue, union concessions are unlikely because the magnitude of the concessions that would be necessary to avert the shutdown is simply too large to be worthwhile. If data permit, it would be interesting to see threatened shutdowns distinguished from other situations. Lastly, an index of an industry's output price may serve better than a general inflation variable to explain concessions.

The Ready and Sandver paper's objective is to discover the extent of pattern bargaining among Ohio's public school districts. This is done by taking the average wage settlement in the state in a year as a measure of the "pattern," and regressing individual settlements on this measure as well as other variables.

In my view the authors must defend the validity of their methodology, which essentially consists of regressing a variable on its mean for each year, PATL or PATC. In the absence of pattern bargaining we would surely expect a statistically significant positive coefficient on these variables. They need to argue that the coefficients obtained are significantly larger than one would expect simply by construction.

Several statistical points also warrant attention. The authors point out that they have a panel data set, but they do not use panel methods to exploit this feature to its fullest. The key variables, PATL and PATC, vary only over time, which makes this less of a priority, but given the potential importance of institutional factors in the public sector, a fixed-effects or other panel-data estimator may be appropriate. The authors also note that the sample was chosen by stratifying by size. Statistical corrections must be made to the estimates to account for the nonrandomness of the sample. Lastly, the authors state that according to Table 1, pattern bargaining is indicated in both large and small districts. This is not so. Controlling for district size as a main effect leaves the other RHS coefficients measuring some kind of average effect across large and small districts. One needs to interact district size with the pattern variable in order to conclude with confidence that pattern bargaining is present in both.

X. REFEREED PAPERS—COLLECTIVE BARGAINING, LABOR HISTORY, AND COMPARATIVE IR

The Probability of Filing a Grievance—Does Union Membership Make a Difference?

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A labor organization has a duty of fair representation to all members of the bargaining unit to which it is the exclusive bargaining agent.¹ This obligation pertains both to contract negotiation as well as the contract administration (grievance handling) duties of the bargaining agent.² Furthermore, despite the different statutes which regulate private- and public-sector labor relations, the duty of fair representation has similar parameters for labor organizations in either sector (Newman 1985).

While scholars have investigated how the duty of fair representation has affected the likelihood of a labor organization and its officers to process a grievance (Knight 1987a, 1987b), no one has examined whether union membership might differentially affect whether or not an individual files a grievance in the first place. One cannot argue that differential handling by the exclusive bargaining agent of nonmembers' grievances has occurred. Indeed, there have been several judicial rulings which pointedly addressed this issue. As an example, in *Southern New York Area Local, American Postal Workers Union*,³ the National Labor Relations Board found that the union's decision not to process a nonmember's grievance was made expressly because the grievant was not a member of the union. In another case the court

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found that a union, under the aegis of the Railway Labor Act, breached its duty of fair representation when it failed to provide the grievant an attorney to process his grievance solely because of the grievant's nonmembership in the union.⁴ The question, however, is one of degree—How pervasive is the practice of handling grievances differently simply because the grievant is not a member of the union that has been certified as the exclusive bargaining agent of the unit? Given the public policy mandate on fair representation, answering this question is important.

The purpose of this paper is to test empirically the impact that an individual's status with a union might have on that individual's likelihood to file a grievance. Whether or not differential handling of grievances *intentionally* occurs by union officers is not the issue, although courts themselves are divided as to whether or not bad faith itself is enough to show a lapse in the duty of fair representation (Aaron 1977). Rather, my objective is to explore, for whatever reasons, whether union membership makes a difference in the decision to file a grievance. If it does, the next question to investigate is whether this difference is due to the behaviors and attitudes of either the union officers charged with grievance handling or the nonmembers themselves or still some other reasons. As a first step, however, this research will enlighten us on the need for subsequent research in this area.

The Conceptual Framework

The likelihood to file a grievance or complaint⁵ and not merely the examination of "who files grievances" has been the subject of recent research with a predominant focus on nonunion complaint procedures (Boroff 1991b; Boroff and Lewin 1991). From these works a model of the probability to file a complaint has been developed. Specifically, these researchers have suggested that the likelihood to file a complaint among those who perceive themselves to have experienced unfair treatment is a function of two main factors.

The first of these is the perceived effectiveness of the grievance or complaint process, as evaluated by the potential complainant/grievant. The second factor is the complainant/grievant's loyalty to the firm. However, contrary to what has been posited by Hirschman (1970), from the work of Boroff (1991a) and Boroff and Lewin (1991) it appears that loyalty suppresses the use of voice. Certainly, even if one is not persuaded that the negative finding on loyalty from the Boroff/Lewin works ought to be applied in the *unionized* setting,⁶ the variable nevertheless ought to be included in a model predicting the

likelihood to file a grievance. Notwithstanding these two primary independent variables, Boroff and Lewin further urge controlling for the filer's age, sex, minority status, education, and occupation status when modeling complaint-filing activity. This is because these individual characteristics appear correlated with use of the grievance process.

I have adopted this model for the research question at hand but add two additional independent variables. The first is whether an individual is a member of the union that is the exclusive bargaining agent of the unit. If I measure a significant effect on this latter variable, then I can assert that further examination into a labor organization's handling of grievances is warranted. The judicial rulings do lead one to hypothesize that the expected sign on the union membership variable will be positive—that is, the grievance administration handling process is such that members are more apt to file grievances than nonmembers.

The second of the two additional variables that I have added is a control variable which will keep constant the effect that fear of reprisal may have on moderating grievance-filing behavior.⁷ Scholars have asserted that an individual may opt not to join a union in the first place for fear of retaliation by management (Block and Roomkin 1982); it is easy to conceive that this fear may well find its way to curtailing the grievance-filing behavior of nonmembers.

In all, then, the likelihood to file a grievance is a function of the following variables: the perceived effectiveness of the process, the loyalty potential grievants have to the firm, and their membership status within the union, while controlling for their age, sex, minority status, education level, occupational status, and fear of reprisal for filing grievances.

The Data Set and the Estimation Procedure

In order to test empirically the research question at hand, I relied on a unique data set that I created in 1991. Employees represented by a union operating under an agency shop union security provision were surveyed, among other things, about their attitudes towards the labor movement in general and grievance-filing activity in particular. These employees worked for different employers, all in the public sector, in Illinois, Ohio and Wisconsin but were all represented by the same labor organization.⁸

In all, 1168 surveys were mailed to random samples of *known* union members and *known* agency "fair share" fee payers, following Dillman's (1978) total design method. Of these, 579 useable surveys

were completed and returned. There was no measured bias between the participation rates of union members and agency fee payers.

This sample consisted of respondents who on average had about 14 years of formal education. Their age was 40 years, and they had worked for their respective employer for almost nine years. Their average wage level was about \$25,000 and their household income was about \$10,000 more. The sample tended to be male (51.5 percent) and 20 percent of them identified themselves as a minority. These people were employed in a variety of public-sector jobs, from attendants at hospitals, social workers, prison guards, museum curators, to toxicologists.

I then screened this larger sample of 579 respondents in two steps. First, even though I was able to identify which of my respondents were union members and which were agency fee payers, I nevertheless asked respondents whether they were members of the union. Because of the inconsistency among agency fee payers' responses (only 140 of the 295 agency fee payers correctly identified themselves as such; all but 10 of the 284 union members correctly knew that they were union members), I decided to include in my analysis only those respondents who correctly identified themselves as union members or agency fee payers.

In addition to this screen, I then sorted on whether the respondents actually perceived themselves to have experienced unfair treatment.⁹ As noted by Boroff (1991b), individuals who have never perceived a need to file a complaint have decidedly different views about a complaint process than those who have experienced unfair treatment and who may have subsequently entertained the possibility to file a complaint. Apart from the conceptual and empirical findings of Boroff, by screening at this level two other useful by-products were achieved, adding reliability to my ultimate findings. First, by linking grievance-filing behavior solely to perceived unfair treatment, I excluded those grievances that union members might have filed on behalf of other individuals. Obviously, a steward's grievance-filing rate would typically be higher than either another union member with no official capacity within the union or a nonmember. This is because stewards may well initiate grievances as agents both of willing grievants and where employees may be reluctant to file them. Second, by making this screen I minimized grievance-filing activity associated with what Kuhn (1961) has called "fractional bargaining." I specifically asked my respondents whether they filed a grievance in response to the unfair treatment they experienced. As a result I was more assured

that the grievance-filing activity that I sought to measure here reflected behavior associated with correcting the issue of the grievance at hand and was not some "bargaining chip" in a larger set of negotiations. From these two screens, then, the effective sample size was 193 individuals. Of these, 141 were union members and 52 were agency fee payers.

From the survey I was able to determine which individuals filed a grievance in response to the unfair treatment they perceived themselves to have experienced. This formed the dependent variable, $P(\text{GRIEVE})$, in my analysis. Since respondents either indicated that they filed or did not file a grievance, the dependent variable was binary; the correct functional form for estimating the empirical equation was one that would constrain the probability function from zero to one (Aldrich and Nelson 1984).

The empirical equation is specified below.

$$(1) \quad P(\text{GRIEVE}) = B_0 + B_1\text{EFFECTIVE} + B_2\text{LOYALTY} + \\ B_3\text{UNIONMBR} + B_4\text{AGE} + B_5\text{SEX} + \\ B_6\text{MINORITY} + B_7\text{EDUCATION} + \\ B_8\text{WAGE} + B_9\text{REPRISAL} + e_1,$$

where $P(\text{GRIEVE})$ is the probability to file a grievance. It is coded 1 if the respondent perceived to have experienced unfair treatment and filed a grievance and 0 if the employee perceived to have experienced unfair treatment but did not file a grievance. The relevant questions on the survey instrument are (1) "Have you ever experienced unfair treatment by management," and (2) "Did you file a grievance to correct this unfair treatment?" EFFECTIVE is the rating given the grievance process. The relevant question on the survey instrument is, "Overall, how would you rate the grievance procedure where you work?" It ranges from a low of 1 (poor) to a high of 5 (excellent). LOYALTY is the loyalty of the individual to the firm based upon a construct similarly created in Boroff and Lewin (1991). The relevant questions on the survey are (1) "I have confidence in my supervisors," and (2) "If my boss asked me to violate a safety rule, I'd probably obey." Respondents were asked to respond to these questions using a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree), or (for purposes here) least loyal to most loyal. UNIONMBR is a dummy variable coded 1 if the respondent is a member of the union and 0 if the respondent is an agency fee payer.

AGE is the age of the respondent in years. SEX is a dummy variable coded 1 if the respondent is male and 0 if the respondent is female.

MINORITY is a dummy variable coded 1 if the respondent identified him/herself as a minority and 0 otherwise. EDUCATION is the years of schooling of the respondent. WAGE measures the individual's earnings from the job in which they were employed as a proxy for their occupational status—higher wages inferred a higher occupational status. REPRISAL is the degree to which individuals are concerned about reprisal for filing grievances. It ranges from 1 (not concerned) to 9 (very concerned). e_i is the error term.

Focusing on the treatment variables, B_1 is hypothesized to be positive as is B_3 ; B_2 is hypothesized to be negative. The control variables, not of primary importance for the study at hand, are expected to be associated with the dependent variable as follows: education is negatively related to use as is fear of reprisal; older respondents, women, minorities, and lower-paid individuals are more likely to grieve.

The Empirical Results and Discussion

I have presented the Logit results in Table 1. The only significant coefficient is that observed on the union membership status (UNIONMBR) of the grievance filer. We see that union members are more likely to file grievances than their agency fee payer counterparts, even controlling for variables such as the education of potential grievants and their concerns about reprisal for filing grievances. Furthermore, this finding persists even taking into consideration the individuals' loyalty to the firm and their overall assessment of the grievance process.

What might account for this finding on union membership? This question cannot be answered simply by examining the Logit results presented. Nevertheless when I investigated whether there was a difference in the outcomes achieved at the grievance table between union members and agency fee payers, a potential explanation emerged. Based upon a Chi-Square test, union members were more apt to have grievances ruled either partially or totally in their favor than were nonmembers ($\chi^2 = 3.71$; $p < .054$; 63 percent in favor of the union member v. 25 percent for the agency fee payer). So what might depress filing behavior among agency fee payers is that they sense (and, from the data at hand, rightfully so) that they are less likely to win their cases. It is hard to imagine that union members are consistently more likely to have meritorious grievances and that this is why they "win" more of their grievances.¹⁰ Perhaps, unfortunately, union members' grievances are more vigorously investigated, prepared, and argued than nonmembers' grievances. Judicial rulings do cause one to infer

TABLE 1
Logit Grieve Function
(Parameters are provided with t-statistics in parentheses)

Explanatory Variable	Parameter/(t-statistic)	
EFFECTIVE	.21	(1.08)
LOYALTY	-.35	(-1.40)
UNIONMBR	1.16	(2.28)**
AGE	.12	(.67)
SEX	.64	(1.65)
MINORITY	.38	(.86)
EDUCATION	.01	(.04)
WAGE	-.40	(-1.49)
REPRISAL	-.06	(-.91)
N	154 ^a	
Chi-Square Test ^b	28***	
Pseudo-R ^{2b}	.16	

^a The reason why the effective sample is reduced from 193 to 154 is because not all the respondents answered all the questions associated with the respective independent variables.

^b The Chi-Square Test and the Pseudo-R² are the Logit equivalents to the F Test and the R², respectively, in multiple regression (Aldrich and Nelson, 1984).

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

this. If this is, in fact, an accurate account on why differential filing behavior occurs, then labor organizations need to reexamine their grievance handling efforts. They may well be running afoul of their duty of fair representation.

While it is always risky to interpret insignificant variables (despite "approaching" significance at a one-tailed test), let me briefly mention one in particular. The sign on LOYALTY is negative, a finding that comports with what Boroff (1991a) and Boroff and Lewin (1991) report in their works on nonunion complaint procedures. This further suggests that loyalty does not, all else being equal, increase the likelihood that one will use voice; it appears that loyalty dampens the probability of voice.

In this paper I presented an analysis of a heretofore uninvestigated but important issue. Relying on a unique data set, I found evidence that union membership does affect the likelihood that an individual will file a grievance. Furthermore having once filed a grievance, the union member and not the nonmember is more likely to have the grievance decided either partially or totally in his/her favor. Taken

together these findings suggest that labor organizations should more diligently examine their grievance administration practices. Alternatively, researchers of grievance procedures may want to explore in a more robust fashion whether there are nonmember characteristics that better account for the measured findings here. As an example, nonmembers may seek to resolve workplace disputes outside the grievance process or are simply disinterested in the process. On the other hand, they may involve the union only at the very last stages of dispute resolution when union assistance in the matter really cannot make a difference. Perhaps they are well accorded their legal rights but they perceive, for whatever reasons, that they are receiving the "short end" of attention. In any case, this research has posed and supplied preliminary insights into an important issue aimed at making grievance processes more effective and ensuring that fair representation rights are maintained for nonmembers of the union.

Endnotes

¹ *Vaca v. Sipes*, 386 U.S. 171 (1967).

² *Hughes Tool Co. v. National Labor Relations Board*, 147 F.2d 69 (1945).

³ 266 NLRB 317 (1983).

⁴ *Del Casal v. Eastern Airlines, Inc.*, 634 F.2d 295 (1981).

⁵ For clarity I shall consistently use the term "grievance" when referring to issues raised in the *union* environment; the term "complaint" refers to issues surfaced in the *nonunion* environment.

⁶ Boroff and Lewin do circumscribe their research findings on the influence of loyalty on voice by noting that their study focuses on a *nonunion* complaint process. It may well be that loyalty operates in a different fashion in the *union* setting. Assuming, *arguendo*, that such is true, it nonetheless still supports the inclusion of loyalty as a moderator in one's decision to file a grievance.

⁷ Admittedly, it has already been established that fear of reprisal for filing complaints is a predictor of overall complaint process effectiveness (Boroff 1991b). As a result, one may argue that the independent variable measuring overall grievance process effectiveness already encompasses the "reprisal" element. Here, however, the correlation between grievance process effectiveness and fear of reprisal is low ($r = -.06$) and insignificant. Furthermore, there is preliminary evidence indicating that reprisal may not be as powerful a predictor of grievance process effectiveness in the union environment as opposed to the nonunion one (Boroff and Boggie 1991).

⁸ As a condition to participation in this project, I promised to keep confidential the identity of the sponsoring union. As a check on the integrity of the research process, however, I shall be most willing to share the copy of my survey instrument, as well as the computer programs and data output listings from my computer runs.

⁹ The relevant question on the survey reads, "Have you ever experienced unfair treatment by management?"

¹⁰ One might assert that union members are more aware of their rights under the labor agreement and, in turn, tend to file grievances where they suspect beforehand that they will "win" their cases. However, if nonmembers are disenfranchised because of their suspicions of losing grievances, ought not my inclusion of the variable EFFECTIVE adjust for this belief? In any case, this is exactly the type of follow-up question that this research suggests.

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The Effects of Union-Related Variables on Union Loyalty and Union Satisfaction

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Research on work satisfaction and organizational commitment suggests that they are statistically related to each other and that they share common antecedents and significant variance (Mottaz 1987; Steers 1977; Porter, Steers, Mowday, and Boulian 1974). Commitment is a global affective response to the organization as a whole (Mowday, Porter, and Steers 1979), whereas satisfaction represents a worker's affective response toward more specific and often tangible aspects of the job. Thus satisfaction is characterized as transitory, while commitment is believed to be more deep seated and stable (Mowday et al. 1979; Brooke, Russell, and Price 1988). The present study focused only on the loyalty dimension of union commitment.

A major research focus has been the generalization of organizational commitment (Porter, Crampon, and Smith 1976; Steers 1977) to the theoretical development and measurement of union commitment (Fullagar 1986; Fullagar and Barling 1987, 1989; Gordon et al. 1980; Gordon, Beauvais, and Ladd 1984; Ladd, Gordon, Beauvais, and Morgan 1982; Barling, Wade, and Fullagar 1990). Surprisingly, members' satisfaction with their union has received little scholarly attention. Yet a member may value the union highly but be dissatisfied with it because it does not meet his or her expectations. Leicht (1989) found that unions who have met the needs of their members experience greater satisfaction and commitment. Thus how well unions meet members' goals and expectations is closely related to member loyalty and satisfaction with the union.

Based on the exit/voice paradigm originally developed by Hirschman (1970), people react to discrepancies between desired and actual outcomes by exercising the free-market option of leaving the undesirable situation or by expressing their dissatisfaction to organizational

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leaders vocally (Leicht 1989, 333). This perspective was used by Freeman (1976, 1980) and Allen (1984) to explain aspects of labor market behavior and unions. Freeman (1980) focused on the collective bargaining system, particularly the grievance procedure, as the voice mechanism for union members who are dissatisfied with their working conditions. In the present study it is argued that the effects of union-related variables on union loyalty and satisfaction represent expressions of voice by union members to union leaders about dissatisfaction with representation in collective bargaining.

A union can be conceptualized as a group with a level of influence that transcends that of any individual member (Fields and Thacker 1991). Consequently the decision to become and remain union members is based on the expectation that valued work outcomes will be attained. The ability of the union to attain goals such as acceptable wages and job security is dependent on many things, including satisfaction, commitment, and particularly loyalty of members (Fullagar and Barling 1989; Gordon, Philpot, Burt, Thompson, and Spiller 1980).

Fukami and Larson (1984) maintain that the company and the union are two different social organizations. Thus research needs to be conducted to determine whether union commitment and union satisfaction share common correlates and predictors. Greater understanding of the correlates and predictors of union commitment and satisfaction may facilitate a union's ability to retain and recruit members and to more effectively negotiate desired work outcomes. Similar to work satisfaction and commitment, research needs to assess the extent to which union commitment and union satisfaction are statistically related and share common predictors.

The present study investigated the effects of union-related variables on union loyalty, which is a dimension of commitment, and union satisfaction. Loyalty to the union is defined as an affective attachment that is denoted by the relative strength of identification and involvement with the union. Union satisfaction is defined as the overall affective orientation of individual members toward the union, including contentment with increased wages and job security (Gordon et al. 1980; Leicht 1989). Union tenure, age, and education have consistently appeared in union commitment research; they are used as correlates in the present study. Because they indicate members' experience with and in the union itself, the present study included normative influence, union performance, and steward support as predictors of union satisfaction and union loyalty.

Literature Review

Several national global surveys indicate that the vast majority of members are satisfied with their unions and have a strong desire to retain union membership (Fiorito, Gallagher, and Fukami 1988; Hills 1985; Kochan 1979; Kochan, Katz, and McKersie 1986; Kochan, Katz, and Mower 1984). Similar to job satisfaction, the scope of union satisfaction varies by study. For example, union satisfaction has been assessed through global measures of the member's overall satisfaction with being a member or with the union's overall performance (Gallagher and Strauss 1991). On the other hand, union satisfaction represents various facets or dimensions of union performance such as wages, fringes, intrinsic job issues, and feedback from the union for handling grievances (Kochan 1979). The methodology of studying union satisfaction also varies from study to study. The discrepancy measure of satisfaction measures the extent to which expectations in a particular area or facet are consistent with perceived union performance (Gallagher and Strauss 1991). Other researchers distinguish between studies of particular unions or locals and those which sample union membership nationally (Gallagher and Strauss 1991).

Previously researchers have generally used union satisfaction as a predictor variable often measured with a single item asking respondents how satisfied they are with their unions (Chacko 1985; Klandermans 1989; Hoyman and Stallworth 1987). Few studies have focused on the factors that lead to the development of satisfaction with unions. Much of the research on union commitment has focused on developing a measure to identify the determinants of this union attitude (Gordon et al. 1980; Schriesheim and Tsui 1980; Friedman and Harvey 1986; Thacker, Fields, and Tetrick 1989; Klandermans 1989). Within the Gordon et al. (1980) pioneering use of factor analysis, four specific dimensions of union commitment were identified. As a multidimensional construct, union commitment represents union loyalty, responsibility to the union, willingness to work for the union, and belief in unions in general.

In the current study the dependent measure is representative of what Gordon et al. (1980) labeled as the "loyalty" dimension of union commitment. Conceptually, union loyalty is related to the notion of "calculative" commitment because pride and loyalty in the union is related to a recognition of the benefits derived from membership (Gallagher and Strauss 1991). In several studies union loyalty consistently was found to account for the most variance in union commitment and to be the most stable component of union commitment

across samples (Fullagar 1986; Gordon, Beauvais, and Ladd 1984; Ladd et al. 1982; Gordon et al. 1980). Gordon et al. (1980) found that feelings of union loyalty were directly related to satisfaction with the union.

Several studies of union members in the U.S. and comparative studies of U.S. and Sweden (Glick, Mirvis, and Harder 1977; Jarley, Kuruvilla, and Casteel 1990; Van Buren 1991) indicate that membership satisfaction was heavily dependent on positive perceptions of good internal relationships in the union. Loyalty to the union appears, in part, to be shaped by the feelings one develops toward the union during one's first year of membership (Gordon et al. 1980). Through affective bonding, normative attachments to union leaders may arise and lead to normative conformity to the attitudes and values of the union. The normative attachment may stem from respect accorded union representatives, internal union communication, union democracy, and the union's power to deliver services. Positive instrumental experiences may serve to reinforce previously held normative beliefs. Howells and Woodfield (1970) suggested that in local unions where well-developed mechanisms exist for communication between union officials and the membership, union leaders more accurately assessed membership goals than in locals with less formal internal communication systems. In the present study normative influence represents affiliation and contact with union leaders.

The concept of instrumental attachment to an employing organization can be generalized to labor unions. Based on Etzioni's (1961) calculative involvement concept, union performance reflects union efforts on behalf of the worker. Although union performance entails both effectiveness and efficiency (Fiorito, Gramm, and Hendricks 1991), the present study only includes effectiveness. Perceived union performance reflects cost and benefit considerations on the part of union members; it is viewed as a calculative, self-oriented basis of union attachment. Several studies (Fiorito et al. 1988; Kochan 1979; Kochan et al. 1984) found that members are more satisfied with union performance on traditional "bread and butter" bargaining issues (i.e., wages and benefits) than with quality of work life issues. Moreover, the extent to which members' expectations are consistent with perceived union performance represents a measure of union satisfaction (Gallagher and Strauss 1991).

Prior research (Clark 1986; Fields and Thacker 1988; Thacker, Fields, and Barclay 1990; Nicholson, Ursell, and Blyton 1981) has measured members' perception of steward skills, steward availability, and

steward accessibility. Yet a supportive steward may be important to members' perceptions of the larger, interpersonal, social, and organizational context of the union. Because the steward is often the only direct link that an individual has to the union, the way members view their stewards will influence their views of the union (Gallagher and Clark 1989). Consequently, the steward's relationship with the rank and file should be important in the development of commitment (Thacker, Fields, and Barclay 1990). Moreover, Gordon and Fryxell (1989) found that member satisfaction with union performance in grievance handling was less a function of whether the member actually won his/her grievance than it was of perceptions of the grievance procedure's "procedural fairness" and the quality of union representation provided. Clark (1986) found a union member's evaluation of the steward to be an important determinant of union loyalty.

Research results regarding age and commitment to the union are inconsistent. Some researchers (Martin and Peterson 1987; Conlon and Gallagher 1987) have found a significant, positive relationship, while others (Fukami and Larson 1984; Thacker and Fields 1986) found a negative relationship. Several studies (Barling, Wade, and Fullagar 1990; Johnson and Jones Johnson 1991) found a significant, positive relationship between union tenure and union commitment. Education has been found to be negatively associated with union commitment (Johnson and Jones Johnson 1991; Barling et al. 1990; Fullagar and Barling 1989; Clark 1986; Gordon et al. 1980).

Hypotheses

The following six hypotheses were examined in the present study: (1) normative influence is significant and positively related to union loyalty and union satisfaction, (2) perceived union performance is significant and positively related to union loyalty and union satisfaction, (3) steward support is significant and positively related to union loyalty and union satisfaction, (4) age is significant and positively related to union loyalty and union satisfaction, (5) union tenure is significant and positively related to union loyalty and satisfaction, and (6) education is significant and negatively related to union loyalty and satisfaction.

Methods

Data were obtained during the summer of 1988 in a union local at a national tire and rubber manufacturing company operating in a mid-western state. Questionnaires were mailed to 550 randomly selected

individuals from the local's 1,000 member registration list. Of 291 surveys returned, 25 were eliminated for incompleteness, leaving 261 usable questionnaires for a response rate of 48 percent. The sample was 88 percent white male; the analysis was restricted to that group ($N = 234$). The project was sponsored by the top officials and the executive board leadership of the union local and the United Rubber Workers (URW) International. The local has a small support staff and maintained no demographic information on its membership. The company was aware but not a sponsor of this research, so there was no access to members' files in the company personnel records. Every effort was made to ensure that the opportunity to participate in the study was based on random selection.

Independent Variables

To assess normative influence, participants indicated on a five-point scale the nature of their interaction with union officials. They rated the union officials on the frequency with which they see, write, and talk on the telephone; the frequency with which they talk and visit; the number of local officials they know by name; and the number of local officials that they know well enough to visit or call on. The coefficient alpha for the scale is 0.78, and the scale ranged from 5 to 1.

To assess union performance, the present study combined information provided by three questions: (1) Do you think that the local is pursuing an agenda drawn from the needs and desires of its members? (2) Do you think that the local has helped the condition of workers in the plant? and (3) Given the chances that your local union has had, has it done a good job in fulfilling the workers' wants and needs? For each question the responses were yes (1) and no (0). The three questions were combined to create a union performance scale ($\alpha = 0.73$) ranging from zero to three. The internal consistency estimates (Cronbach's alpha) for this study's measure of union performance compares favorably to Chacko's (1985) measure of union power ($\alpha = 0.74$) and service perceptions ($\alpha = 0.76$).

Steward support consisted of a nine-item scale constructed to parallel Papper's (1983) supervisor-support scale. The nine items ($\alpha = 0.90$) were rated on a five-point scale from (5) strongly agree to (1) strongly disagree. For the supervisor-support scale Papper (1983) reported a coefficient alpha of 0.93, Johnson (1986) reported a coefficient alpha of 0.91 and Jones Johnson and Johnson (1992) reported an alpha of 0.92.

Dependent Variable

A three-item scale measured satisfaction with the union's leadership, effectiveness, and performance (Fiorito, Gallagher, and Fukami 1988). Responding occurred on a five-point Likert-type scale that ranged from very dissatisfied (1) to very satisfied (5). The coefficient alpha is 0.84.

Union loyalty is a six-item short form of the union commitment questionnaire statements used by Gordon et al. (1980). All six items ($\alpha = 0.80$) were rated on a five-point scale indicating how much respondents agreed or disagreed with such statements as, "I feel a sense of pride being part of a union." Negatively worded items were reverse scored.

The demographic characteristics were assessed by single-item questions asking for age and union tenure in years and educational level in years of formal schooling completed.

Results

The means, standard deviations, internal consistency estimates, and zero order correlation coefficients for union loyalty, union satisfaction, normative influence, union performance, steward support, and demographic variables are presented in Table 1. There is a significant positive correlation between union satisfaction and union loyalty ($r = .46$). Normative influence, union performance, and steward support are significant and positively correlated with both union satisfaction and union loyalty. Neither union tenure or education are significantly correlated with union loyalty. In contrast, there is a significant positive correlation between union tenure and union satisfaction and a significant negative correlation between education and union satisfaction. The relationship between age and union loyalty is not significant, but there is a significant positive relationship between age and union satisfaction. Because there is a substantial correlation between age and union tenure ($r = .74$), age was omitted from the multiple regression analysis.

Hierarchical multiple regression analyses were conducted with union loyalty and union satisfaction as dependent variables (Table 2). Similar to Fukami and Larson (1984) and Barling et al. (1990), personal characteristics, union tenure, and education were entered first in the regression equations to control for their effects. Because of unionism's strong advocacy for seniority provisions in wages and advancement policies, union tenure would likely be related to union loyalty and

TABLE 1
Descriptive Statistics and Intercorrelation Matrix for Study's Variables

	1	2	3	4	5	6	7	8	Mean	SD	Alpha
1. Loyalty	—								22.70	4.15	.80
2. Satisfaction	.46	—							15.74	4.19	.83
3. Normative Influence	.49	.36	—						13.36	3.84	.78
4. Union Performance	.42	.65	.39	—					2.16	.76	.73
5. Steward Support	.43	.54	.34	.45	—				34.72	5.65	.90
6. Age	-.02	.15	.34	.10	-.06	—			41.96	9.55	—
7. Union Tenure	.10	.19	.51	.18	.10	.74	—		16.66	9.98	—
8. Education	-.08	-.14	-.01	-.14	-.11	-.08	-.19	—	12.53	1.10	—

$r > .11$ at $p < .05$, $r > .18$ at $p < .01$ and $r > .22$ at $p < .001$.

TABLE 2
Hierarchical Regression for Union Loyalty and Union Satisfaction

Independent Variable	Union Loyalty				
	Unstd Beta	Beta	R-Square Increment	R-Square Total	F
<i>Step 1</i>					
Union Tenure	.034	.049	—	.002	.215
<i>Step 2</i>					
Education	-.513	-.097	.010	.012	.513
<i>Step 3</i>					
Normative Influence	.940	.644	.302***	.314	12.96***
<i>Step 4</i>					
Union Performance	.564	.335	.059	.373	8.57
<i>Step 5</i>					
Steward Support	1.60	.243	.071**	.444	9.25**
	Union Satisfaction				
	Unstd Beta	Beta	R-Square Increment	R-Square Total	F
<i>Step 1</i>					
Union Tenure	.029	.079	—	.006	.524
<i>Step 2</i>					
Education	-.068	-.024	.001	.007	.283
<i>Step 3</i>					
Normative Influence	.349	.453	.144**	.151	4.79**
<i>Step 4</i>					
Union Performance	2.23	.641	.364***	.515	13.81***
<i>Step 5</i>					
Steward Support	.263	.300	.048**	.563	14.14**

* Significant at $p < .05$

** Significant at $p < .01$

*** Significant at $p < .001$

union satisfaction among more senior members. The regression coefficient for union tenure is not significant for union loyalty or union satisfaction.

Education was entered on step two. More educated employees tend to rely less upon collective actions to protect their interests in job security, wages, and benefits than less educated workers. Consequently, more educated employees are less likely to show high levels of union loyalty and satisfaction. The coefficient for education is not significant for union loyalty or union satisfaction.

Normative influence was entered on step three of the analysis. Normative influence is significantly related to union loyalty and union satisfaction. These results support the hypothesized positive relationship between normative influence and union loyalty and normative influence and union satisfaction. Normative influence explains a significant ($p < .01$) amount of variance in union loyalty and union satisfaction.

However, it explains twice as much variance in union loyalty compared to union satisfaction ($R^2 = .30$ vs $R^2 = .14$) respectively.

Entered on step four, union performance is significantly related to union satisfaction. Thus one hypothesized positive relationship is supported by the data. Union performance significantly added to the variance explained ($p < .01$) in union satisfaction, but not union loyalty.

Steward support was entered on the fifth and final step of the analysis. As hypothesized, steward support is positive and significantly related to both union loyalty and union satisfaction. Steward support, however, explains only small proportions of the variance for the union loyalty and union satisfaction variables.

Discussion

The present study examined the effects of union-related variables on union loyalty and union satisfaction for a local at a national tire and rubber manufacturing company in the Midwest. Contrary to expectations, union tenure, age, and education were not significant correlates of union loyalty, but they were significant correlates of union satisfaction. As hypothesized, however, normative influence, union performance, and steward support have significant positive effects on both union loyalty and union satisfaction. Normative influence significantly added to the variance explained in both union loyalty and satisfaction, whereas union performance significantly added to the variance explained only in union satisfaction. In contrast, steward support did not make important contributions to the variance explained in either union loyalty or union satisfaction.

Union commitment research has found that interpersonal interactions among rank-and-file union members is an important predictor of union commitment (Gallagher and Clark 1989; Fullagar and Barling 1989; Fullagar 1986; Fukami and Larson 1984; Gordon et al. 1980). The results of the present study indicate that union officials may exert a normative influence on members that facilitates loyalty and satisfaction with the union as well. Perhaps through affective bonding, normative attachments to union leaders arise and lead to normative conformity to the attitudes and values of the union. The present study supports the Jarley et al. (1990) finding that union representatives' handling of internal relations is a major determinant of union satisfaction.

The relationships found between steward support and union loyalty and steward support and union satisfaction indicate that a supportive steward has a significant influence on members' perceptions of the larger, interpersonal, social, and organizational context of the

union. Consistent with previous research (Gallagher and Clark 1989; Clark 1986; Thacker and Fields 1986; Gordon and Fryxell 1989), the results of the present study indicate that stewards play an important role in the transmission of information about the contract and especially in knowledge about the grievance process. Thus improving the performances of stewards through training, support, and recognition could have an important impact on the loyalty and satisfaction of rank-and-file members.

The effects of the union-related variables (i.e., normative influence, union performance, and steward support) on union loyalty and satisfaction indicate "voice" dissatisfaction with union representation. Thus union leaders should focus on union-member relationships. Specifically, union leaders should assess the ability of members to be involved in and have influence over decisions that affect the union and its membership. Kochan (1979) found that union members are least satisfied with what he calls "union administration" (i.e., internal member-union relations).

The present study revealed that union loyalty and union satisfaction are significantly related to each other. Similar to work satisfaction and work commitment, future research should examine the interrelationship of union loyalty and union satisfaction. Research by Mottaz (1987) on organizational commitment and work satisfaction found a reciprocal effect between commitment and satisfaction, with satisfaction having a greater effect on commitment. Longitudinal panel studies would clarify the causal order and the nature of the relationship between union loyalty and satisfaction. In addition, future studies should include the other dimensions of the Gordon et al. (1980) measure of union commitment (i.e., responsibility to the union, willingness to work for the union, and belief in unions in general). These attitudinal measures should be linked to behavioral outcomes such as participation. Because of the increase of minorities and women in unions, especially public-sector unions, race and gender differences in union attitudes across employment sectors should be considered in future studies.

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Available upon request from author.

Area Labor-Management Committees in the 1990s: Retrenchment or Revival?

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While company-level investigations of union-management cooperation grew more abundant during the last decade (e.g., Cooke 1990; Kochan, Katz, and Mower 1984), research interest in larger scale cooperative initiatives generally faltered. Area labor-management committees (ALMCs) clearly witnessed the latter fate notwithstanding their potential to revitalize local industries. Often a response to regional economic decline or stagnation, ALMCs try to foster greater communication and joint problem solving among community businesses and unions. Several services may be directed toward these ends including the establishment/maintenance of worksite LMCs, coordination of training/educational programs, and informal involvement in stalled negotiations or grievances. Such measures arguably bolster the competitiveness of participating firms and strengthen the locality's ability to attract new employers by projecting a more positive labor relations climate.

Given the favorable ramifications of ALMCs, surprisingly little has been done to audit their operations and impact. The most extensive documentation of committee structures and functions appeared in Leone, Eleey, Watkins, and Gershenfeld (1982). Acknowledging the value of this work, it should be noted that the materials were derived from eight cases deemed representative—not from a survey of the ALMC population. More importantly, the authors disavowed any attempt to assess committee effectiveness, articulating instead detailed criteria that should be employed in future evaluation research. Leone, Eleey, and Daymont (1987) also relied on case studies to judge ALMC performance on federally funded projects for dislocated workers/job retention. All five committees possessing coterminous funding sources and a stable staff at least partially achieved their objectives, which

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ranged from the number of organizational workshops held to the number of individuals trained, placed, or otherwise serviced. Severe resource constraints tend to be the rule rather than the exception though, preventing most ALMCs from undertaking a large number of worksite projects (Howitt et al. 1991). Regrettably their report made no effort to evaluate project outcomes.

Voos (1987, 1989) asked managers to assess the impact that area labor-management committees have on the economic performance and labor relations climate of participating firms. Respondents generally felt that ALMCs had no discernible effect on product quality, unit labor costs, work force flexibility, productivity, absenteeism, turnover, profitability, or grievance rates. These programs were credited with improving union officer-management relations and the ability to informally resolve grievances, but to a lesser extent than the advances secured by plant-level committees. However, the sample only contained 11 firms with ALMC experience, all located in the same state. This concentration of respondents raises concerns about the actual number of area committees being evaluated. Controls also were not incorporated to account for differences in the type or frequency of services that the committee rendered.

This study endeavored to fill many of the gaps evident in prior research by surveying all known ALMCs in the United States. Detailed questionnaires elicited current and historical information about each committee's membership levels, functional activities, and funding sources. Respondents were asked to rate their committee's overall performance on numerous dimensions as well.

Methodology

In November 1991 surveys were mailed to the directors of 109 ALMCs utilizing addresses provided by the National Association of Area Labor-Management Committees. Follow-up efforts confirmed that 11 of these committees had disbanded and suggested another 18 may have done so because they could not be reached by phone or by mail. Completed questionnaires were returned by 46 of the 80 committees contacted, a response rate of 57.5 percent. (See Table 1.)

Virtually all of the sites are located in the Midwest or Northeast with a majority situated in Ohio, Illinois, and Pennsylvania. These three states have the most generous grant programs for ALMCs (see Howitt et al. 1991). Most of the committees reside in small to medium-sized communities that are heavily dependent on a manufacturing or construction base. Seventeen percent confine their efforts to a single

TABLE 1
Selected Characteristics of the ALMC Sample

	n	%		n	%
State			Total Membership ^b		
Ohio	9	20	2-25	14	30
Illinois	8	17	26-50	14	30
Pennsylvania	8	17	51-100	8	17
Minnesota	4	9	101 or more	3	7
Kentucky	3	7			
Michigan	2	4	Executive Board Size		
Missouri	2	4	0-10	16	35
New York	2	4	11-10	24	52
West Virginia	2	4	21 or more	6	13
California	1	2			
Connecticut	1	2	Staff Size (excluding director)		
Iowa	1	2	Full-time:		
Maryland	1	2	0	30	65
New Mexico	1	2	1-2	11	24
Wisconsin	1	2	3 or more	5	11
Start-up Year			Part-time:		
Before 1970 ^a	2	4	0	22	48
1970-1974	2	4	1-2	19	41
1975-1979	4	9	3 or more	5	11
1980-1984	12	26	Volunteers:		
1985-1989	18	39	0	33	72
1990-present	8	17	1-2	5	11
			3 or more	8	17
Industries Represented					
1	8	17	Present Budget (thousands)		
2-5	5	11	Under 50	11	24
6-10	15	33	50-99	17	37
11-15	9	20	100-249	10	22
16-20	7	15	250 or more	6	13
21 or more	2	4			
Community Size			Director Salary ^c (thousands)		
Under 50,000	8	17	Under 20	15	33
50,000-99,999	8	17	20-29	9	20
100,000-499,999	17	37	30-39	10	22
500,000-999,999	5	11	40-49	8	17
1 million or more	7	15	50 or more	4	9

^a Although Toledo is generally credited with forming the first ALMC in 1945, a single-industry committee in this study traced its point of inception back to 1913.

^b Seven committees were not included in this part of the table. One site did not have memberships per se, while the remaining six defined memberships at the individual rather than organizational level.

^c Fringe benefits costs are not included.

industry, usually the local building trades. Over 70 percent of the remaining committees embrace at least six industries.

The fact that 38 ALMCs do not date back as far as 1980 appears highly salient given the focus of this study. By comparison a total of 28 committees had been created up to that time (Leone et al. 1982).

Moreover, the formation rate seems to be accelerating. Committee start-ups averaged 2.4 per annum in the first half of the 1980s, 3.6 in the second half, and 4.0 in the early 1990s. Since 1985 at least one new committee has been formed in 11 different states.

Once established, area committees can grow quite large. Approximately one-quarter have more than 50-member organizations, while another 30 percent indicated that 26-50 entities were in the fold. Interestingly, most ALMCs had not encountered serious problems maintaining affiliations over the last two, five, or ten years. Eighty-three percent of the committees operating at least 24 months stated their membership remained unchanged or had increased over the last two years. The corresponding figures for those in existence a minimum of five and then ten years were 80 and 93 percent respectively. The exclusion of committees that disbanded prior to the time of the survey obviously biases these values upward.

ALMCs have two focal points of decision making. Broad policy decisions are the province of executive boards, which ranged in size from two to 36 members. Each board, in turn, delegates matters associated with the committee's day-to-day operations to an executive director. Roughly half of the directorships under study pay less than \$30,000 annually, with a majority of the positions in this group restricted to part time. The ratio of director's salary to total budget had a median value of 38.5 percent. The general lack of support staff may be even more telling of the operational challenges confronting ALMCs. Leone et al. (1982) noted that there is no optimal number of staff members to guarantee committee effectiveness. This truism does not prepare one for the finding that 65 percent of the committees have no full-time employees, 48 percent no part-timers, and 72 percent are not regularly assisted by volunteers. The median value for total support staff is one, placing ever greater demands on the administrative skills and creativity of directors as membership expands.

Results

The ensuing analyses document how committees generate their operating funds, the relative emphasis they place on certain activities, how both items have changed over time, and the perceived consequences of ALMC initiatives.

Present Funding and Activity Patterns

Table 1 reveals that budget size varies considerably across committees. Thirty-five percent (16) have budgets in excess of \$100,000, with

the highest being \$800,000. At the other extreme, there are eight ALMCs (17 percent) with budgets that do not surpass \$20,000. Do such disparities reflect marketplace judgments of committee worth or unequal access to potential funding sources?

Organizational levies and government subsidies are the primary means by which financial resources can be secured. The first approach is embodied in membership dues and service fees for outside users, while the second calls upon governing bodies to award grants for providing what may be viewed as a public good (i.e., improvement in the community's labor relations image). Howitt et al. (1991) expressed skepticism regarding the ability to generate substantial revenues from ALMC operations irrespective of quality. The need to keep dues affordable for the least affluent members and program fees at levels that encourage outside attendance were cited as major constraints. Furthermore they indicated that most ALMCs probably lacked the organizational capacity to stage more than a few events each year.

This study offers empirical support for all three contentions. (See Table 2). Eighty percent (37) of the committees derived no more than two-fifths of their budget from membership fees. Only six ALMCs obtained a majority of their funds in this manner. Thus the handful that did not charge dues missed a funding opportunity, but not one that is likely to have dramatically bolstered the committee's presence. An even stronger case is evident for the limitations associated with service fees. Fifty-two percent of the committees were unable to garner any monies via this route, and another 29 percent reported it played a minor role in total funding. The fact that many committees are one- or two-person administrative shows undoubtedly accounts for many of the difficulties in this area.

Given that financial self-sufficiency is a rarity among ALMCs, how do the various levels of government fit into the funding picture? Nearly three-quarters of the committees receive no federal funds. Federal appropriations for union-management cooperation projects have dropped dramatically, causing this source to dry up for all but a few established and highly visible sites. As mentioned previously, several states have stepped in to channel monies to area committees through general-purpose, starter, and restricted-purpose grants. These awards are financial mainstays for many of the committees with 48 percent reporting that more than two-fifths of their budget was generated in this way. Cash or in-kind contributions from counties and cities also find their way into ALMC coffers in half of the cases but rarely constitute more than 20 percent of the total budget.

TABLE 2
Current Funding and Activity Patterns^a

	Percent of Budget					
	0	1-20	21-40	41-60	61-80	81-100
<i>Funding Sources:</i>						
Federal agencies	74	9	4	9	2	2
State agencies	28	11	13	26	13	9
County/city agencies	50	37	4	2	2	4
Membership fees	15	39	26	7	2	11
Service fees	52	28	11	7	2	0
Other	70	24	4	2	0	0
	Percent of Time Spent					
	0	1-20	21-40	41-60	61-80	81-100
<i>Activities:</i>						
Worksite LMCs	24	43	13	15	4	0
Training/education programs	4	41	33	9	11	2
State/local lobbying	39	57	4	0	0	0
Fund raising	28	59	11	2	0	0
Collective bargaining assistance	52	43	4	0	0	0
Outreach efforts for development	24	57	13	7	0	0
Other	39	39	9	4	7	2

^a Based on 46 surveys. Row numbers convey the percentage of respondents in each column. Totals may not equal 100 percent due to rounding.

ALMCs must balance two sets of demands when carrying out their organizational missions. On one hand, attention must be devoted to preserving the committee's institutional viability. The magnitude and stability of funding are critical in this regard. On the other hand, members and other clients expect services that are responsive to their specific needs. Assistance with worksite LMCs, educational programs, bargaining impasse, and economic outreach all fall into this category. The more time that committees must allocate to the first set of demands, the less time they can invest in the second. Table 2 suggests that financial pressures do not prevent most committees from concentrating the bulk of their energies on service delivery. Very few ALMCs specialize solely in one area (e.g., training). Of the four services listed, collective bargaining interventions receive the least attention. Committees with Federal Mediation and Conciliation Service grants are contractually prohibited from engaging in this activity; the others simply view it as an extraordinary response. Not

surprisingly, committee age is positively correlated with outreach efforts ($r = .512$, $p < .01$).

The overall picture that emerges is that situational factors tend to exert a greater influence on budget size than performance per se. Old, established committees are more likely to capture scarce federal grants than are newer entrants into the field. ALMCs in states that administer formal grant programs have a significant funding outlet that does not exist in other jurisdictions. But this fiscal advantage does not come without cost, since it often is accompanied by the need to conduct a fair amount of lobbying with the appropriate governmental unit (see Table 2).

Funding and Activity Trends

Table 3 summarizes the financial and programmatic changes that have been occurring over time. Fifty-nine percent of the ALMCs functioning for at least 24 months indicated that their total budget had increased over the past two years. (Correlations between budget changes and membership trends over the last two, five, and ten years were not statistically significant.) In a small number of cases there was an influx of additional federal, state, or county dollars. The relatively high incidence of decreased state funds (49 percent) is attributable to the fact that several ALMCs formed in the late 1980s reached the end of a fixed funding period. More significantly, 48 percent of the committees experienced a growth in membership fees, while 27 percent collected more in service fees. Both indicators signal rising community acceptance of ALMC efforts, since the basic charges had not been restructured. In a similar vein, proportionately more of ALMCs that have survived five and ten years reported that their overall budget has risen. The incremental contributions from each funding source also tended to grow. This may provide indirect evidence that committees that attain a threshold of capacity will be able to effectively make their case for funding in the long run (see Howitt et al. 1991).

The configuration of activities has shifted somewhat as well. Thirty to 40 percent of the ALMCs are allocating more time to worksite LMCs and educational programs than they did two and five years ago. Approximately one-half are spending more time in these areas than was true ten years earlier. Outreach efforts also are receiving increased attention from about 20-30 percent of the committees. It appears that ALMCs "beefed up" these areas at the expense of collective bargaining assistance, perhaps signalling a maturation in the bargaining relationships that are being serviced.

TABLE 3
Funding and Activity Trends^a

	Last 2 Years (n = 41)			Last 5 Years (n = 31)			Last 10 Years (n = 13)		
	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower
<i>Funding:</i>									
TOTAL BUDGET	59	15	27	68	19	13	85	0	15
Federal funding	17	73	10	6	71	23	8	46	46
State funding	12	39	49	33	32	35	38	47	15
County/city funding	10	68	22	23	61	16	15	62	23
Membership fees	48	37	15	45	32	23	39	24	38
Service fees	27	61	12	42	52	6	46	31	23
Other monies	12	73	15	19	65	16	23	54	23
<i>Activities</i>									
Worksite LMCs	39	37	24	39	35	26	54	23	23
Training programs	32	41	27	32	39	29	54	31	15
Lobbying	12	54	34	32	61	32	0	31	69
Fund raising	17	54	29	23	45	32	31	31	38
CB assistance	12	66	22	26	68	6	39	38	23
Outreach	24	56	20	29	48	23	31	38	31
Other	14	59	27	19	52	29	15	39	46

^a Row numbers convey the percentage of respondents in each column. Three-column totals may not equal 100 percent due to rounding.

ALMC Impact

As noted earlier, efforts to assess the effects that area committees have on their constituencies and community have been limited. This study asked directors to evaluate their ALMCs on seven performance dimensions. Items 2, 3, 4, and 7 in Table 4 focus on the effects of ALMC membership. Looking first at the entire sample, one finds that 97 percent of the respondents perceived that the labor relations climate had improved for union and employer members. This should occur at a minimum given the emphasis committees generally place on increasing communications and joint problem solving. A majority of the directors also felt that productivity and quality levels had risen among member firms in direct contrast with the managerial views documented by Voos (1987).

Although most member unions were judged to have elevated their standing in the community, participation was not deemed risk free. A few respondents reported that union leaders had undermined their political security by affiliating with the area committee. On balance though, the vast majority believed that the political consequences of membership were minimal. Community size was negatively correlated with the perceived political impact on unions ($r = -.357$, $p < .05$).

The remaining two items in Table 4 deal with the diffusion of ALMC teachings and behaviors into the larger community. At odds with earlier reports (Voos 1989), a majority of the directors were convinced that general grievance activity had dissipated to some extent. Over 60 percent also stated that employment had become more stable or increased since the ALMC's inception. To the extent that this has happened, the committees have achieved the essence of their mission.

Finally the sample was divided into subgroups to determine how committee age affected the scores. Leone et al. (1982) concluded that it took two to three years for most committees to earn some credibility in the community. Accordingly, ALMCs created after 1989 were deleted from the analysis. The remaining committees were stratified to reflect short-, medium-, and long-term operations. ALMCs that had been in place less than six years repeatedly displayed a higher proportion of responses in the "no effect" category consistent with the observation just cited.

While self-reports clearly invite inflated judgments, it should be noted that one-quarter to one-half of the directors did not credit their programs with *any* level of success in most areas. In addition, less than one-third indicated that their ALMCs had generated large benefits

TABLE 4
Perceived Impact of ALMCs^a

	Large Negative Effect	Small Negative Effect	No Effect	Small Positive Effect	Large Positive Effect
<i>Grievance activity:</i>					
All committees (n = 46)	0	0	46	35	20
Operating 2-5 years (n = 13)	0	0	62	31	8
Operating 6-10 years (n = 15)	0	0	27	47	27
Operating over 10 years (n = 10)	0	0	30	40	30
<i>Labor relations climate:</i>					
All committees	0	0	2	54	43
Operating 2-5 years	0	0	0	54	46
Operating 6-10 years	0	0	0	47	53
Operating over 10 years	0	0	0	50	50
<i>Worksite productivity:</i>					
All committees	0	0	35	48	17
Operating 2-5 years	0	0	46	31	23
Operating 6-10 years	0	0	20	67	13
Operating over 10 years	0	0	20	60	20
<i>Worksite quality:</i>					
All committees	0	0	43	39	17
Operating 2-5 years	0	0	62	15	23
Operating 6-10 years	0	0	20	60	20
Operating over 10 years	0	0	40	40	20
<i>Employment growth/stability:</i>					
All committees	0	0	37	54	9
Operating 2-5 years	0	0	31	69	0
Operating 6-10 years	0	0	27	67	7
Operating over 10 years	0	0	30	40	30
<i>Community image of unions:</i>					
All committees	2	0	11	63	24
Operating 2-5 years	0	0	15	62	23
Operating 6-10 years	7	0	0	67	27
Operating over 10 years	0	0	10	60	30
<i>Political security of unions:</i>					
All committees	2	7	52	35	4
Operating 2-5 years	0	15	46	31	8
Operating 6-10 years	7	7	53	27	7
Operating over 10 years	0	0	40	60	0

^a Row numbers convey the percentage of respondents in each column. Totals may not equal 100 percent due to rounding.

outside of labor climate. Still, subsequent field work will match these evaluations with more objective performance measures.

Discussion

The central theme of this study was to ascertain what is likely to befall area committees in this decade. We discovered that interest in

these regional cooperative programs has not abated. In fact a few states have become hotbeds with respect to ALMC formation, especially in the last couple of years. Yet many are administratively hampered by meager staff sizes and rely to a large extent on government funding to address the demands in their communities. Despite these problems, ALMCs were credited with fostering noticeable gains in industrial relations, employer performance, and regional development. The prospect that these benefits are being realized warrants a serious reassessment of the adequacy of governmental appropriations to ALMCs.

Improved research designs will be critical if meaningful guidance is to be provided for future funding decisions. This study, like several before it, relied on perceptual measures of performance. Subsequent studies must not only broaden the range of actors questioned but also incorporate more sophisticated quantitative analyses. Leone et al. (1982) articulate many useful factors in this regard. Triangulated research strategies are needed to thoroughly assess the value of making area committees a more central part of our industrial relations system.

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DISCUSSION

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The Florkowski paper provides an informative description of the membership of area labor-management committees (ALMCs), their functional activities, their funding sources, and their performance across several dimensions. The paper suggests a favorable future for ALMCs in the U.S.

From this paper several important research questions can be identified. For instance, what factors determine the formation of ALMCs? What factors cause ALMCs to concentrate on certain activities? Is there a link between ALMC activities and perceptions of performance? What factors influence ALMC directors' perceptions of success? Related, how can we reconcile directors' views of committee performance with other research that suggests these committees are not very successful?

Addressing these issues is necessary to determine what is likely to befall ALMCs in this decade, which the author states was the theme of the paper. I am not convinced that ALMCs will continue to form and increase in number given that, of the 109 ALMCs identified by the National Association of Area Labor-Management Committees, 29 had disbanded. If the association keeps reasonably up-to-date membership records, then nearly 27 percent of ALMCs disbanded in a short period of time; that does not bode well for the future of ALMCs in the U.S.

The Johnson and Johnson paper presents evidence that normative influence, union performance, and steward support are important predictors of union loyalty and satisfaction. According to Johnson and Johnson, these findings indicate "voice" dissatisfaction with union representation and suggest that union leaders should increase membership involvement in union decision making.

The authors should be commended for their careful attention to methodology. Multiple measures were used to represent the various constructs, and the reliability estimates indicate that these measures well represent their respective constructs. Furthermore, the hierarchical

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regression technique yields interesting results that support their hypotheses. However, I would have liked to have seen results for all variables as additional variables were added to the analysis rather than just presenting the coefficient estimates for each variable as it was added to the equation. This would enable one to assess the impact of specific variables controlling for the others.

As for the authors' conclusions, it is unclear how their findings indicate "voice" dissatisfaction with union representation. This might be clarified by giving more attention to the relationship between the exit/voice model and the various components of the estimating equation. Moreover, while I agree that union member participation in union decision making is important, the results do not address this issue. Only in the case of normative influence is there support for this conclusion, and that support is very indirect. The significant, positive effect of normative influence on union satisfaction and loyalty may simply indicate that union officials need to interact more with union members, not that members must participate in union decision making.

The Boroff paper presents evidence that union members are more likely than agency fee payers to file grievances, and that union members are more likely than agency fee payers to win their grievances. From these findings, Boroff concludes that the union may be violating its duty of fair representation and, consequently, that the union should reassess its grievance practices.

These are interesting findings, particularly given their potential legal ramifications. However, there may be alternative explanations for the findings. Perhaps agency fee members do not value the ability to voice dissatisfaction with management policies, and that is why they are less likely to file grievances. Furthermore, agency fee payers may be more likely to lose their grievances because they are more likely to present their grievances to management without union assistance. In sum, more needs to be known about what is causing these findings before policy recommendations are made to unions.

In addition, I have several concerns about the sampling restrictions imposed by the author and some suggestions/concerns regarding the model that was estimated. With regard to the sampling restrictions, it is unclear why employees who did not know whether or not they were union members were excluded from the sample. Does leaving them in the sample somehow bias the results? Also, union officers who file grievances for other employees and individuals who file grievances as part of "fractional bargaining" could have been excluded from the sample without excluding all employees who did not experience unfair

treatment. Avoiding unnecessary sampling restrictions would "save" data for the analysis.

As for the model, I have three comments. First, the paper suggests that before an employee files a grievance, the employee must believe they were treated unfairly and must be willing to file a grievance to remedy the perceived injustice. This suggests that it may be appropriate to estimate a sequential logit model. This would involve a two-step estimation procedure. In step 1, a model of the determinants of perceived unfair treatment would be estimated using all of the data; in step 2, a model of the determinants of grievance filing would be estimated using data on only those individuals who perceived that they were treated unfairly. From these estimations, an estimate of the probability of grievance filing can be obtained that accounts for the probability of perceived unfair treatment. This model may provide greater insight into the importance of various factors as determinants of grievance filing.

Second, the items used to measure loyalty appear to measure employee attitudes toward their supervisor rather than employee loyalty to the organization (i.e., a construct validity problem). Third, the paper implies that the effects of union status on grievance filing depends on an employee's fear of reprisal; if so, an interaction term (union status \times fear of reprisal) should be included in the analysis.

XI. EMPLOYERS AND A QUALITY WORK FORCE: TRAINING AND THE REORGANIZATION OF WORK

The French Mandate to Spend on Training: A Model for the United States?

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American employers and workers underinvest in employer training. Underinvestment occurs because training generates externalities, because turnover is excessive, because the tax system discourages training investment, and because workers lack access to loans that would allow them to finance heavy investments in training (Bishop 1991). During the election campaign President Clinton proposed stimulating training by requiring employers to spend some minimum percentage of their wage bill on training or else be subject to a special tax. France has had such a mandate since 1972, so the design of an American training mandate is likely to benefit from a careful examination of the French program. The French have demonstrated that a training mandate is administratively and politically feasible but their mandate is not optimally designed for U.S. implementation. The paper concludes with some recommendations about how a U.S. mandate to spend on training should be structured.

The French Mandate to Spend on Training

Legislated mandates to spend on formal training are a central component of the French system of continuing education and training. Employers and unions established the foundations of this system with

the National Intersectoral Agreement of July 9, 1970 which was later amended to cover managers and professionals on April 30, 1971. This agreement was enacted into law on the 16th of July 1971 and is referred to by that date. Every employer with ten or more employees was obligated to spend .8 percent of its wage bill on continuing education and training of its employees or pay a tax equal to the difference between its obligated and actual training expenditure. In addition, every employer regardless of size was required to spend .5 percent of its wage bill on apprenticeship training or pay a tax equal to the difference between its obligated and actual training expenditure (Berton and Podevin 1991).

The mandated training tax for continuing training was raised to 1.0 percent of the wage bill in 1974, to 1.1 percent in 1977, and to 1.2 percent in 1987. Beginning January 1993 the mandated spending level is 1.4 percent. Since the initiation of the mandate, the share of the wage bill spent on formal training has risen substantially, from 1.35 percent in 1972 to 3.14 in 1990. Firms are required to develop a training plan and present it to the firm's labor-management committee (these committees were already required by French industrial relations legislation). This committee's role is advisory only, however. Management generally decides which skills are to be taught, who is to be trained, and when. Other times employees take the initiative. The government is not involved in these decisions and bureaucracy has been kept to a minimum. The auditing of company reports of training expenditure requires a staff of only 120 controllers for the entire nation.

Eligible Expenditures

The obligation to invest in continuing education and training can be fulfilled by five different types of expenditure:

1. The firm's own formal training programs. (These must have a curriculum, develop a skill that is useful at more than one firm, and be located away from the trainee's normal work station.)
2. External training (often cooperative programs organized by groups of employers).
3. Training insurance funds agreed to by management and labor.
4. Government-approved training programs for unemployed youth who have no qualifications. (Within the overall 1.4 percent mandate, firms are required to spend at least 0.3 percent of their wage bill on these programs or be subject to the tax.)

5. Wages and tuition of employees taking courses at schools and colleges. (Firms are required to spend at least 0.15 percent of their wage bill on in-school training of employees or be subject to tax. This is the only mandate that firms with fewer than ten employees are subject to.

The first panel of Table 1 indicates how firms of different size allocated their eligible training expenditures in 1988. Internal training accounted for 28 percent of the eligible training expenditures reported

TABLE 1
Formal Training in French Companies
by Size of Firm

	Number of Employees					
	10-19	20-49	50-499	500-1999	2000+	Total
<i>Percent of 1988 Training Expenditure for:</i>						
Internal Training	1	2	6	17	50	28
Joint External Training	26	31	42	46	29	35
Union-Management Funds	37	33	22	11	4	11
Training of Youth	27	25	23	19	13	19
Time Off to Attend School	9	9	7	7	4	7
	100	100	100	100	100	100
<i>Percent of the Wage Bill for Training:</i>						
1974	.66	.86	1.14	1.45	2.59	1.63
1990	1.30	1.45	2.17	3.20	4.99	3.14
<i>Hours of Training per Trainee-1990</i>	41	43	41	44	53	46
<i>Percent Receiving Training in 1990:</i>						
All Employees	8	11	23	39	53	32
Unskilled Operatives	2	4	9	15	22	13
Skilled Operatives	6	7	16	29	48	25
Other Non-Supervisory	8	11	24	37	46	29
Supervisors & Tech.	15	19	38	55	70	53
Managers & Professional	13	21	41	62	71	50
<i>Percent of Covered Employment</i>	5	15	32	19	30	100

Source: Centre d'Etudes et de Recherches sur les Qualifications, *Statistique de la Formation Professionnelle Continue Financée par les Entreprises: Années 1989-1990*. Table 13 and Fabienne Derton & Gerard Podevin, "Vingt Ans de Formation Professionnelle Continue: De la Promotion Sociale à la Gestion de l'Emploi," *Formation Emploi*, No. 34, Avril-Juin 1991, 14-30, Table 2 & 3.

to French authorities by all firms. Large firms spent heavily on this kind of training, small firms did not. Training programs organized by outside vendors, many of which are provided by organizations formed by industry councils and other groups of employers, accounted for another 35 percent of eligible training expenditures. The firms with 50 to 2000 employees were the heaviest users of this kind of training.

Union-management training insurance funds accounted for 37 percent of the eligible training expenditure of firms with 10-19 employees, but only four percent of the expenditures of the largest firms. Contributions to government-approved training programs for unemployed youth accounted for 25-27 percent of training expenditures by firms with under 50 employees and 13 percent of the training expenditures of firms with 2000+ employees. Wages and tuition for employees attending schools and universities accounted for seven percent of training expenditures.

Impacts

French leaders believe the training mandate has stimulated the growth of formal training, professionalized it, and aided French competitiveness. Extensive field research on the productivity and skills of French workers has also convinced Hilary Steedman and Geoff Mason of London's National Institute of Economic and Social Research that the mandate has stimulated investment in training and improved worker skills. The two human resource executives of American multinational corporations operating in France who I have interviewed about the mandate also praised the system.

Studies have found that individuals receiving training are significantly more likely to receive internal promotions and two to three times more likely to transition from unskilled to skilled occupations. This is just as true for training initiated by the worker as for training initiated by the employer. For those who were in unskilled jobs in 1980, individuals who initiated their own training in the next five years had a 58 percent probability of being in a skilled job in 1985 and those who took training at the behest of their employer had a 55 percent chance of being in a skilled job. Those who received no formal training between 1980 and 1985, by contrast, had only a 20 percent chance of moving up to a skilled job by 1985 (Berton and Podevin 1991).

Who Gets Trained?

As in other nations, formal training is more extensive at large firms and for more skilled workers (see Table 1). In 1990 firms with 10-19

employees spent 1.3 percent of their wage bill on formal training, barely more than the 1.2 percent mandate. By contrast, firms with more than 2000 employees spent 4.99 percent on average on formal training, more than three times the mandate. Those receiving training averaged about 46 hours during the year. This varied little by firm size and skill level. The incidence of training, however, varies substantially. Slightly over one-half of supervisors, technicians, managers, and professionals receive formal training each year. One in four craft, sales, and clerical workers and one in eight unskilled operatives receive formal training each year. The incidence of formal training is considerably higher in France than in the United States.

Advantages

The French mandate to spend has some important advantages:

1. Employer needs for skill upgrading determine the allocation of funds to minimize the risk that people will be trained for jobs that don't exist or in skills that do not increase productivity. Trainees get to use the skills they develop.
2. Decisions are made by managers and workers on the shopfloor.
3. Training generally occurs at the worksite where it is both more effective and more convenient.
4. Trainees are more motivated because promotions often depend on their success in training.
5. Training of both the employed and unemployed is encouraged.

Disadvantages

The French system also has some important disadvantages:

1. Six million of the nine million French workers employed by firms subject to the training tax are at firms that regularly exceed the mandated amount. The training mandate clearly has no effect on the incentive to train these six million workers. Since 1984 firms that increase their training budget from one year to the next are eligible for a tax credit equal to 25 percent of the increase in training expenditure (Luttringer 1991). For firms already spending more than the mandated 1.4 percent of wage bill, the tax credit, not the mandate, is probably the primary inducement for expanding training.

2. Another 27 percent of workers are employed at firms that report spending exactly 1.2 percent (the mandate that applied in 1990) of their wage bill on training. While some of these firms increased their

training expenditure to the required minimum because of the mandate, program administrators report that many smaller companies simply stop keeping track of their training expenditure once they reach the tax threshold. It is not clear how much of the response to the mandate is creative accounting and how much is real behavioral change.

3. Firms whose expenditures on formal training would have been below 1.4 percent of payroll in the absence of the mandate save in taxes the full amount of any increase in expenditures on training. Some administrators of the French program fear that this has induced a careless attitude toward costs and reduced the efficiency of training.

4. Expenditures on formal training reduce the firm's tax liability but the costs of informal training do not. In the United States formal training accounts for less than 15 percent of the time that new employees at small and medium-sized companies spend learning their job; informal training and learning by watching others accounts for the rest. This feature of the mandate generates a strong incentive to substitute formal training for informal training despite the fact that there is no evidence (either of an empirical or theoretical variety) establishing that formal training is more cost effective than informal training (Bishop 1991).

5. Formal training is subject to substantial economies of scale, so small firms are put at a disadvantage. The kind of training that small companies excel at—close supervision and informal training by the owner—is not eligible for subsidy. Small firms must join together in cooperative efforts to achieve the scale necessary to make formal training feasible.

Most of these problems can be avoided, however, by modifying its structure.

How Should an American Training Mandate Be Designed?

The source of most of the problems with the French training mandate is the 100 percent offset of training expenditure for tax obligation. It is this feature that results in a few firms (those spending below the mandated level) having little incentive to train efficiently and most other firms facing no incentive to increase training above the level they would have chosen in the absence of the program. An American training mandate can avoid these problems by offering only a 20 or 25 cents reduction in tax for every dollar of training expenditure. This generates strong incentives to use cost effective training techniques. It also

means that the tax rate can be low and yet an incentive to expand training is generated even for companies that normally spend four percent of their wage bill on training.

All employers—profit making, nonprofit, and governmental—should be subject to the training tax. As an administrative convenience the mandate should not apply to very small organizations. Furthermore, it should set proportionately higher training targets for larger firms. This can be accomplished by making the training tax progressive. For example, there might be no tax on the first \$40,000 of the firm's wage bill, a 0.5 percent tax on the next \$5,000,000 of the wage bill, a 0.75 percent tax on the next \$5,000,000 of wage bill and 1.0 percent on all wages paid above that. Taxes paid would go into a dedicated training trust fund that would be a source of federal funding of technical assistance to firms considering expanding their training programs, Job Training Partnership Act (JTPA), apprenticeship programs, school-based vocational training, and research and development into improved training techniques.

With a 20-cents-on-the-dollar tax offset, a one percent tax rate implies that the very largest firms would not be released from paying tax until they were spending over five percent of their wage bill on formal training programs. Once accountants are given the task of identifying the full costs of their existing formal training programs (including the time of trainees), this will not be a difficult target for most companies to meet. The average French firm with more than 2000 employees currently spends this proportion of their payroll on formal training.

Quality Control

As a quality control measure, firms would be required to give certificates describing the skills taught and competencies achieved to trainees at the completion of training. These certificates would make the individual more marketable at other firms and strengthen worker incentives to engage in training. As a further quality control measure, companies above a certain size would be required to develop a training plan and present it to a training advisory committee that contains worker representation. Public companies would be expected to describe their investments in formal training in their annual report. In order to avoid a conflict of interest in the allocation of training investments, tax offsets would not be available for training received by the owner and top managers.

Initially the categories of training expenditures that could offset the tax would be similar to those in France: apprenticeship training programs, industry training funds, labor-management training funds, tuition reimbursements for job-related training, contributions of materials or staff time to vocational-technical institutions, the employer's share of JTPA/OJT training expenses and the firm's formal training programs for new and continuing employees.¹ The costs of certain types of informal training (as specified in Department of Labor regulations) would also be used to offset the training tax. Apprenticeship programs for 16- to 21-year-olds for high-skill jobs generate particularly large externalities, so it would be desirable to structure the mandate to give special encouragement to this kind of training. This could be done by having a submandate for apprenticeships or by offering a larger tax reduction (e.g., 40 cents per training dollar rather than the 20 cents per training dollar) for expenditures on apprentice training programs that meet quality standards promulgated by industry associations and approved by the Department of Labor. Other types of training (for example, training that awards industry-recognized credentials or academic credit) might be similarly encouraged by offering a better tax offset ratio.²

Encouraging Informal Training

The major drawback of the system described so far is its tendency to promote formal training programs at the expense of job rotation and other more informal methods of learning and training on the job. Japanese workers are better trained than American workers not because they are more likely to take company-sponsored courses (expenditure on such courses is in fact lower in Japan than in the U.S. and France [Dore and Sako 1989]), but because they receive continuous upgrading training through job rotation and the *kaizen* process. It is very important for an American training mandate to promote informal learning on the job through job rotation, obtaining assistance from coworkers, self-study, and learning by doing. The Department of Labor should be tasked with the job of writing regulations that would accomplish this.³

One strategy that needs to be investigated would be to award training tax offsets for learning outcomes rather than for training expenditure. The McAllister Commission is considering whether the Department of Labor should promote the development of a nationwide skill certification system for industry and occupation specific skills. If the Department of Labor decides to go ahead with such a program,

employer use of the certification system could be ensured by awarding training tax offsets to firms that train their workers to industry standards and arrange for them to be tested and certified. Incentives to engage in self-study could be enhanced by giving those who demonstrate their competence a small monetary award along with their skill certificate. Without such a system of incentives to attract workers and firms into the skill certification process, I doubt that a skill certification system will gain the scale necessary for sustainability.

When designing a training mandate there will be a temptation to become overly prescriptive about the type of training that is to be allowed to offset the tax. The failure of prescriptive regulation of schooling inputs to produce quality outcomes is a lesson that the designers of a training mandate need to take to heart. There is substantial evidence that employer training often yields very high returns, but the number of studies that have measured the productivity outcomes of training is very small. The research base is presently too thin to form a basis for government picking and choosing among types of training or objects of training. The profit motive is probably what has ensured training's cost effectiveness in the past. Too many regulations could get in the way of the profitability calculation and reduce training's effectiveness.

Influencing Who is Trained

The training mandate outlined above will increase the incidence and intensity of employer training without changing its basic character or its distribution. Employers clearly believe that skilled workers need more formal training than unskilled workers (i.e., that profitable opportunities for training skilled workers are more numerous than for training unskilled workers). The result is that managers and skilled workers get more formal training than unskilled workers. Some analysts believe this is a problem that requires government intervention.

A training mandate could be structured with a bias toward training those with less skill. Training received by low-wage workers or young workers might generate higher tax offsets. Alternatively, separate training taxes could be imposed on exempt and nonexempt employees and the mandate could apply separately to each group of workers.

Should profit and productivity calculations be the sole determinants of who gets trained? Or should a training mandate favor the training of the firm's least skilled workers? The answer is not clear. While the absence of loan financing of general training and the turn-over explanations of underinvestment in training apply most of all to

young and disadvantaged workers, the externalities that training is thought to generate—discoveries, artistic contributions, reduced risks of catastrophic errors—appear to arise primarily in high-level occupations. How should distributional issues be evaluated? Should the goal be equal opportunity to compete for jobs that offer training or equalizing training outcomes? While evidence about externalities can inform policy choices, the judgment is ultimately a political and moral one.

Acknowledgments

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Endnotes

¹ To ensure that only training gets subsidized and not vacations or motivational sales meetings, eligible expenditures might be defined to exclude (1) travel to remote sites other than the company's national or the appropriate regional headquarters; (2) housing and food expenses above a specified daily rate; (3) costs of training and nonemployees, part-time employees working less than 50 hours a month, or employees for whom more than 50 percent of compensation comes from commissions; and (4) payments to speakers or presenters of a training session above a specified amount per contact hour. The costs of developing a training package or system for use in training one's own staff would be an allowable expense.

² The French promote particular kinds of training by having submandates requiring all firms to spend at least X percent of their wage bill on a particular category of formal training. Youth apprenticeship opportunities should be spread across industries and firms, so a submandate for apprenticeship is probably desirable.

³ Boundaries between formal training and informal training are inevitably elastic. Any system of subsidizing training (whether tax credit, mandate, or direct subsidy) will induce employers to formalize some on-the-job learning activities that previously did not meet the program's eligibility requirements. The mandate approach to stimulating training is attractive in part because the public is less likely to feel that it is unfair or reprehensible for employers to respond in this way to a training mandate than to a direct subsidy or tax credit.

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What's Behind the Skills Gap?

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The decisions of employers are crucial to the quality of the work force. For example, decisions about which school leavers and their associated characteristics get hired from school sends signals to current students about what is important and irrelevant about their school experience. The great difficulty that we have in the U.S. in getting students from school to work results from problems with these hiring decisions. Employer choices about how to organize work and the skills required of workers also influences worker quality by determining the demand for skill. And decisions about who gets trained/retrained and in what areas has an enormous impact on the skill level of the existing work force.

Yet we know remarkably little about these employer decisions. The main theme of the National Center on the Educational Quality of the Workforce is to explore these employer decisions and their relationships with related public policy concerns.

Is There a "Skills Gap"?

If the supply of skills is constrained relative to what employers feel they need, employers face the following unpleasant choices. First, they can compete with each other for the limited supply of workers with the requisite skills, bidding up their wages in the process. Second, they may look for substitutes for skill, such as capital in the form of automated work systems. Third, they may invest in the current work force, training them to achieve the skill levels required.

All of these options cost money, and if domestic employers are competing with foreign firms based in countries where there is no relative skill shortage, the domestic employers are at a substantial competitive disadvantage. Further, not all of these options may be available at any point in time. Clear substitutes for customer service skills, for example, may not exist, creating competitiveness problems for the organization. A series of reports including "America's Choice" (National Center on Education and the Economy) and the Office of

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Technology Assessment's "Worker Training" (1990) make the argument that the U.S. is facing a skills gap that is affecting the competitiveness of its industries.

There are two dominant themes in this topic. The first, which is assumed more often than argued, suggests that the problem is in large part one of supply, that students are leaving school less prepared than in the past. Generally these arguments focus on secondary schools and cite the superior performance of secondary students in other countries as evidence.

There is very little direct evidence, however, that U.S. secondary schools and their students are doing worse than in the past. Indeed the general trend has been toward improvement over the past decade.¹ Given that about half of all U.S. high-school graduates go on to postsecondary education—far more than in other countries—deficits relative to competitor nations in the secondary school performance are less relevant. Further, school leavers account for a relatively small proportion of the work force in any year (roughly 2 percent) making it difficult for even a sharp decline in school leavers' preparation to have an important impact in the short run on the work force as a whole.

There is more evidence that the demand for skill may have changed. The rising returns to college education are interpreted as evidence for rising demand, especially where the impact of changes in the supply of college graduates can be controlled. Case study evidence suggests that some firms are introducing significant structural changes that substantially upskill jobs (see Bailey 1992). And the arguments associated with *Workforce 2000* (1987) suggest that the distribution of employment is shifting toward jobs with higher skill requirements. Recent research by Howell and Wolfe (1990) indicates that while this shift in distribution is continuing, the rate of upskilling is actually *decreasing* compared to prior decades. Cappelli (1993) presents evidence showing that upskilling has been powerful for production jobs but much less so for clerical work.

The best way to get at the skills gap issue is to go directly to employers and ask about their experiences. Specifically, what deficiencies are they finding and what are they doing to overcome them? We know a great deal about the experience of individual workers with respect to issues such as training—who gets it, what effects does it have on wages, etc.—but we know little about these matters from the perspective of the employer.² The main reason for this is that there are a variety of national probability sample surveys of

workers that ask about training but none for employers.³ All of the available evidence comes from ad hoc surveys sponsored by groups like the Bureau of National Affairs, the American Society for Training and Development, and *Training* magazine. These surveys are limited in scope and have very low response rates. The *Training* survey, which is the most widely cited, has had about a 5 percent response rate.

The NAM Survey

The data analyzed here come from a survey conducted by TPF&C for the National Association of Manufacturers (NAM). This survey asks about a wide range of issues, including details of applicant/worker characteristics and training programs. The sample is from the approximately 3000 members of NAM. Examining manufacturers is useful given that most of the attention given to skills-gap/upskilling issues has focused on manufacturing, in part because of the clear superiority of higher skill, foreign models, and the sense that manufacturing has the biggest problem with competitiveness (see OTA 1990). The conclusions generalize less well to other industries of course.

The 360 firms returning the survey have an average of 1044 employees, but the average is skewed because of a few very large firms. Of the respondents, 81 percent have fewer than 500 employees and 47 percent have fewer than 100. The main drawback to the survey is its poor response rate of roughly 13 percent. While substantially higher than many of the other surveys in this area, it raises questions about the possibility of response biases.

The survey asks employers about the characteristics of their work force, and the place to begin the analysis is with the questions that ask about the quality of job applicants. As Table 1 indicates, employers believe that the most important problem with applicants for entry-level jobs is behavioral, the perception that candidates would not fit into the work environment. Academic skills were of substantially less concern. Indeed, lack of work experience was a more important concern than most of the skills. Other surveys have found similar results (see Cappelli 1992). The fact that 30 percent of employers reject applicants without work experience even for entry-level jobs helps illustrate the school-to-work transition problem in the U.S.; if job experience is needed even for entry-level jobs, how does one get started in the labor market? The reason employers care about job experience for these jobs, it would seem, is because it proxies appropriate workplace behaviors such as attendance, showing up on time,

etc., which not only are important to employers but have few other proxies available.

TABLE 1
Reasons Cited by Employers for Applicant Rejections*

Writing/Reading	37%	Candidate Will Adapt Poorly	64%
Verbal Skills	25%	Medical/Drug Test	15%
Calc Skills	27%	No Work Experience	30%

* The question asks respondents for the two most common reasons for rejecting applicants.

Academic and related skills are nevertheless important, however, and Table 2 reports the results of questions asking specifically about perceived skill shortages among workers. Basic math and English skills appear to be the most serious shortages. What is perhaps most interesting about this chart, however, is its suggestion that firms have very different experiences with these problems, with about as many reporting no shortages as reporting serious shortages. Regression results available on request suggest that the variance in the experience with skill shortages is not attributable to firm size. It does not appear to be the case, for example, that small firms have more skill shortages.

TABLE 2
Percentage of Firms Reporting Skill Shortages by Category

Skill Shortage	Serious Many Cat	Serious Few Cat	Minor	None
Basic Math	25	32	20	23
Basic English	22	34	20	23
Communication	16	24	27	33
Team Work	12	25	27	36
Problem Solving	26	30	16	18
Reading/Translating Drawings	22	26	15	37
Other	2	1	1	96

We performed a factor analysis on the questions used in Table 2 to see how these various skill shortages group themselves together. We find that they create only one factor. (We also performed a nonparametric, Mann-Whitney test—results available on request—that also found one factor.) In other words, employers that have shortages in one area tend to have them in all areas, while employers with no

shortages in a given area tend to report no shortages in any area. This seems to suggest that the firms are divided into one set that faces severe skill shortfalls across the board and another set where the current work force is perfectly adequate. Additional analysis reveals that 20 percent of firms report serious shortages across all skills and 20 percent report minor or no shortages across all skills. This confirms the notion that firms can be characterized by their overall skills shortage.

TABLE 3
Factor Analysis of Skill Shortages

Variables	Factor Loadings	Eigenvalue	% of Variance Explained
Basic Math	.78	3.07	51.1
Basic English	.77		
Communications	.67		
Team Work	.61		
Problem Solving	.76		
Reading/Translating Drawings	.68		

We also find that the firms experiencing skill shortages among their current employees are also finding it difficult to attract new workers with the requisite skills. Table 4 reports the relationship between SKILL, the single factor produced by the skill shortage questions in Table 3, and various reasons for rejecting applicants. Firms that are finding skill shortages among their current work forces are significantly more likely to reject applicants because of skill problems, not behavioral problems, as the average statistics for all respondents in Table 1 indicate.

TABLE 4
Relationships between Skill Shortages
and Reasons for Rejecting Applicants*

	Lack of Work Experience	Reading/ Writing Skills	Verbal Skills	Calculation Skills	Inability to Adapt	Substance Abuse
SKILLS	.0031 N(359) SIG .473	.2039 N(359) SIG .000	.0794 N(359) SIG .037	.1606 N(359) SIG .000	.0135 N(359) SIG .381	.0621 N(359) SIG .082

* The relationships are Kendall correlations, a nonparametric technique for examining relations between discrete variables.

The difficulty in hiring also shows up in relationships between SKILL and shortages for workers in occupations that are associated

with higher-level skills. Table 5 reports Kendall correlations between the SKILL factor and shortages by job title. The relationships are highest for crafts, operators, and technical jobs and are lowest for laborer jobs.

TABLE 5
Relationship Between Skills and Labor Shortages

	CRAFT	LABOR	OPERAT	OFFICE	SERVICE
SKILLS	.1972 N(359) SIG .000	.0844 N(359) SIG .029	.2111 N(359) SIG .000	.1324 N(359) SIG .001	.1402 N(359) SIG .001
	TECH	TECH PROF			
SKILLS	.1827 N(359) SIG .000	.1543 N(359) SIG .000			

One possible explanation might be that the above relationships are simply identifying firms with higher-than-average turnover. In other words, the shortages of skills and of workers overall results from firms that lost existing workers whose experience (and presumably job-specific skills) are higher. We find, however, that there is no relationship between the SKILL factor and reported turnover rates by occupation.⁴ Some other factor must be responsible for these relationships, and it must be a factor that varies across firms. We return to this issue below.

Firms report that skill shortages are associated with a range of organizational problems. The questions outlined in Table 6 report problems that firms are having with structural change. These responses were given in the context of questions concerning skill shortages, so the fact that the relationships are strong is at least in part an artifact of questionnaire design. But the differences in the size of the relationships across questions nevertheless reveals something about the relative importance of each relationship. For example, problems in upgrading product technology are three times more closely aligned with skill shortages than are problems adjusting work forces to mergers and acquisitions.

Conclusions

Together these results—and nonresults—may suggest the following patterns. Firms differ dramatically in the problems their work forces

TABLE 6
Relationship between skill and Change Programs

	Adding New Business Lines	Upgrading Product in Technology	Reorganizing Work	Introducing Teams	Introducing Productivity Improvements	Employee Involvement
SKILLS	.1611 N(359) SIG .000	.3416 N(359) SIG .000	.2327 N(359) SIG .000	.2877 N(359) SIG .000	.2903 N(359) SIG .000	.2002 N(359) SIG .000
	Satisfaction Programs/ Internal Customers	Statistical Process Control	Flexible Production Systems	Satisfaction Programs— External Customers	Mergers & Acquisitions Work Force Adjustments	
SKILLS	.1986 N(359) SIG .000	.2264 N(359) SIG .000	.1303 N(359) SIG .002	.1729 N(359) SIG .000	.1099 N(359) SIG .007	

have with skills. Some firms can be characterized as "skill shortage" firms that have problems not only with their current work force but also in securing the next generation of workers. Where firms have skill problems, they also are having problems changing their organizations. One pattern, therefore, may be that the division between "skill shortage" and adequate skill firms exists because the former are trying to change their organizations while the latter are not. This conclusion, together with the arguments above about the irrelevance of supply changes, suggests that any "skill gap" is due to changes in the demand for skill driven by organizational restructuring.

It may be better for the purposes of economic competitiveness that a great many of these firms are experiencing skill shortages because they are upgrading and restructuring operations in ways that make greater demands on employee skills. The extent to which there is a "skills gap," therefore, seems to turn on firm-level strategies for changing their operations.

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thank TPF&C and the National Association of Manufacturing for access to the data.

Endnotes

¹ Bracey (1992) provides a good overview to the trend in student performance. See also the report of the National Goals Panel (1992).

² For a guide to the relationships between individuals and training, see Bishop (1991).

³ The Bureau of Labor Statistics is in the process of pilot testing a survey of enterprises that will examine some training issues such as expenditures. The National Science Foundation also has funded a national employer survey, but the data have yet to be released.

⁴ Only turnover for semiskilled operators is significantly related to the SKILL factor, and the correlation is small, .09.

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Report on a Study of Training, Adjustment Policies, and the Restructuring of Work in Large Unionized Firms

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There has been much recent discussion in the popular press concerning the adequacy of the skills held by the American work force. Frequently analysts claim that poor training and low qualifications explain a sizeable share of the poor performance of the American economy and particularly the difficulties American industry has had in competing with Japanese and German competitors. Meanwhile in recent years many corporations have announced initiatives to improve the training and skills of their work forces. Yet while there has been much talk about training and skills, there exists very little evidence regarding the amounts and types of training received by American workers.

This paper provides a preliminary overview of a survey of the training, work force adjustment, and work restructuring occurring in large unionized firms. Here we focus on the answers to survey questions that addressed the following issues: What kinds and amounts of training do workers receive in American firms? How much change has occurred in training amounts and types? Why do some firms provide more training than other firms? Do firms perceive shortages in adequately trained new hires?

The Survey Instrument

An eleven-page questionnaire was mailed to industrial relations managers of all firms with 1,000 or more unionized employees included in the BLS contract file. Of a total population of 800 firms, 301

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usable surveys were returned. We have also sought responses from a union officer at each of these sites in order to generate paired responses and are in the process of gathering the union survey responses. Our long-run objective is to compare the manager and union responses and identify factors that are associated with the extent of divergence in the paired responses. The responses reported below come only from managers.

The Amounts and Types of Training Provided by Firms

Although the level of training provided by firms to the average blue-collar employee rose by one-third from 1980 to 1990, the level of training provided as of 1990 remains modest. Estimates from our management respondents indicate that firms on average spent \$1120 on the training and education of a blue-collar employee in 1990, while the median firm spent only \$510. Respondents report that the average unskilled employee received 45 hours of formal training in *all training programs* in 1990.

The responses to the question concerning the various types of training provided in 1990 are listed in Table 1. The largest amounts of training provided to "unskilled" blue-collar employees in 1990 dealt with safety and health (17 hours), technical skills upgrading and refreshers (20 hours), and quality improvement (ten hours). Training for new technology (six hours) and statistical process control (seven hours) was modest.

TABLE 1
Hours of Formal Training

Survey question: In 1990 how many hours of formal training did the average blue-collar skilled and unskilled employee receive in each of the following topic areas?

Training Hours for the	Average Skilled	Median Skilled	Average Unskilled	Median Unskilled
Safety and health	17	10	17	3
Technical skills upgrading or refreshers	22	10	20	4
Training for new technology	18	8	6	2
Statistical process control	6	2	7	1
Remedial English literacy	1	0	1	0
Basic math	2	0	1	0
Quality improvement	11	5	10	5
Social and interpersonal skills	4	0	4	0
ALL TRAINING PROGRAMS	56	35	45	23

It is interesting to note that the annual amounts of remedial English literacy training (one hour) and basic math training (one hour) were extremely low even in the face of the frequent claims appearing in the press concerning the alleged inadequacy of elementary and secondary education. It may be that these numbers underestimate real education deficiencies and only suggest that employers are failing to fill in for inadequate basic training. Yet responses elsewhere in the survey suggest that employers are relatively satisfied with the skills held by blue-collar workers. This satisfaction appears in employers' responses to another question in the survey asking whether they expect that their company will have trouble finding qualified blue-collar workers of various types over the next five years. The average response for laborers, assembly workers, production workers, and semiskilled workers was that "no trouble" was expected in finding qualified hires.

With regard to skilled blue-collar workers, employers expected "some recruiting problems," although even this response is far from the dire shortage of skilled employees predicted by some. Our findings are consistent with the data reported elsewhere in this session by Peter Cappelli showing that employers are most concerned with social, not technical, skills held by their work force.

Comparisons between the median and mean sample responses on training (reported in Table 1) reveal that the mean training levels are systematically higher than the median training levels. This comparison indicates that a minority of the sampled firms provide the bulk of blue-collar training. Note the average-sized firm has 10,330 employees while the median-sized firm has 1,805 employees.

The Providers of Training

Table 2 reports the responses to the question concerning the providers of blue-collar worker training. The figures show that nearly all training is provided in-house, primarily by in-house plant staff (43 percent) or on the job (34 percent). Firms are making very little use of either community colleges, local high schools, or vocational schools to train their unionized blue-collar work force. These data are consistent with the many comparisons that have been made between blue-collar training in the U.S. and Germany which point to the heavy use of formal training (through an apprenticeship system) in Germany. Note even unionized skilled workers in the U.S. receive very little of their training (11 percent) from certified apprenticeships. Table 3 shows that there has been very little change from 1980 to 1990 in the use of

TABLE 2
Source of Blue-Collar Training

Survey question: In 1990 who supplied training to your blue-collar work force and what proportion was provided by the following training suppliers?

	Unskilled (%)	Skilled (%)
In-house plant staff	43	35
Corporate staff	06	18
Vendors	05	13
Community colleges	04	13
Local high schools	01	09
Vocational schools	05	15
Certified apprenticeships	03	11
On-the-job training (OJT)	34	32

external trainers, suggesting that recent efforts to provide better links between schools and firms have not met with great success.

Training Selection and Evaluation

Our survey results indicate that seniority, supervisor recommendations, and the installation of new technology are the three most important factors utilized to select workers for skills upgrading and training. The least important factors are performance appraisals, work samples, and pencil and paper tests. To evaluate the effectiveness of training, employers most often use a survey of the participants (36 percent), while supervisory evaluations (29 percent), and pencil and paper tests (23 percent) are used less frequently.

The Demand for Training

On average the management respondents thought that training should be increased by 27 percent for unskilled workers and 30 percent for skilled workers. However, the responses to this issue varied substantially with the firm's economic experiences. Our survey asked whether during the last ten years the firm had faced a severe crisis that threatened its survival. Fifty percent of the respondents indicated that their companies had faced such a crisis. Managers in these crisis firms believe that their workers require considerably more training than do managers in the noncrisis firms. In crisis firms managers thought training should be increased by 32 percent for unskilled workers and 35 percent for skilled workers. Managers in the noncrisis firms thought training should be increased by 22 percent for unskilled workers and 25 percent for skilled workers and these differences were statistically significant. Yet crisis firms provide substantially less training than

TABLE 3

Comparison of Use of Training Suppliers (1980-1990)

Survey question: How does your company's use of training suppliers for blue-collar workers compare in 1990 to 1980?

Suppliers of Training	% Increased by	
	Unskilled	Skilled
In-house plant staff	23	22
Corporate staff	10	5
Vendors	10	14
Community colleges	9	11
Local high schools	0	0
Vocational schools	5	8
Certified apprenticeships	0	1
On-the-job training (OJT)	12	14

noncrisis firms. Unskilled workers in crisis firms receive only 48 percent as much safety and health training and 22 percent as much technical upgrading training as compared to workers in firms that did not face a crisis in the previous ten years. Meanwhile, skilled workers in the crisis firms receive less than half as much training in safety and health, technical upgrading, and new technology as compared to workers in the noncrisis firms.

These comparisons indicate that firms having difficulty competing provide substantially less training, although their managers perceive a greater need for more training. A public policy that provides low-cost worker training could assist these crisis firms while simultaneously providing skills to workers who may not be receiving adequate employer-provided training yet may be searching for new jobs in the near future.

The Extent of Work Restructuring

Our survey (Table 4) suggests that there has been a relatively modest spread of new work organization across large unionized firms. Only 21 percent of blue-collar employees in these firms are covered by team systems, while only 10 percent engage in job rotation and 17 percent receive cross-training. Participation processes have spread more widely as 30 percent of blue-collar employees are covered by employee-involvement programs, 20 percent are in problem-solving teams, and 12 percent are covered by quality-of-work-life programs. The survey does not measure the depth of employee participation in these various endeavors. Our own field work suggests that many of

TABLE 4

Human Resource and Work Practices Coverage

Survey question: What percentage of blue-collar employees in your company were covered by the following human resource and work practices in 1990?

All-salaried pay	7
Knowledge or skill based pay	13
Profit sharing	20
Gainsharing	6
Lump sum or bonus pay	30
Incentive pay	15
Cross training	17
Job rotation	10
Socio-technical systems	3
Quality circles	15
Team systems	21
Autonomous work groups	5
Union-management committees	23
Problem solving teams	20
Total quality teams	16
Cellular manufacturing groups	4
Employee involvement program	30
Quality of worklife program	12

these participation processes are shallow. The higher percentage of workers covered by the various participation programs as compared to the percentage of workers covered by new work organization (such as teams or skill-based pay) may be indicative of limited substantive change in work organization. These statistics are consistent with other data (such as the 1987 GAO study reported by Eaton and Voos [1992]) showing limited diffusion of new work organization. At the same time, since our survey comes from large union firms (and our figures are reported by managers), one might have expected to see greater reported diffusion of new work organization in this sample.

Future Research

We have only begun to analyze these data. Our future research will make use of the responses from paired union officer responses from these firms to examine union leaders' perceptions of training levels and needs. One of our goals is to compare the differences between manager and union officer perceptions and test whether the extent of perception differences is correlated with either the extent of work restructuring or the tenor of labor-management relations at the firm level. Future research also will analyze the relationship between the extent of work restructuring in our survey respondent firms and the extent and nature of training.

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XII. THE 1993 IRRA RESEARCH VOLUME

Employee Representation: Alternatives and Future Directions

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Arguably the concept most central to the field of industrial relations is *employee representation*. The field was founded in the early 1920s by progressives in both academe and the business world who were repelled by the inefficiency, inequity, and authoritarianism that permeated the workplace of that era. Their desire was to use scientific investigation to discover new methods, institutions, and principles that could resolve these problems and thus create a “win-win” outcome of higher productivity, profits, wages, and more harmonious relations between employers and employees.

How was this goal to be accomplished? Whatever their other differences, these progressives were united in one fundamental belief—that a prerequisite for improved industrial relations is some form of employee representation or “industrial democracy.” By industrial democracy, the founders of industrial relations had several ideas in mind: that workers should have an explicit voice in the governance and operation of the workplace, that this voice should take a collective form in which the employees designate certain of their colleagues to act as their representatives to management, and that the rights and interests of employees be protected from arbitrary or opportunistic management actions by a workplace system of due process.

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While a consensus existed among the founders of industrial relations as to the basic principles of employee representation and the salutary effects of employee representation on workplace efficiency and equity, a great difference of opinion emerged among them as to the best institutional form for employee representation. One group favored independent trade unions, while a second favored some type of employer-sponsored organization such as a works council, shop committee, or "company union."

From the perspective of the proponents of trade unions, the employer-sponsored company unions were fatally flawed as an instrument of workplace democracy because they were created and controlled by management, the leaders served at the discretion of management, and they had little or no independent power to protect workers' rights. As these people saw it, trade unions were a far superior form of employee representation on all three counts—unions were independent of management, the leaders were chosen by the rank and file, and the union could use the strike and other forms of concerted activity to put muscle behind its collective voice.

Proponents of nonunion employee representation plans, on the other hand, saw the traditional labor union as most often part of the problem, not the solution. As they saw it, unions hindered efficiency through restrictive work rules and strikes, fostered adversarialism between the employer and employees, and union leaders were prone to engage in undemocratic and corrupt practices. The company union was, in their view, a superior means to achieve industrial democracy because it provided workers with formal channels for voice while at the same time it avoided the adversarialism and strikes associated with representation by an outside "third party."

From the earliest days of industrial relations in the 1920s, therefore, the field has been united on the need for some form of employee representation but also deeply split over the appropriate institutional form that employee representation should take. This split in viewpoints has, in turn, been manifest over the years in shifts in public policy and public sentiment towards unions.

The 1920s, for example, were the heyday of "welfare capitalism." During this period public opinion and policy were favorable toward employer-sponsored labor organizations and relatively hostile toward trade unions and collective bargaining. With the coming of the Great Depression in late 1929, however, the pendulum swung the other way, and company representation plans not only fell out of favor but were made illegal when the Wagner Act was enacted into law in 1935, while

the growth of trade unions and collective bargaining skyrocketed. The New Deal system of employee representation reached its zenith of power, coverage, and popular approval in the 1950s, only to then suffer a gradual erosion over the next twenty years. The pendulum of public policy and public sentiment then swung markedly away from the trade union/collective bargaining form of workplace governance in the 1980s, leading to dramatic declines in union membership and power. Simultaneous with the decline of the union sector was the emergence of a new nonunion "high involvement" form of work organization that featured various employer-initiated institutional devices for promoting voice and due process, such as self-directed work teams, quality circles, and formal grievance systems utilizing arbitration, mediation, and peer review.

It is evident from this brief review of historical trends that the American industrial relations system appears to be in the throes of a profound transformation. It is also evident that the role of employee representation in the workplace and its appropriate institutional form lie at the center of this transformation, much as it did when the field of industrial relations was born in the 1920s. Thus academics, employers, unionists, and policymakers are confronted with some momentous issues. For example:

- ° Does the United States currently have the optimal level of employee representation to promote maximum efficiency and equity? If not, what level and form of representation could better accomplish these goals?

- ° Are trade unions and collective bargaining the most effective form of employee representation? What structural changes in the industrial relations system could improve the performance of collective bargaining?

- ° Has union membership declined because workers no longer demand this type of representation, or is there still a large demand for union services but it is frustrated by employer resistance? What are the implications for labor law?

- ° Is there a significant demand among American workers for some other type of employee representation? What form would this representation take? Would it be a substitute for or complement to trade unions?

- ° Should the involvement of employees in the operation and governance of the firm be limited to plant-level human resource issues or should employees also have a voice in strategic business decisions?

- ° Are European-style works councils an alternative system of employee representation that the United States should consider? What about enterprise-based unions? Codetermination?

- ° Does the current corpus of American labor law promote the optimal level of labor-management cooperation? If not, how should the law be changed? Given the current legal system, what can firms and unions do to initiate and sustain cooperative efforts?

- ° To what degree can employees achieve representation through the political process, rather than through a workplace-based institution? Can the political process effectively represent workers without a strong organized labor movement?

We think these types of questions will be at the forefront of debate among policymakers and at the leading edge of research by industrial relations scholars in the 1990s. To help push the process forward, the 1993 annual research volume is dedicated to the subject of employee representation and, in particular, a consideration of alternative forms of employee representation and future directions for public policy. Toward that end, the volume contains eleven chapters on various dimensions of employee representation written by leading experts in the field. Provided below is a brief summary of the chapters (listed by authors).

Chapter Summaries

Freeman and Rogers. "Who Speaks for Us? Employee Representation in a Nonunion Labor Market." Freeman and Rogers provide a thorough and provocative analysis of the demand and supply of employee representation in the U.S. They begin their chapter with a review of empirical studies on the economic impact of employee representation and conclude that this impact is often positive. In the next section Freeman and Rogers document that the traditional form of representation in the workplace—collective bargaining—now covers only about 15 percent of the work force, yet nationwide surveys indicate that a large majority of workers desire some form of representation. They conclude, therefore, that a large "representation gap" exists in the U.S. They then turn to a consideration of alternative forms of representation, with particular attention paid to the European system of plant-level works councils. They find that works councils seem to perform reasonably well and attribute this success to the fact that the councils perform primarily a "voice" function in the plant with regard to operational and human resource matters, while the more

adversarial process of bargaining over wages and benefits is done by unions at the industry and national level. The authors conclude that the United States would benefit from providing employees with greater channels for representation and that the labor law should be changed to promote more plant-level councils.

Weiler. "Governing the Workplace: Employee Representation in the Eyes of the Law." Weiler begins his chapter with an examination of the factors behind the decline in union density in the American economy. Although he finds that collective bargaining is a net "plus" for the economy, he nevertheless concludes that it faces a bleak future under current conditions due to the hostile attitude of employers and the weak legal protection given to unions and their supporters by the law. He argues, therefore, that we need to consider alternative forms of employee representation. One that he considers is government regulation of the workplace, a second is employer-sponsored employee involvement programs. Weiler argues, however, that neither can effectively protect workers' interests. Is there an alternative? Weiler says there is and outlines a two-part solution. The first part is to level the playing field for workers and unions by reforming the Wagner Act, both to simplify and expedite the union representation process and to increase the penalties upon employers for unfair labor practices. He concludes that these steps are not enough to provide the desired level of employee representation and that a new form of plant-based representation is required. He calls this new model an "employee involvement committee" and discusses how the committees would operate and the changes in the law necessary to establish them.

Farber and Krueger. "Union Membership in the United States: The Decline Continues." Farber and Krueger examine the factors behind the decline in union membership in the United States. Using a demand/supply framework and several new data sets, they find that most of the decline in union membership is due to a decline in worker demand for union representation. They provide evidence that a significant cause of this decline in demand for union membership is that nonunion workers are more satisfied with their jobs than had been true in earlier years. They also consider whether structural shifts in the demographic composition of the work force and industrial composition of employment have been contributing factors but find that these factors have played only a modest role. Farber and Krueger then turn their attention to why union membership has declined so much more

sharply in the U.S. than Canada. They conclude that about one-half of the difference in union density between the two countries is due to a lower demand for union membership in the U.S. and that the other one-half is attributable to a smaller supply of union jobs in the U.S.

Mahoney and Edwards. "Evolving Models of Work Force Governance: An Evaluation." The chapter by Mahoney and Edwards is devoted to an exploration of alternative models of work force governance and the pros and cons of each. They note that the subject of employee representation is generally considered a part of industrial relations (narrowly defined to mean labor-management relations) and, for that reason, is seldom explicitly discussed in the more management-oriented field of organization theory. Mahoney and Edwards claim, however, that this neglect is unwarranted for work force governance is an integral part of the structure of every organization. The authors then proceed to analyze the implications of economic theory and social psychological theory for the optimal design of governance systems. They find that the economics' perspective emphasizes short-term contracting, distributive (win-lose) bargaining, and divergent interests—a combination of behaviors that imparts a distinct adversarial and litigious character to the employment relationship. The approach followed in social psychology, on the other hand, emphasizes long-term relationships, mutual obligations and expectations, and the importance of procedural justice—perspectives that emphasize the elements of trust, equity, and mutuality to the functioning of the employment relationship. Mahoney and Edwards then use this conceptual schema to examine the pros and cons of what they claim are the three major types of governance systems: the authoritarian, collective bargaining, and direct participation models. While all three perform well in certain contexts, the authors conclude that in most cases the direct participation model has the best "fit" with the environment and is thus most likely to yield the highest level of efficiency and equity.

Greenfield and Pleasure. "Representatives of Their Own Choosing: Finding Worker Voice in the Legitimacy and Power of Unions." Greenfield and Pleasure argue that much of the theorizing done about unions is misguided because the focus is on the efficiency effects of unions when the more appropriate criteria are the legitimacy and power that unions have as an instrument of employee voice. The true test of legitimacy, they claim, is whether the mechanism provided to workers for voice permits them to exercise basic democratic rights in the workplace. The most fundamental of these rights, in turn, is the

ability to choose representatives of their own choosing—a right found in trade unions, but not in employer-sponsored company unions or quality circles. Greenfield and Pleasure go on to say that, in addition to legitimacy, a system of workplace voice must also possess independent power to protect and promote workers' interests, otherwise the exercise of voice is rendered futile. On this point unions also score well, while employer-sponsored forms of voice again have significant shortcomings. While they claim that the appropriate grounds upon which to judge unions is legitimacy and power, the authors go on to argue that the case for unions as the preferred form of employee representation is strengthened further when their positive effect on economic efficiency is taken into account.

Verma and Cutcher-Gershenfeld. "Joint Governance in the Workplace: Beyond Union-Management Cooperation and Worker Participation." The subject of this chapter is a relatively new form of employee representation that the authors label "joint governance." The unique aspect of joint governance, they claim, is that it combines aspects of both traditional-style collective bargaining and newer forms of employee participation and involvement—the workers are represented by a union, but the arms-length, adversarial approach to bargaining and work force governance is replaced by a system that emphasizes power sharing, problem solving, and joint decision making. In the next part of the chapter the authors summarize nine case studies of joint governance in the United States and Canada. They develop a number of hypotheses and conclusions from these cases concerning the antecedents of joint governance, the internal dynamics of joint governance, and the consequences of joint governance. They conclude that joint governance has considerable promise as an alternative form of work force governance but that its growth and development is hindered by both legal and institutional obstacles.

Lewin and Sherer. In this chapter Lewin and Sherer explore the conceptual and empirical role of employee representation in firms' business strategies. They note that to date most discussions of the strategic role of employee representation has been narrowly framed in terms of the impact of unionization/deunionization upon firm performance. They argue, however, that the sharp decline in union density, the development and diffusion of a wide range of employee voice mechanisms in the nonunion sector (e.g., employee involvement programs and formalized dispute resolution systems), and the shift from traditional command and control forms of business organization

to flatter, "high involvement" structures all suggest that a broader conceptualization of employee voice and representation (EVR) is required and that EVR systems need to be explicitly considered as a strategic choice variable. Lewin and Sherer then develop a conceptual model in which EVR strategic choices are portrayed as a function of environmental forces and employer and employee preferences. In the second half of the chapter they use survey data collected from American and Japanese business executives in the U.S. to determine to what degree differences in employer preferences shape strategic choices about EVR systems. They find that Japanese executives rank employees as a more important stakeholder in the firm than do American executives. Japanese executives also have more favorable attitudes regarding the use of EVR systems in the formulation of business strategy, while American executives favor EVR systems in the implementation of strategic business decisions. These results, they conclude, provide concrete evidence that attitudes and values of top-level executives influence strategic choices regarding EVR systems.

Delaney and Schwochau. "Political Action, the Political Process, and Employee Representation." Delaney and Schwochau consider the extent to which the political process provides individual employees with effective voice over workplace issues. Using three different data sets, they examine, respectively, the extent to which individual Americans engage in political action and their views on major issues; the extent of political activity by labor unions and their position on major issues; and the extent to which other interest groups in society pursue political action regarding workplace issues and the degree to which their positions match those of unions and individual employees. They conclude that most Americans are relatively inert in the political process; that interest groups play a crucial role in the political arena; and although no interest group fully represents the average employee's political preferences on workplace issues, the organized labor movement probably comes closest. The authors conclude, therefore, that the decline of the union movement in the United States is a source of concern since it reduces the availability of employee representation both in the workplace through collective bargaining and in the legislative arena through political action.

Addison, Kraft, and Wagner. "German Works Councils and Firm Performance." This chapter provides an in-depth analysis of the German system of codetermination through works councils and the impact of works councils on firm performance. The authors begin

with a review of the legal and institutional background surrounding German works councils. They then move to a discussion of the predicted impact of works councils on firm performance. Viewed from a neoclassical "monopoly model" perspective, works councils are predicted to cause a misallocation of resources and redistribution of firm revenues from profit to labor cost; from the perspective of an "exit-voice" model, however, works councils are predicted to have a positive impact on productivity through better information sharing, reduced employee quits, and greater labor-management cooperation. These hypotheses are then econometrically tested using data on profit, productivity, capital investment, and wages for approximately 50 establishments in Germany, some of which had a works council and some of which did not. The empirical analysis failed to find much evidence that works councils had either a net positive or negative effect on firm performance.

Rubenstein, Bennett, and Kochan. "The Saturn Partnership: Co-Management and the Reinvention of the Local Union." This chapter examines one of the most innovative systems of work force governance in the United States—the "partnership" between the Saturn Corporation and the United Automobile Workers Local Union 1853. The authors describe the key organizational features of the Saturn partnership and the system of joint governance or "co-management" that the system attempts to foster. They then examine in considerable detail the roles and function of the local union in the partnership and the conflicts and organizational dynamics that result as it endeavors to simultaneously promote efficiency of the enterprise and protect the contractual interests of the membership. The final section of the chapter considers whether the union adds value to the enterprise. The authors conclude that it does by improving the decision-making process and its substantive outcomes.

Nelson. "Employee Representation in U.S. Industry Before the Wagner Act." Nelson provides a thorough account of the origins and evolution of the company union movement in the United States from the turn of the twentieth century to the passage of the Wagner Act in the mid-1930s. Nonunion employee representation plans or "company unions" emerged shortly before World War I, attained a zenith of influence and popularity in the 1920s, and then fell into disrepute during the depression years of the early 1930s, finally to be outlawed by the Wagner Act. The author claims that companies were guided by diverse motives in establishing employee representation plans. Some

were formed as a reaction to government pressure, others were developed as an antiunion stratagem, while others were established out of the conviction that they improved profits by fostering employee loyalty, cooperation, and morale. Nelson claims that it is the employee representation plans in the latter group of companies that have the most historical interest and relevance for today. He documents that operating a successful employee representation plan was a time-consuming, expensive undertaking for the company but that the resulting improvement in the labor relations climate and productivity was generally regarded as worth the cost. He also concludes that employees derived tangible benefits such as improved fringe benefits and handling of grievances from a well-run company union. The company unions were, on the other hand, largely ineffectual in dealing with economic issues such as wages and layoffs. Nelson concludes that the company union movement made some significant contributions to the development of progressive personnel practices in American industry, but that these contributions were largely discredited by the events of the Depression and the actions of those employers who used them to thwart union organization.

Conclusions

Although employee representation has been central to the field of industrial relations for many years, much of the academic literature on this subject has focused more narrowly on issues related to trade unions and collective bargaining. The long-term decline in union density to 10 percent of the private-sector work force, the growth and development of new forms of worker representation in both the United States and other countries, and the interest of the Clinton administration in labor law reform, all suggest that the time may be ripe for a fundamental, broad-ranging reconsideration of the role of employee representation in the workplace and economy. Our hope and expectation is that the chapters in this volume will prove to be a significant contribution toward that end and a considerable stimulus to further research.

XIII. WORKTIME: PAST, PRESENT AND EVOLVING

Worktime Levels and Trends: Differences Across Demographic Groups

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Worktime seems a particularly suitable subject for this annual meeting of the IRRA, with its overarching theme of basic values in industrial relations.

Perhaps no aspect of labor economics is more aligned with values than the use of time. The choice between work and leisure is fundamental in the neoclassical theory of individual labor supply. In recent years the amount of labor supplied has come to be viewed as a family or household decision and the choice as one between market and nonmarket activities. But the role of values is undiminished. Green economics adds a further dimension, the intrinsic worth of work. Indeed, values permeate every hours-of-work issue from overtime to work sharing.

My purpose here is to describe and briefly discuss some of the trends in worktime for the work force as a whole and for major demographic groups. But first we need to clarify two apparently conflicting messages on hours of work. One is that people are working more than ever; the other that the long-term decline in worktime was arrested decades ago.

Whether worktime is rising, holding steady, or even decreasing depends on what is counted, who is counted, and the time frame. Some analyses have factored in the increase in the proportion of the

population at work or have combined unpaid work in the household—and sometimes commuting time—with work on a paid job (Schor 1992; Juster and Stafford 1985). Other analyses have focused on workers on full-time schedules or a particular segment of the work force, notably adult, nonstudent men (Owen 1978). The frame of reference has ranged from weekly hours to annual hours or to the work life over different points in time. Such differences naturally lead to different conclusions.

My own perspective is that the universe for the analysis of hours of work should be wage and salary workers and that the data should be presented in total and for its components: women as well as men; older and younger workers; married, divorced or single workers; and students and nonstudents. Data also should be presented, insofar as feasible, for workers of different racial and ethnic groups.

Analysis of worktime patterns of this scope dictates heavy reliance on the *Current Population Survey* (CPS) and with it conformity with its definition of working hours: that is, hours at work (paid and unpaid) per week on a paid job. The time frame for the findings presented here is May of 1968 through 1990. The beginning and ending dates are comparable periods in that each occurred during a business expansion. (The recent recession began in July of 1990.) The base year 1968 is the first for which most of the demographic data presented in this paper were tabulated. Except as noted, data are for wage and salary workers in nonagricultural industries.

The Situation in General

During the 22-year period from 1968 to 1990 average weekly hours rose and fell over the course of successive business cycles. The trend line generally followed the traditional pattern: declining in each recession and rising in the subsequent recovery, though never quite regaining its previous high. The expansion that continued through the first half of 1990 was an exception. In May of that year the average workweek was slightly longer than in 1968 (39.3 hours versus 39.1 hours).

Despite the relative stability in average weekly hours, however, workweeks at either extremity of the hours distribution (1-34 hours and 49 hours or more) made small gains at the expense of workweeks of 35-48 hours.

Part Time

Persons at work part time (fewer than 35 hours a week) comprised 22 percent of all workers in 1990, up from 20 percent in 1968.

Part-time jobs increased relative to full-time jobs primarily for two reasons. One was the continuing shift of employment to service-producing industries with fluctuating workloads, which are natural users of part-time schedules. The other was that industries in every sector were turning to part-time workers as part of a general policy of cost containment. By substituting part-time for full-time workers, employers hoped to realize substantial savings in both wages and benefits.

Meanwhile the number of workers who preferred short schedules lagged behind the growth in part-time jobs. Among the reasons were the stagnation in real hourly earnings and the rising importance of access to employer benefits for health care as those costs skyrocketed. The prevalence of part-time work for lack of full-time jobs slowly rose from 2 percent of all workers in 1968 to 6 percent in the early 1980s, then reversed direction as economic growth continued through the decade. Nonetheless, economic part time was at 4 percent in May 1990, the same level as in the recession of 1974-75. Moreover, it was increasingly well entrenched. Two-thirds of the workers who were working part time involuntarily in 1988-90 usually worked part time; up from fewer than one-half in 1968-70.

Economic part time alone accounted for the greater prevalence of part-time workers in 1990 than in 1968. Voluntary part time, in contrast, rose slightly in the 1970s (following substantial growth in earlier post-war years), then turned down. In 1990 as in 1968, those who worked part time by choice comprised 18 percent of all workers.

Extended Workweeks

Workweeks of 49 hours and longer were more prevalent in 1990 than in 1968 (17 percent versus 15 percent of the total at work) while those within eight hours of the standard were less prevalent (11 percent versus 14 percent). However, extended workweeks of either length moved roughly in tandem throughout the 22-year period, declining from 1968 until the early 1980s, then turning up.

For employers, continued increases in the cost of fringe benefits per worker, coupled with generally stable premium rates for overtime hours, tended to further enhance overtime as an alternative to hiring more workers. Moreover, the gradual nullification of state "protective" legislation for women workers had removed legal barriers to the employment of women for more than 40 hours a week. Additional factors in the growth of extended workweeks may have included widespread downsizing without necessarily a commensurate reduction in the

workload. In addition, the growing dependence on "contingent workers" (temporary and part time) may have lengthened workweeks for "core workers" (permanent and year round), particularly for those who were supervisors. Extended workweeks became notably more prevalent among executive and managerial workers.

Stagnation in real hourly earnings, reluctance to lower standards of living, and job insecurity contributed to workers' willingness to work well beyond the 40-hour standard.

Multiple Jobholding

Holding two or more jobs was more widespread in 1989 than in 1969 (6.4 percent versus 5.3 percent). Although men were a little less likely to "moonlight" than they were two decades earlier (6.7 percent versus 7.2 percent), the practice had expanded substantially among women (from 2.3 percent to 6.0 percent).

For the 6.7 million multiple jobholders in 1989, weekly hours on all jobs averaged 51.9 hours. However, one in ten cumulated fewer than 35 hours.

The growing diversity of work schedules (including part time, shift work, and flexitime) along with an increase in work at home had made it easier to hold a second job, while the growing demand for contingent workers opened more opportunities to moonlight.

Although the stagnation in real earnings since the mid-1970s might have been expected to increase interest in multiple jobholding, financial incentives accounted for the same proportion of multiple jobholders in 1989 as 20 years earlier (roughly three-fifths of the total). In contrast, "getting experience or building up a business" doubled in importance (to 15 percent). Growth in this second category may be linked to widespread cutbacks in the ranks of middle managers, which heightened job insecurity and dimmed prospects for advancement.

The increasing proportion of women workers who are divorced, separated, or heads of household was a major factor in the spread of multiple jobholding among women. Holding a second job is as prevalent among women who maintain families (7.3 percent) as among husbands (7.0 percent). The relative growth in persons living alone, another group with high rates of multiple jobholding (7.3 percent) also fostered the increase in the practice.

Demographic Differences

The overall trends in worktime were affected by changes in the demographic composition of the work force as well as by economic,

social, and other factors. For example, inasmuch as women, youth, and older workers tend to work fewer hours than men of prime working age, growth in the relative share of the work force held by women workers tended to lower average weekly hours, whereas the decline in the share held by youth and older workers tended to raise the average.

It is the trends for each of several demographic groups, however, that concern us here. Those trends differed notably from one group to another, in some cases widening and in others narrowing hours differences between groups. A look at the evolving configuration of worktime for some of the larger groups gives a fuller sense of their significance. The following data are for three-year averages, 1968-70 and 1988-90.

Women age 25-54 years lengthened their workweeks by almost two hours on average, from 35.5 hours to 37.5 hours. Within this 30-year age span, women's growing commitment to paid work was apparent in each of the major measures of worktime. Voluntary part time decreased (from 26 percent to 21 percent), economic part time edged up (from three percent to four percent), and extended workweeks increased (from 14 percent to 21 percent). Multiple jobholding rose almost threefold (from 2.3 percent in 1969 to 6.0 percent in 1989).

Factors unique to the substantial increase in extended workweeks among women included the nullification of state protective legislation mentioned earlier and the gradual movement of women into managerial and professional jobs in which workweeks tend to be longer than those in the traditional "women's occupations." Moreover, the proportion of working women age 25-54 with children under 18 years of age declined.

Marital status lessened in importance as a determinant of worktime among women of prime working age. In 1968-70 single (never-married) women age 25-54 had worked substantially longer than divorced, separated, or widowed women, who in turn worked longer than married women. By 1988-90 the difference in weekly hours between single and formerly married women had vanished, and the difference between those women and married women had narrowed appreciably.

Men age 25-54 averaged the same number of hours at work in 1988-90 as in 1968-70 (44.3 hours), but, as for other groups, the configuration of their worktime had altered. The proportion working 35-48 hours shrunk (from 69 to 63 percent), while the group working 49 hours or more grew (from 24 percent to 29 percent). Economic part time,

though a relatively low 2 percent, nonetheless was twice as prevalent as in 1968-70.

The effect of marital status on the worktime of men is the opposite of that for women, with workweeks generally longest for married men, shortest for those who are single. But for men, as for women, marital status gradually weakened as a determinant of worktime. Weekly hours were unchanged for married men (at 45.3 hours), up by one-half hour for single men (to 42.3 hours) and by one hour for other men (to 44.0 hours).

Younger workers, in contrast to those of prime working age, averaged fewer hours per week in 1988-90 than in 1968-70. The decline was minimal for teenage men but about 0.8 of an hour for teenage women and for 20-24 year olds of either sex.

Among young women substantial growth in voluntary part time (from 61 percent to 69 percent among teenagers and from 22 percent to 26 percent among 20-24 year olds) was associated with increases in their rates of school enrollment, up by one-third (to 65 percent) for teenage women and doubled (to 25 percent) for women in their early twenties. School enrollment was not a major factor in the worktime trends for young men. Enrollment rates and the prevalence of voluntary part time remained virtually constant over the period for both teenage men and those in their early 20s.

Economic part time roughly doubled (to 6 percent) among teenagers and 20-24 year olds for men and women alike. Among men in their early twenties a decline in extended workweeks contributed to the decrease in their average weekly hours.

Teenagers no longer in school were working substantially fewer hours per week in October 1990 than in the same month in 1968 (35.4 hours versus 38.6 hours). In contrast, student workers the same age were working more hours than in that earlier period (18.0 hours versus 17.3 hours).

Older workers (60 years and over) worked shorter workweeks on average in 1988-90 than in 1968-70. The rate of decline was the same for either sex. A 3 percent decline for those in their early 60s reduced average weekly hours for men to 40.7 hours and for women to 34.2 hours. A decline of about 7 percent for workers 65 and older lowered average weekly hours to 31.0 for men and to 27.2 for women.

Growth in voluntary part time was the major factor in the contracting workweeks for older workers. Voluntary part time doubled for men in their early 60s (to 15 percent) and rose by about one-fourth for men 65 and older (to 47 percent). It increased roughly one-tenth

among older women (to 31 percent for those 60-64 and to 56 percent for those age 65 and older). More widespread and larger retirement benefits and lower age at retirement from a primary job contributed to the expansion of voluntary part time among older workers.

But economic part time also increased, though marginally, among older workers with the exception of men in their early 60s.

Black workers often exhibited worktime trends that differed significantly from those of their white counterparts and, in some cases, from the trends for blacks of the opposite sex.

Black women age 25-54 lengthened their workweeks by three hours, white women by two hours. In 1968-70 weekly hours had averaged the same for women of either race (35.4 hours), but in 1988-90 black women worked a full hour more than their white counterparts (38.4 hours versus 37.4 hours). Among women of prime working age, voluntary part time dropped by one-half (to 12 percent) for those who were black compared with a reduction of one-fifth (to 21 percent) for all races.

Among men of prime working age, workweeks lengthened slightly irrespective of race (from 41.5 hours to 41.7 hours for blacks and from 44.5 hours to 44.8 hours for whites). The ratio of hours, black to white, remained at 93 percent.

Older black women, age 55-64, increased their average workweek over the period by two hours (to 35.6 hours), even as the workweek declined by almost an hour (to 35.7 hours) for their white counterparts. Thus the ratio of hours among these older women, black to white, rose from .92 in 1968-70 to 1 in 1988-90.

Weekly hours of black men age 55-64 averaged about the same in 1988-90 as in 1968-70 (40.0 hours and 39.9 hours respectively), but those of their white counterparts declined (from 42.6 hours to 42.3 hours). The ratio of hours among men this age, black to white, edged up from 94 percent to 95 percent.

Voluntary part time declined over the period for older black workers of either sex as it rose for their white counterparts. Blacks were less likely than whites their age to work part time by choice in 1988-90, the reverse of the situation in 1968-70.

Trends for teenagers also varied by race. In 1968-70 black teenagers of either sex had worked about 10 percent more hours per week than their white counterparts; in 1988-90 they worked roughly 90 percent as many hours. Reduced workweeks for black teenagers reflected substantial growth in voluntary part time, attributable in large part to growth in school enrollments. Among black males age 16-19, voluntary

part time rose from 49 percent to 61 percent; school enrollment rates, from 50 percent to 58 percent. Among black women the same age, growth in voluntary part time (from 49 percent to 66 percent) outpaced the rise from 50 percent to 58 percent in school enrollments.

Black youth age 20-24, men and women alike, worked roughly one hour less per week in 1988-90 than in 1968-70, compared with a one-half hour decline for their white counterparts. Again school enrollment rates were a factor. The proportion of black men this age who were enrolled in school rose from 8 percent to 18 percent; the increase for black women was from 6 percent to 24 percent. School enrollment rates for white men in their early twenties held steady at 21 percent and for white women rose from 12 percent to 24 percent.

Economic part time, which was about twice as high for black youth than for their white counterparts in 1968-70, held steady for black women teenagers but roughly doubled for other black youth. In 1988-90 more than one in ten black male teenagers and black men and women in their early 20s worked part time involuntarily.

Hispanic workers closely resembled black workers in their average weekly hours in 1990. Among Hispanic men age 16 and above, weekly hours were 40.2, compared with 40.3 for their black counterparts; the comparable figures for women were 36.6 versus 36.7 hours. Hispanic women age 25-54 were a notable exception. Their weekly hours were well below those of black women the same age and about the same as for all women. Comparable data are not available for earlier years.

Some Implications

Worktime trends are interesting phenomena in themselves. But more importantly they are signals for reassurance or concern.

The overall growth in very long workweeks and in economic part time undoubtedly has heightened stress among workers and their families, whether from excessive or insufficient worktime.

The continuing movement of women into the full-time work force seems on the whole a positive development. But is the growth in very long workweeks inevitable as women spread beyond the confines of "women's jobs" to the whole gamut of occupations including managerial and professional? And to what extent is the flight from voluntary part time driven by the disadvantaged conditions of most part-time jobs? Are low wage rates and poor benefits inherent in such schedules?

The persistent hours gap between black and white men of prime working age is of concern to the extent that it indicates the continued

underrepresentation of black men in managerial, professional, and other occupations that tend to have higher earnings as well as longer workweeks, and their overconcentration in the ranks of economic part-time workers. But should the almost 45-hour workweek averaged by their white counterparts be the goal?

The widespread growth of voluntary part time among older workers may presage a period when gradual retirement is a reality for most workers. But to what extent will older blacks who were less likely to work part time voluntarily in 1988-90 than 22 years earlier be able to participate?

In the case of teenage workers, both the increase in worktime among student workers and the decline for those no longer in school are troubling. In the first instance it may indicate the overcommitment of students to paid jobs, given widespread concerns for the level of academic achievement. In the second, it seems to show increasing difficulty in moving from school to work. The transition to work also seems to have become more difficult for young men in their twenties. (A decline in weekly hours for women the same age can be explained largely by substantial increases in school enrollments.)

And finally what do the lengthening workweeks for women combined with no reduction for men—and in the absence of adequate support systems—mean for family life? Working couples and single parents are reported to be experiencing a critical scarcity of time.

Thus certain worktime trends seem to foster, and others to threaten, the well-being of the work force and society at large. Some, falling unevenly among various groups of workers, raise questions of equity as well. Underlying them all are questions of values. In a society committed to change, their examination seems particularly timely.

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The United States—The Sweatshop Economy: The Case for Fewer Hours of Work and More Leisure Time

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The United States continues to move in the direction of a low-wage, long-hour, sweatshop economy. Like most other sweatshop economies, some workers are working longer hours while others are out of work. According to recent data (USDOL 1992), there are 9.3 million workers without jobs and looking for work. These unemployed workers cost the economy \$29,000 each per year in lost production because they become tax users; they are on public assistance rather than being taxpayers. And that 9.3 million doesn't include those too discouraged to look for work or those working part time because full-time work is unavailable. Just getting the workweek back to 40 hours per week for full-time workers would mean seven million additional jobs (see Figure 1).

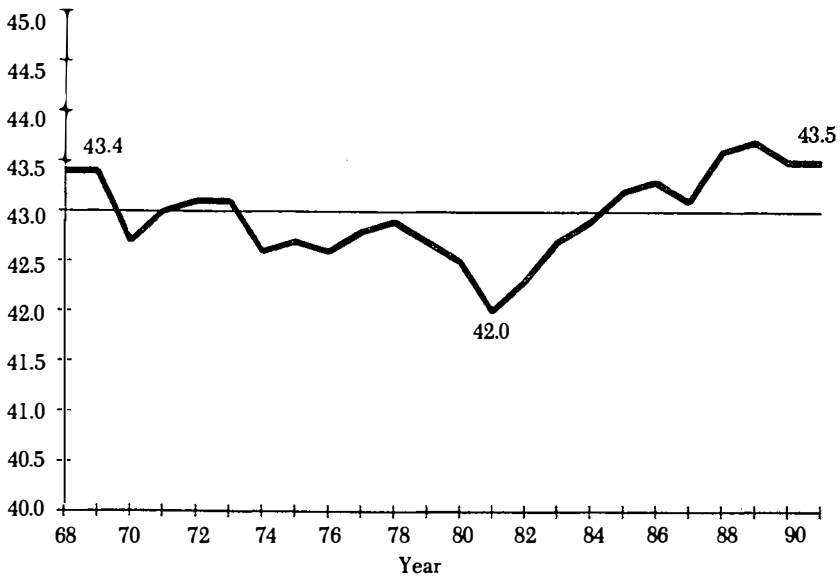
Until the 1980s each generation of American workers looked forward to having more than their parents—more leisure, more earnings, more time for their children, and more time in retirement. Today, more means more work. It also means more family members working and more mothers returning to work earlier after giving birth. And it also means higher labor force participation rates for children, while at the same time we complain of a crisis in education.

Fifteen years ago I wrote "Shorter Hours—The Steady Gain" (Zalusky 1978). On reading it again I am saddened. Saddened because it is another example of the American dream being slowly eroded for working people.

The assault on leisure time for working people has taken many forms. Up to the early 1980s, trade unions had been successful in reducing working time. They had been meeting the membership's dual desire for leisure time and job security, but at the same time they were creating employment opportunities. The Auto Workers were

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FIGURE 1
Average Weekly Hours In Nonagricultural Industries, Full-time Workers



Source: Bureau of Labor Statistics, 1992, unpublished

very near the four-day workweek by 1982. However, in 1982 with the auto industry in serious trouble, the UAW had to give up nine personal days. General Motors alone estimated there would be 17,000 fewer jobs as a result.

Similarly, after bringing the agreement back to the membership three times, the Steelworkers reluctantly accepted a 1983 package that gave up a sabbatical leave package they had had since 1965. As nearly all unions with significantly reduced working years made concessions, organized labor learned that it cannot reduce working time without a supportive public policy.

However, public policymakers have been on a neoclassic *laissez faire* binge. To cite just a few examples, all which increased the hours worked:

- One of the first acts of the Reagan Administration on January 20, 1981, was to revoke the salary test adjustments defining the exemption for executive, administrative, and professional employees under the

Fair Labor Standards Act (29 CFR 541). Today's outcome is that the salary test for executive and administrative employees is the hourly equivalent of \$6.25 per hour. As a result, there are many employees working long hours who are not really executives or professionals.

- The federal government research and development procurement bids were set to the expectation of a 60-hour workweek for "exempt" employees.

- Gov. William Donald Schaefer of Maryland increased the workweek for all state employees from 37.5 hours to 40 hours per week at the same pay effective July 10, 1991.

- Rep. Les Aspin (D-Wisc.) introduced an amendment to the Department of Defense Authorization Act of 1986 repealing the eight-hour day provisions of the Walsh-Healey Public Contracts Act and the Contract Work-Hours Safety Standards Act without regard to the fact that all occupational health exposure standards are based on the eight-hour day.

- The Department of Labor's Deputy Wage and Hour Administrator, Karen Keesling, is now moving forward changes in the child labor regulations (29 CFR 570, Sec. 3[1]) increasing the hours that children 14 and 15 years old can work and allowing them to work later at night. This is being done despite the fact that there is no labor shortage. The nation is in an educational crisis with progressive schools trying to increase classroom time, rather than working time, for 14 and 15 year olds.

Today the U.S. employee works the most hours per year of any worker in the 13 major industrialized nations except Japan and Switzerland.

While there are statistical problems in counting hours of work, the important point is the trend line and the shift in policy values. Hours of work in other industrialized countries have been decreasing and apparently will continue to do so, while hours of work in the United States have been increasing and probably will continue to do so. Other nations have decreased hours of work for a variety of reasons—external pressure, spreading employment, and the sheer value of leisure. In the 1930s the U.S. had a policy of using shorter hours as a means of job creation, but in the last decade public policy and private actions have addressed hours of work only as an employer cost.

The Japanese have reduced working hours to 2000 per year to improve the quality of life for the newer generations and also because

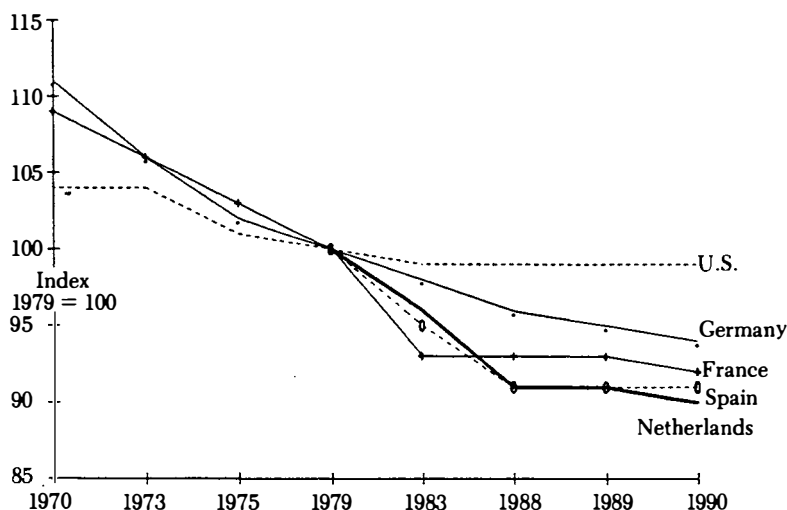
Japan's trading partners (including the United States) began pressuring Japan to increase internal consumption and to shift from an export-dedicated economy (JLB 1992; Rengo Research Institute Report 1991).¹ Reduced hours of work increases leisure and domestic consumption. To make this point, a delegation from the unions of Organization for Cooperation and Economic Development (OECD) nations visited Japanese government, business, and trade unions in 1988 to say access to European markets would be more difficult without changes in hours of work.

The most recent Japanese reduction in working time is the five-day workweek for public employees (JLB 1992). Additionally, the Shorter Working Hours Promotion Bill approved by the House of Councilors on June 19, 1992, establishes the goal of an annual work year of 1800 hours by 1996 and is designed to make "Japan a quality-of-life-oriented country" (JLB 1992). This is not wishful planning—there are funded programs in place to achieve this goal; and, as pointed out before, the Japanese have successfully reduced hours of work over the last decade and plan to continue doing so (Yoshitomi and Yashiro 1992).

The European pattern, with the exception of Switzerland, has been a downward trend in hours of work. The move is driven by the economic philosophy of spreading available work and the social benefits of leisure. This is implemented through collective bargaining legislation and worker representation through work councils. The preference has been a legislated 40-hour week and four-week vacation as a worker right. The four-week annual vacation for nearly all workers is a common feature in European countries. Collective agreements, implemented through industry patterns, have added more paid time off. There are substantial differences in approaches of West European countries. The Swedes feel the 40-hour week is about right while the Germans are nearing a 37.5 hour workweek. Industry differences in annual hours range from 1,599 in the iron and steel sector, 1,648 in mining, 1,708 in banking, 1,757 in construction, and 1,796 in agriculture (Statistische Angaben 1992). Regardless of approach, the result is a steadily declining work year and a spreading of available work.

Decreasing hours in other industrialized countries is illustrated in Figure 2. There are significant differences in: (1) how hours of work are counted in different countries (Japan counts only time on productive work excluding workplace cleanup and instruction, while the U.S. Fair Labor Standards Act requires this to be time on the

FIGURE 2
Net Change in Annual Hours Worked, by Country
(1979 = 100)



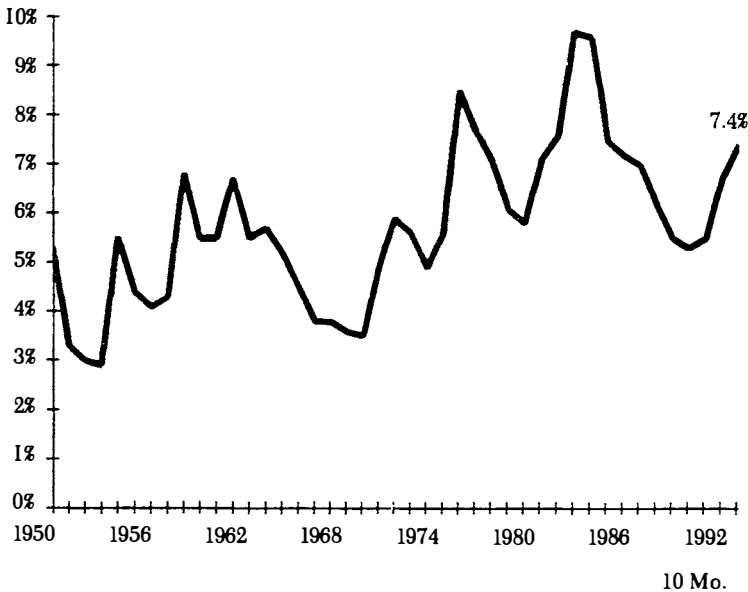
Source: Table 1, OECD Employment Outlook, July 1992

clock); and (2) who is counted as a worker in various countries. Thus trend lines are shown even though direct statistical comparisons are not precise.

The United States should be using shorter working time as a tool to reduce unemployment, get America back to work, and provide the benefits of leisure time to those with full-time jobs. Hours of work for workers on full-time schedules have been above 40 hours per week but reached an annual low of 42 in 1981. Since 1981 hours of work for full-time workers have been increasing and were 3.6 percent higher than a decade earlier. Without using legislated paid time off, although legislated vacation time should be considered, increasing the overtime premium enough to get the workweek to 42 hours a week could create three million new jobs. Getting the workweek to 40 hours in each seven-day period could create seven million new employment opportunities, bringing the unemployment rate to near all-time lows (see Figure 3).

The overtime premium was intended to allow work on real emergencies like power outages but otherwise to deter employers from

FIGURE 3
U.S. Unemployment Trend 1950-1992



Source: Bureau of Labor Statistics 1992

imposing more than 40 hours in seven days. Also, employers were allowed to require, suffer, or permit, real executives, administrators, professionals, and outside sales workers—the so-called “exempt” employees—to work unlimited hours. At that time in the late 1930s through the 1950s, employer-paid benefits were few and relatively inexpensive, less than 20 percent of payroll (U.S. Chamber of Commerce Survey Research Center 1991). Changes in public policy encouraging employee benefit growth were unaccompanied by changes in the rules related to hours of work. The result is a decline in the deterrent value of the time-and-one-half premium. It has become an annoying employer cost rather than an effective restraint. Now when an employer compels covered employees to work ten hours overtime, hourly compensation costs per hour increase only 1 to 2.4 percent depending on occupational group (clerical, blue collar, or service).

There are numerous ways of restoring the overtime premium as a restraint to employers expecting long hours of work from employees,

but three or four are foremost. One is to calculate the premium on each employer's approximate *total compensation* per employee, based on the Bureau of Labor Statistics' report of Employer Costs for Employee Compensation. Using time and one-half of *total compensation*, the employer's hourly cost for a 50-hour week would increase to 10 percent of employee total compensation.

Another would be simply to change the overtime premium from time and one-half to double time or triple time. Double time would increase the deterrent to between 7 and 9 percent and triple time to 20 to 23 percent depending on the occupational group. Still another approach would be increasing step premiums, for example, double time for up to 44 hours per week and then triple time thereafter.

The federal government should join other industrialized nations in using hours of work as a tool to address the need for more jobs. It would be a method that creates taxpayers rather than tax users and a tool that will certainly be popular with working people without increasing the federal deficit. The first step should be to energetically enforce existing overtime and hours of work provisions for adults and children: adjust the overtime premium until it is a deterrent to excessive hours of work; adjust the definition of "exempt employee" so it cannot be used to deprive executive, professional, and administrative employees the protections of the 40-hour week; and reinstate the eight-hour day as a basic labor standard. The second step should be to provide statutory paid time off—vacation time and family leave.

Endnote

¹ The Rengo Research Institute Report surveyed 510 union members in Japan, the United Kingdom, France, Germany, and the United States and looked at working time, commuting time, rest, and how leisure was used. Like Juliet B. Schor's work, the perspective is on time available to workers.

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Whither the Workweek? Do Workers Want to Shorten It Further?

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This paper looks at the workweek issue in terms of what little we know about the actual desires and goals of workers as to the number of hours they would like to work each week. More realistically, the issue we are examining is this: Given the prevailing level of wages—and their unimpressive trend in recent years—are American workers still seeking a shorter workweek? And, if so, to what extent would they be willing to forego some earnings in order to achieve this goal?

There is little doubt that, if earnings were not an issue, the overwhelming majority of workers would prefer a shorter workweek. Over 25 years of carpool comments on Mondays about the weekend having been too short have convinced me of this. And, as we know, some of the new work arrangements, though not necessarily reducing the number of hours worked, are indeed providing more and more workers with longer weekends.

So I am not going to try to convince you that workers no longer want a shorter workweek and that, therefore, the historical trend toward fewer hours of work and more leisure has run its course. I know better. However, since I believe in the old saw about there being “no free lunch,” I will maintain that—if the earnings issue is considered—there is now hardly any movement in that direction.

Historical Trends and Current Thinking

The long-term decline in the length of the workweek has been amply documented; there is little to dispute about this historical fact. In rough terms we went from about 60 hours at the turn of the century to approximately 40 hours in the years following World War II. But there has been little movement since then.

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The question is, will the downward trend resume? Is there any impetus for its resumption? Above all, is there strong sentiment among American workers for further workweek reductions? And do workers, in effect, have a real say in the matter? Given the growing competition in the ever more integrated international market, could we afford any further workweek reductions?

With regard to the basic trends, while the shrinking of the workweek appears to have halted in recent decades, I could not say that it has permanently halted, and there is certainly no evidence that the pendulum is swinging—or is about to swing—in the opposite direction. The worldwide trend in hours is certainly still down. Although we in the United States are often not very impressed by what goes on in the rest of the world, it is quite unlikely that we will want to swim for long against strong international currents.

While the American labor movement has recently been rather silent on the topic, calls for further reductions of the workweek are still being heard occasionally from other sources. One of the most articulate such calls in recent years has come from none other than former Senator (and former presidential candidate) Eugene McCarthy. In the book *Nonfinancial Economics: The Case for Shorter Hours of Work*, coauthored with William McGaughey, McCarthy argued very eloquently that a further reduction of the workweek would lead to an increase in available jobs, to a drop in unemployment, and to various leisure-related benefits.

While some leisure-related benefits are, indeed, very likely to ensue from a further reduction of the workweek, the evidence that such reductions would also lead to increases in employment and to declines in unemployment is difficult to find. To the contrary, evidence presented at a recent conference sponsored by the International Labor Office (ILO) indicated that efforts in various countries to stimulate increases in employment through reductions in working time had produced, at best, very scant results (as in Belgium and Germany). There were even claims that in some countries—Australia and Spain, for example—the forced reductions in working time might have been counterproductive as an employment stimulus, contributing instead to a sharp rise in labor costs and to a subsequent increase in unemployment as employers stepped up their investments in labor-saving equipment.

Granted that (under the ILO “tripartite” system) these particular “country reports” came from the representatives of employers who would not be expected to extol the benefits of reductions in working

time, even more impartial observers have expressed skepticism about the employment-generating power of reductions in the workweek. For example, in a well-balanced study published by the ILO, Michael White concludes that . . . "a reduction in hours will result and interact with a complex series of changes, the result of which may or may not be a reduction in unemployment."

In sum, there isn't much evidence that reductions in the workweek would inevitably lead to a wider distribution of employment and to a decline in unemployment. Actually if that were really the case, we should no longer have any unemployment, given the extent to which the workweek has been reduced since the turn of the century. But let us turn, finally, to the actual desires of workers with regard to this matter.

What Some Surveys Have Shown

Assuming that workers would like to see further reductions in working time, the inescapable dilemma they face, at least over the short term, is this: To what extent would they be willing to sacrifice some earnings to achieve such reductions? Some data on this potential tradeoff are available from at least two surveys.

In a national survey that was described by F. Best in a 1980 Department of Labor Monograph, a sample of American workers was presented with several hypothetical choices in terms of the percentage of earnings they might be willing to sacrifice to achieve a reduction in working time—or an increase in leisure time. The summary findings are presented in Table 1.

TABLE 1
Workers' Willingness to Trade Some Earnings for
Alternative Forms of Free Time, 1980

Amount of Earnings Tradeoff	Percent of Workers Willing (or Unwilling) to Trade Earnings For:		
	Shorter workday	Reduced workweek	Added vacation
No tradeoff acceptable	77.0	73.8	57.8
2 percent tradeoff	8.7	11.6	23.2
5 percent tradeoff	5.8	•	8.5
10 percent tradeoff	•	7.6	6.2
More than 10 percent	8.6	7.0	4.2

• This specific tradeoff not offered in questionnaire.

Source: U.S. Department of Labor Monograph No. 79.

As shown, about three-fourths of the workers were unwilling to sacrifice any earnings in order to shorten either their workday or their workweek. While some were willing to sacrifice some earnings to achieve a reduction in worktime through other avenues—longer vacations, sabbatical leaves, etc.—the findings from this survey can hardly be used as evidence of a strong movement among workers for a shorter workweek.

Questions of this nature were also asked of a very large sample of workers through a supplement to the May 1985 *Current Population Survey* (CPS). In this case the respondents were not presented with alternative scenarios relating to the percentages of earnings they would be willing to forego to achieve reductions in working time. Instead the respondents were merely asked the following: If you had a choice, would you prefer to work (1) The same number of hours and earn the same money? (2) Fewer hours at the same rate of pay and earn less money? or (3) More hours at the same rate of pay and earn more money?

The proportions of workers opting for each of these alternatives were as follows: same hours, same money—64.9 percent; fewer hours, less money—7.8 percent; and more hours, more money—27.5 percent.

So in this case we found even fewer workers willing to sacrifice some earnings in order to gain more leisure. There were, however, some clear differences among the various worker groups. A greater proportion of women than of men—10.9 vs. 6.5 percent—would have settled for fewer hours even at the cost of a drop in earnings. Also older workers, in general, were more likely to opt for a shorter workweek than were younger workers. And the higher their earnings, the more likely were the workers to prefer a shorter workweek and to settle for lower earnings.

In the final analysis, it was only among women with relatively high earnings (\$400 and over per week in 1985) that the proportion opting for a shorter workweek began to exceed the proportion preferring more hours and more money. Among men, the proportion wanting fewer hours, though increasing as earnings rose, remained smaller than the proportion desiring more hours even in the highest earnings categories.

Neither of these two surveys, therefore, provides much supporting evidence for the notion that there might be a widespread sentiment among American workers for further reductions in the length of the workweek—if such a reduction must be accompanied by a drop in earnings.

Trends in Dual Jobholding: Implications

The fact that the number and proportion of Americans working at two or more jobs has grown significantly in recent years—and that the trend involves many persons working full time in their primary job—is another indication of the less than unanimous support for a further reduction of the workweek. By going to a second job in increasing numbers, often after working a full day on their first one, these persons might be said to be voting with their feet against any reduction of the workweek that would have entailed a drop in their earnings.

TABLE 2
Multiple Jobholding by Sex (May, Selected Years, 1975-91)

Mo/ Year	Multiple Jobholders (In Thousands)			Multiple Jobholding as Percent of Employed		
	Total	Men	Women	Total	Men	Women
5/75	3,918	2,962	956	4.7	5.8	2.9
5/80	4,759	3,201	1,549	4.9	5.8	3.8
5/85	5,730	3,537	2,192	5.4	5.9	4.7
5/89	7,255	4,115	3,109	6.2	6.4	5.9
5/91	7,183	4,054	3,129	6.2	6.4	5.9

Source: Supplements to *Current Population Survey*.

As shown in Table 2, the proportion of workers holding two or more jobs has expanded from 4.7 to 6.2 percent from 1975 to 1991. While the dual-jobholding rate for men did not increase much over this period (and had actually been edging down previously), the rate for women has increased significantly—from 2.9 percent in 1975 to 5.9 percent in 1991. And what is of particular importance is the fact that nearly three-fourths of the dual jobholders identified in the May 1991 survey were working full time in their primary job. By also working at a second job these full-time workers were truly engaging in “moonlighting” activities and thus extending their workweek beyond the “average” boundaries.

Bringing Work Home in Addition

Not only do we have a growing—though still relatively small—proportion of American workers who manage to juggle two (or even three) jobs; we also have an even bigger proportion who, although generally working at only one job, extend their workweek by bringing work home on a regular basis.

Data on this topic were collected in 1985 and again in 1991. Unfortunately they are not truly comparable and cannot be used to determine any possible trends in this phenomenon. But both surveys showed that this is primarily (and understandably) a white-collar practice, and we all know that white-collar activities are becoming more and more predominant in our society—and so may be this practice.

In any case, even if we cannot say much about trends, the same 1991 survey that gave us data on how many persons work at more than one job (and for how many hours) also told us quite a bit about the Americans who do at least some of their work at home. The key findings on this topic are shown in Table 3.

TABLE 3
Persons Doing Job-Related Work at Home by Weekly
Hours Worked at Home, May 1991
(Numbers in Thousands)

Characteristic	Worked at Home		Percent Distribution by Hours Worked at Home			
	Number	Percent of all persons at work	Less than 8 hours	8 hours or more		
				Total	35 hours or more	Mean hours
Total	19,967	18.3	63.4	34.9	6.5	9.1
Men	10,731	18.3	65.5	32.6	4.8	8.2
Worked partly at home	9,953	16.9	70.2	29.8	1.4	6.4
Worked entirely at home	575	1.0	6.3	93.7	64.9	38.5
Women	9,236	18.4	61.1	37.4	8.5	10.2
Worked partly at home	7,781	15.5	70.9	29.1	1.6	6.4
Worked entirely at home	1,317	2.6	9.3	90.7	49.8	32.9

Source: Supplement to the May 1991 *Current Population Survey*.

As shown, nearly 20 million Americans were usually taking some work home from their main jobs in May 1991. Granted that they did not put in many hours at home—and that most did not generally receive any direct remuneration for this work—this work (if counted) would have added significantly to the length of their workweek. The

workers who did some (not all) of their work at home dedicated an average of 6.4 hours a week to such tasks.

By and large these are workers in traditional white-collar occupations. About half were in managerial or professional jobs. In fact nearly two-fifths of the workers in these fields reported that they usually took work home. Perhaps not surprisingly, school teachers figured most prominently among the professionals who usually brought some work home. About 3.4 million of them did some classroom-related work at home.

Hours in the Recent Recession

One of the surprising features of the recent recession was the relative stability of the workweek in the face of declining employment, particularly in manufacturing, an industry heavily impacted by the cyclical decline in the demand for its products. Whereas in previous recessions manufacturers reacted to the downturn through cutbacks in hours as well as payrolls, this time they seem to have resorted almost exclusively to reductions in payrolls, keeping the hours of work for their remaining staff relatively high by historical standards.

By November 1992 employment in manufacturing had dropped by 1.1 million (or about six percent) from its level in July 1990 when the recent recession began. Yet the factory workweek had not shrunk at all. In fact after dipping a bit in early 1991, it had rebounded very strongly and, at 41.3 hours in November 1992, was actually at an historical high.

And what was the reaction of workers and labor unions to these divergent trends? Certainly not very vocal. No loud cries about "spreading the work." Hardly any mention of "job sharing," an approach that was being highly touted only a decade ago. Evidently the workers and their representatives have other concerns now: the effects of imports on jobs, the possible movement of jobs outside the country, the rising costs of medical care, and other such problems.

Summary

There is little evidence that American workers want a further reduction of their workweek if it must be accompanied by a drop in earnings. On the basis of two recent surveys, only a very small proportion would be willing to engage in such a tradeoff. In the meantime, a small but increasing proportion of workers have been taking on second jobs, and even more have been extending their workweek by taking some work home with them.

Reductions of the workweek were certainly not widely used as an instrument to save jobs in the recent recession. And there were few protests on the part of workers because of this turn of events. Workers seem to have been more concerned with other issues—job security in the face of widespread payroll cutbacks and health insurance coverage in the face of ever higher medical costs. With these pressing concerns a further reduction of the workweek has now become a distant goal—if not a dead issue.

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DISCUSSION

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Last year American workers were lambasted by a Japanese politician who claimed they didn't work hard enough. Then Juliet Schor, in her widely publicized book *The Overworked American*, claimed that Americans work more than ever. Both events helped rekindle the debate about increasing or decreasing worktime.

Today's presentations point to the timeliness of a reexamination of worktime. Janice Neipert Hedges examined variations in worktime among demographic groups. Paul Flaim suggested that, for now, job security issues overshadow a reduction of work time. John Zalusky said a review of worktime may prompt a new approach to job creation—and with today's economy, all approaches to job creation need to be considered. Rekindling the debate over hours of work has broad implications because changes in worktime are a result of the changing nature of the entire relationship between employers and employees.

For many years the standard employment relationship was long term. A worker planned to move up the ladder with a single employer. The worker would spend eight hours a day on the job. In exchange, the employer would provide job security, fringe benefits, two weeks of paid vacation, and regular pay raises. That was the standard employment relationship. Every other kind of relationship, such as part-time or temporary work, was seen as a variation of that standard. That type of relationship may not serve as the standard as we work through the next decade. It's becoming rarer as employment relationships become more fluid. There is a strong trend toward greater fluidity in employment relationships, which are being severed and reconstructed all the time.

Few workers entering the job market today believe they will have one employer for their entire careers. Instead, they expect to move through a series of employment relationships. In each relationship variables such as wages, benefits, and hours of work will change. For example, a middle manager who works eight-hour days is laid off. He

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markets his services as a consultant, working 12 hours a day when his clients need him, working not at all when they don't. In addition to consulting, he teaches at the local college three nights a week. To make new contacts in the community, he volunteers for a charitable organization. Six months later he takes an administrative position in that organization and is back to working eight-hour days. He just moved through four different types of employment relationships. And during his career, that cycle of changing employment relationships could repeat itself more than once.

Not only is there no longer a norm for employment relationships—there are no norms for the variables of those relationships such as worktime. The norm for hours of work used to be 40 hours a week. Now worktime is more flexible. This week a worker who is considered full-time will work 35 hours: she will leave at 4:00 p.m. every day to pick up her children at the day care center. Next week when her husband picks up the children, she will work 50 hours. The norm for part-time work used to be 20 hours a week. Now a part-time job might consist of ten hours of work every week, or 60 hours a week for only three weeks of the year.

The lack of norms and increases in fluidity cause people to view their employment relationships differently than they used to. The relationships are no longer assumed to be long term, so employers and employees tend to keep each other at arm's length. Rather than seeking approval from a paternal employer, employees seek the experience, skills, and contacts that will help them move on to the next job. And they do move on, looking for an elusive combination of flexibility and job security. Rather than nurturing the loyalty of employees, employers seek to maximize the productivity of workers before they move on to their next employment relationship. Sometimes, notably through flextime programs, employers are able to offer the flexibility workers seek. However, market conditions and international competition require employers to exercise greater control over their labor costs, which makes job security more difficult to offer.

The need for flexibility among both employers and employees has contributed to the lack of job security and the new realities of the employment relationship. Employers want to be free to expand or contract their work force as needed. They want to run three shifts when the workload is heavy and one shift when times are slow. Workers want to be able to spend more of their time on personal matters when needed. When they can concentrate on their work, they may want to spend more than the traditional 40 hours a week on the job.

In some ways temporary employment may emerge as an employment model of the future, providing flexibility for businesses and workers alike. That flexibility can be combined with security. Workers can become responsible for their own job security by demanding training to give them skills that are in demand. They need to develop their own "skills portfolio." Businesses may want to use those skills on a flexible basis. Labor market intermediaries—such as temporary help firms, permanent placement agencies, or, at times, classified ads—can be the vehicles that bring the two together. The intermediaries will give skilled workers the opportunity to obtain security because they can count on being put in touch with businesses that need their skills.

All these changes in the employment relationship mean we have to reexamine the very terminology of employment. We talk about permanent jobs, but there isn't much that's permanent anymore in the labor market. Few jobs have the permanency and stability they once had. We also talk about holding more than one job as moonlighting, but is that what we really mean?

Consider Robert Reich, who until recently was a full-time professor at Harvard. How is he employed? In addition to his position at Harvard, he serves in a political position as an appointed economic advisor to the Clinton transition team. He's also an author, a speaker, and provides expert testimony to Congress. He's a television personality of sorts, handling many media interviews. Would you call him a moonlighter, or a multiple jobholder? He's an excellent example of how employment relationships have changed. He creates his own job security by having skills that are in demand. His situation suggests a series of changing elements that impact worktime issues. Now, as Secretary of Labor, he'll be responsible for tracking and measuring these fundamental shifts in worktime and employment relationships. And the next few years will be a fertile period for change.

XIV. STRATEGIES FOR REVITALIZING THE LABOR MOVEMENT

The New Gender Politics in Organized Labor

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During the past two decades, labor union membership has become feminized to an unprecedented degree, and women have won increased representation in union leadership. Organized labor also has given far more attention than in the past to issues of special concern to women workers, such as pay equity, child care, and parental leave. These developments have been particularly associated with unions in the public sector, which have continued to grow substantially despite the general decline in organized labor's overall membership in this period. The workers recruited by public-sector unions have been predominantly female, and the expansion of these unions has, in turn, facilitated the movement of women into leadership roles. Public-sector unions, in particular, and to some extent organized labor generally have come to recognize that they ignore the special interests of women workers at their peril. As a result, unions, especially in the public sector, have allied themselves increasingly with the feminist movement and have emerged in the forefront of what I call a "new gender politics," combining demands for gender equality with recognition of the special burdens imposed on women workers by socially constructed gender differences.

The recent feminization of the labor force in the U.S. is widely recognized as the single most important transformation in the workplace during the postwar period. Female labor force participation rose from 34 percent in 1950 to 43 percent in 1970 and then to 57

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percent in 1991.¹ Women make up nearly half (45 percent) of the labor force today, up from 38 percent in 1970. Less attention has been paid to the fact that the proportion of women among all workers represented by the nation's unions has grown even more dramatically, from 24 percent as recently as 1970 to 39 percent in 1991—approaching the proportion of women in the work force itself. However, this feminization of union membership has occurred in the context of a rapid process of deunionization in the work force as a whole. In 1991 only 16 percent of employed wage and salary workers were union members—19 percent of the men and 13 percent of the women.

The only major area of union growth in recent years has been in the public sector; private sector union density is now below 12 percent. Indeed the recent feminization of union membership is due largely to the extensive recruitment of women into public-sector unions, combined with large losses of male union membership in the private sector. By 1991 over half (55 percent) of all women union members were in public-sector employment, even though the public sector only accounted for 20 percent of all women in the work force that year (see Table 1).

TABLE 1
Women Members of Labor Organizations, by Industry Group, 1991

Industry group	Number of women union members (in thousands)	Women members as a percentage of:		Distribution of all women workers (%)
		All unionized women	All women employed in this industry	
<i>Private Sector*</i>	2,765	45.0	7.1	80.2
Mining and Construction	21	0.3	4.0	1.1
Manufacturing	864	14.1	13.4	13.2
Transportation, Communication, and Public Utilities	428	7.0	23.6	3.7
Wholesale and Retail Trade	570	9.3	5.6	20.8
Finance, Insurance, and Real Estate Services	71	1.2	1.7	8.7
	806	13.1	5.1	32.1
<i>Government</i>	3,373	55.0	34.8	19.8
ALL INDUSTRIES	6,138	100.0	12.6	100.0

* Includes agriculture, forestry, and fishing (not shown separately).

Source: Computed from unpublished 1991 U.S. Current Population Survey data provided to the author by Barry Hirsch and Dave Macpherson, Department of Economics, Florida State University. See Hirsch and Macpherson, forthcoming.

Recruitment of women workers into labor unions was seldom the result of any effort to organize women "as women"; rather, the feminization of their memberships was an unintended consequence of unions' heavy recruitment in fields where women workers are particularly well represented: at one point, teaching; later, health care; and most recently, public-sector clerical and service work. Because this organizing also occurred in a period of feminist resurgence and broad changes in gender relations in the larger society, the unions representing workers in these occupations have been more open to women and their specific concerns than unions that matured in earlier historical periods and which must struggle to overcome longstanding patriarchal traditions (see Milkman 1990). The younger, public-sector unions have not only recruited women as members but also (albeit to a much lesser extent) as leaders.

Public-sector unions have been least affected by the broader trend of union decline for several reasons. In government agencies, especially at the state and local level, management opposition to unionism is far less formidable than in comparable private-sector workplaces, and unionization victories are thus considerably easier to achieve. (A similar dynamic operates in private-sector universities, another area where union organizing victories have been won in recent years, especially among clerical workers.) Political pressure often can be exerted to advance unionism in the public sector as well (see Bell 1985; Freeman 1988).

Women's representation in union leadership, especially at the upper levels, is still small relative to their representation in union membership despite some recent progress. Table 2 shows the available data for unions that had over 200,000 women members in 1985. Again the labor organizations with the most extensive representation of women are the public-sector unions such as the American Federation of State, County and Municipal Employees (AFSCME) and the Service Employees' International Union (SEIU), as well as the two teachers' unions, the American Federation of Teachers (AFT) and the National Education Association (NEA). In 1990 women made up just over two-thirds of the officers and board members of the NEA; the figure was 34 percent for SEIU, 32 percent for the AFT, and 17 percent for AFSCME. Female leadership has also increased at the local and regional levels in the public-sector unions. In 1982, 33 percent of AFSCME's local presidents and 45 percent of its local union officers were female (Bell 1985, 288). And in 1985, 319 of the SEIU's 820 local officers were female, as were nine of its 61 joint council officers

TABLE 2
Female Membership and Leadership in Selected Labor Organizations, 1978-1990

Organization	Year	Women members (in thousands)	Women as % of all members	Women officers & board members	Women as % of officers & bd. members
National Education Association	1978	1,240	75	5	55
	1985	1,000	60	3	33
	1990	na	na	6	67
International Brotherhood of Teamsters	1978	481	25	0	0
	1985	485	26	0	0
	1990	400	25	0	0
United Food and Commercial Workers	1978	480	39	2	3
	1990	663	51	3	8
American Federation of State, County, and Municipal Employees	1978	408	40	1	3
	1985	450	45	4	14
	1990	600	50	5	17
Service Employees International Union	1978	312	50	7	15
	1985	435	50	9	18
	1990	420	45	13	34
American Federation of Teachers	1978	300	60	8	25
	1985	366	60	11	32
	1990	455	65	11	32
Communication Workers of America	1978	259	51	0	0
	1985	338	52	1	6
	1990	338	52	1	6
International Brotherhood of Electrical Workers	1978	304	30	0	0
	1985	330	30	0	0
	1990	240	30	0	0
Amalgamated Clothing and Textile Workers Union	1978	331	66	6	15
	1985	228	65	3	9
	1990	160	61	5	20
International Ladies' Garment Workers' Union	1978	279	80	2	7
	1983	219	85	3	13
	1990	145	83	4	22
Hotel and Restaurant Employees	1978	181	42	1	4
	1985	200	50	2	8
	1990	143	48	1	4

Sources: Coalition of Labor Union Women, 1980; 1983-85: Baden 1986; 1990: Cobble, 1993.

(Baden 1986, 239). The increased representation of women in such secondary leadership posts augurs well for the future, since the next generation of top union leaders will come from this group.

Far from being an obstacle to union growth or a factor contributing to the decline of unionism (as is sometimes alleged) and contrary to the once conventional maxim that women are less "organizable" than men,

accumulating evidence suggests that unorganized women have a *greater* propensity to unionize than unorganized men. In a 1977 survey, for example, 41 percent of female nonunion workers but only 27 percent of male nonunion workers responded "for" when asked, "If an election were held with secret ballots, would you vote for or against having a union or employees' association represent you?" (Freeman and Medoff 1984, 29). Other survey research has yielded similar findings (Kochan 1979, 25; Goldfield 1987, 137).

Women workers not only express pronunion attitudes more often than men but are also more inclined to support unionization in actual practice on those rare occasions when they have the opportunity to do so, as data from recent National Labor Relations Board (NLRB) elections indicate. An analysis of 189 union organizing campaigns which culminated in NLRB elections held in 1982-83 found that unions won 57 percent of the elections where women were 75 percent of the work force but won only 33 percent of those where the work force was less than half female. This was the case despite the fact that nearly all the organizers leading the election campaign in the sample (over 90 percent) were male. Interestingly, however, the win rate was somewhat higher (61 percent) for those few campaigns led by female organizers than for those led by males (41 percent) (AFL-CIO 1989, 6; see also Milkman 1993).

Unions, particularly those in the public and service sectors, have been in the forefront of a new mode of advocacy on gender issues in the 1980s, best exemplified by the demand for government and business support for parental leave and child care and by the campaign for pay equity or comparable worth. In the past, organized labor was generally unreceptive to "women's issues" unless they were formulated in the class-based language of traditional unionism (as were, for example, demands for protective legislation, and later, equal pay for equal work, which were defined as efforts to protect male wage standards by preventing employers from taking advantage of women's special vulnerability). But in recent years, partly in response to the growth of female labor leadership, unions have embraced the special interests of women and allied themselves with the women's movement.

The issues that have cemented this new alliance are rooted in important shifts in the composition of the female work force that took place in the 1970s and 1980s. The most spectacular change involves the increased work force involvement of married women and mothers.

Whereas before World War II the typical female wage worker was unmarried and few mothers of young children were employed outside the home, today wives and mothers are *more* likely to be in the labor force than women generally. In 1940 only 15 percent of married women (husband present) were in the labor force, compared to 59 percent in 1991. The most startling change is in the labor force participation rates of mothers of very young children. As recently as 1975 only 31 percent of married women whose youngest child was under two years old were in the labor force; by 1990 that figure was 54 percent.

This historic shift has dramatically heightened the longstanding tension between women's family and work commitments. For most women this conflict is still resolved at the individual level, perhaps most commonly through the "choice" of part-time work. Over one-fourth of women workers (26 percent, compared to only 11 percent of men) currently work part time, and others in increasing numbers have "temporary jobs" or work at home (see Appelbaum 1987; Tilly 1991). In recent years, however, the issue of family-work conflict has become increasingly politicized, galvanizing new demands for both national and corporate policies on such matters as parental leave and childcare.

While pressing for national legislation in support of childcare as well as parental leave for working parents (so far with limited success), in recent years many unions have also won childcare and parental-leave benefits for their members in collective bargaining. For example, the International Ladies' Garment Workers' Union (ILGWU) established a childcare center in New York's Chinatown in 1983 and won parental-leave benefits for 135,000 of its members in 1988. The Communication Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW) negotiated a contract with AT&T in 1989 which provided \$5 million for community child and dependent care services, as well as unpaid parental leave for up to a year with guaranteed reinstatement (*New York Times* 1988; *Wall Street Journal* 1988; Bennett and Trost 1989).

Many other unions have also successfully pursued family-work issues at the bargaining table. Again public-sector unions have been particularly active here, and by the late 1980s parental-leave provisions had been won in a majority of public-sector workplaces where employees are represented by AFSCME or SEIU. More generally, unionized workers are far more likely than their nonunionized counterparts to enjoy the right to parental leave. Unions have been less successful in winning childcare benefits in their contracts, but some

gains have been made here as well during recent years (York 1993, 130-31; see also Cornfield 1990; Cowell 1993). And some unions have also bargained with employers to win pay, job security, and fringe benefits for part-time or temporary workers that are equivalent to those received by full-time workers (Engberg 1993, 167).

Another equally explosive issue is that, despite the dramatic growth of female labor force participation, stark inequalities between female and male workers persist. While elite women have made substantial advances in professional and managerial occupations formerly monopolized by men, the vast majority of women workers remain concentrated in poorly paid, low-status, sex-segregated jobs. In 1991 women's weekly earnings for full-time work averaged 74 percent of full-time male weekly earnings.² Employers continue to treat women as a source of cheap labor, different from and noninterchangeable with men, despite continuing pressure for equality and a quarter century of government policies that nominally endorse that goal. The recent growth of predominantly female part-time, temporary, and at-home employment has further reinforced gender inequalities, creating a new female ghetto of insecure, poorly paid, low status, highly sex-stereotyped work.

The most effective response to the persistence of the gender gap in pay in recent years has been the campaign for comparable worth or pay equity, which centers on the claim that jobs traditionally performed by women have been systematically undervalued in terms of wages and that equity requires a new, gender-neutral evaluation of the skills, responsibilities, and effort involved in various jobs on which basis pay adjustments can be made (Treiman and Hartmann 1981). Unions have been the critical actors in this effort, bringing all of the major lawsuits, directly negotiating comparable worth adjustments at the bargaining table, and in some cases even making pay equity a strike issue (Portman et al. 1984). Particularly prominent in this area are AFSCME, the SEIU, and the Hospital Workers Union, District 1199 (Cook 1983, 16).

Drawing on the escalating tension between family and work, on the one hand, and the unmet demand for an end to sex discrimination at work on the other, a new form of gender politics is emerging in which unions play a central role. Whereas historically advocates of equal treatment for women and men, irrespective of any socially or culturally constructed gender differences, have been in conflict with those who take gender differences as given and seek to protect traditionally female values and types of behavior, the new gender

politics synthesizes the apparently contradictory strategic impulses of equality and difference. This new politics embraces the goal of equality for women but at the same time takes a positive view of gender difference and, on this basis, elaborates a critique, rooted in traditionally female values, of the basic structure of the world of work with its highly individualistic and competitive male culture.

The pay equity issue is a good illustration of this new approach. While in practice comparable worth reforms can be criticized for their limited, technocratic nature, they are rooted in an innovative and deeply radical critique of the gender ideology surrounding the workplace (Evans and Nelson 1989). Supporters of pregnancy and parental leaves, while still divided on the legal details of special versus equal treatment (Vogel 1990), have also launched a critique from a different angle of the male values that shape workplace policies. Implicit in all these specific reform movements is, as Alice Kessler-Harris (1985, 157) puts it, "a belief that gender equality will be achieved only when the values of the home (which have previously been assumed to keep women out of the workplace or to assign them to inferior places within it) are brought to the workplace where they can transform work itself." Thus the new gender politics accepts difference as a strategic basis for making demands that will ultimately move toward equality. It is also the basis for a new model of unionism that moves women workers and their concerns from the margin to the center.

Recent developments, then, suggest a basis for optimism about the future of women in organized labor. Although women's recent advances in the labor movement have been less extensive than gender transformations in the work force and in the larger society might lead one to expect, the innovative gender politics emerging in those unions least constrained by the forces of deunionization or traditions of male domination suggest some basis for optimism. In the event of a general revival of organized labor, when the conditions favoring change that now exist in only a few union organizations would become more widespread, women workers and gender politics will likely have a central place in the union movement.

Endnotes

¹ These figures and all those that follow in this paper are from publications of the U.S. Department of Labor, Bureau of Labor Statistics, unless otherwise indicated. Specific citations are not provided here due to space limitations.

² This compares favorably to the ratio in prior years which hovered around 62 percent during the 1970s. While this suggests some progress toward gender equality, the

progress is more modest than it may appear on first glance. One major contributing factor is the recent decline in the average real earnings of male workers due to the loss of many well-paid, male blue-collar jobs. One estimate attributes one-quarter of the decline in the gender gap in pay between 1979 and 1987 to declining male earnings (National Committee on Pay Equity 1989, 4). Another factor may be the recent trend toward feminization of union membership. The gender gap in earnings has always been smaller for unionized than nonunionized workers, so that as the historical difference in unionization rates between the sexes narrows, one would expect the pay gap between men and women to be reduced as well.

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Building an Organizing Culture of Unionism

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Declining union membership has convinced most unions that more efforts and resources must go into organizing new members. There is a consensus on the importance of organizing. There is also a growing consensus that any further deterioration in unionization levels will undermine union power fundamentally.

Union leaders are equally concerned with the internal life of their organizations: the degree of identification and commitment members feel toward the union, the level of participation, and the willingness of members to contribute time and energy voluntarily. Local leaders sometimes find it hard to identify people willing to take on the responsibilities of steward, to activate local committees, or to staff a political campaign. As a result, many unions and union leaders are asking similar questions: How do you overcome fear, selfishness, or myopia, whether efforts are aimed internally to activate members or externally to organize new ones? How do you build stronger union identification? How do you get people to commit some of their own time to the union cause?

Their search for answers, their commitment to change in order to succeed, often clashes directly with the very culture, traditions, and policies which sustain and have shaped the union for decades. In fact many of the problems union leaders bemoan, the attitudes, behaviors and values they criticize, are the product of the union's own culture, a culture forged when white males predominated, when unions sought acceptance as institutional partners of industry and as insurance agencies for members, and when organizing was back-burnered as a priority.

Every union, even each local union, has a culture of its own, a style of leadership it upholds, a language it relies on for communications, customs, traditions, heroes (rarely heroines) and legends, the stories

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that make up its own history. In most cases these cultures exclude women, people of color, and immigrants, not consciously nor intentionally, but rather because those who led the union, often from its earliest days, were male and white. The pictures on the wall at the union hall, the time and location of union meetings, the special recreational activities (from golf to hunting), and even the food served at union events most often reflect the choices and fit the lifestyles of the mainly white men at the helm of the union. The working majority, different from the old majority, does not feel at home in unions, does not know the language and rituals, and does not necessarily recognize opportunities even when they exist.

One of the more discouraging barriers to the broad worker involvement unions seek is the image of the ideal unionist, an important component of union culture. Commitment is measured in terms of the self-sacrificing workaholic, the person willing to live out of a suitcase, work nights and weekends, and live "on call." A noble ideal, perhaps, but one that drives the vast majority of workers away from those jobs, one that stands in direct conflict with families, even communities. It has, in fact, helped to foster the notion of unions as third parties, when the union staff or organizer appears and disappears, but is not rooted in the work and community culture. It has made it difficult as well for unions to transform the race and gender of their staff and leadership even when there is a strong and driving commitment to do so.

What is worse, the hyperactive unionist generates and is the flipside of the passive membership. Even when that person uses his/her magnetic drive to turn out members to an event, their participation rarely translates into promotion; the active members could never fill the shoes of the superunionist, nor are they necessarily expected to do so.

The martyr figure is the ideal but coexists alongside the career unionist. In reality many people who rose to leadership in the fifties, sixties, and seventies have made a home of the union and a career of their position. They resist change, are uncomfortable with the new work force, and see their primary commitment to their own existing membership. Particularly as labor markets shifted, jobs moved overseas, and technology restructured work organization, many leaders fought hard and honestly to protect their members without an eye toward the unorganized. The growing attacks against the nonunion workers were not addressed, not until they began to jeopardize directly the working conditions and income levels of the already unionized. This self-centered approach reinforces the closed nature of union culture and casts nonunion workers as outsiders.

Labor unions today are, unfortunately, grappling with the consequences of choices made decades ago, the cultures they themselves helped to foster, the individualistic and monetary values they themselves had emphasized. It is not enough to pour millions into organizing campaigns, hire women or people of color as organizers, include representative minorities on leadership slates, or defend more militantly the interests of a shrinking membership.

To rebuild a labor movement in this country, it is necessary to transform the culture of unions, to create a more inclusive and democratic culture. The face of unions must reflect the new as well as the old work force. Model unionists must be as committed to family and community, in practice and not just in words, as they are to union activities. And the real interconnectedness between the two must be acknowledged and respected. Many ways of doing things must be valued equally: women's ways, the ways of different nationalities, cultures, and racial and ethnic communities.

The Industrial Workers of the World (IWW) had an organizing culture. It was a culture that valued collective self-organization and was committed to tapping the energy, knowledge, and talents of workers in their own efforts to gain a voice within the world in which they lived and worked. It was a culture that embraced many languages, lifestyles, hopes and visions, and therefore offered a welcoming environment to the vastly diverse work force of the times. It drew life from the cultures of the workers, their songs, their traditions, their customs. The IWW embodied an organizing culture because it transformed individuals into communities of organizers, created shared experience and traditions, and built identification and solidarity. "An injury to one is an injury to all" captures the meaning of an organizing culture of unionism.

Historically, many unions, not just the IWW, brought such cultures to life when they first organized. They succeeded because they were able to inspire initiative and commitment in workers and to bring into existence communities of workers that included family, friends, relatives, and neighbors. The communities they built became a main source of support. During the thirties the auto workers relied on all of Flint in their sit-down war; the Lower East Side of New York gave tremendous support to maritime workers and their union.

Today that kind of organizing culture still exists, mainly in pockets and on the margins of organized labor. But it is reasserting itself in the important battles to rebuild a movement: in the reemergence of contract and corporate campaigns, the reliance on cultural workers to

enliven meetings and picket lines with songs and skits, the return of the volunteer organizer, and the emphasis on coalition building. Those who would transform the labor movement are clearing space for new initiatives, for risk taking, for boldness, laughter, and anger. Space on the margins. Space at the grass roots. Space that builds a bridge between union and nonunion. But there is also space being opened at the center and at leadership levels as well. International unions are promoting contract campaigns, grass roots mobilization, leadership development, women and minority caucuses. They are redefining "injury" to include workers outside their ranks and beyond our borders, to include as well the violation of a worker's right to housing, health care and a safe environment, and not just the violation of a contract clause. Unions are mapping out strategies aimed at enhancing union power and not just increasing membership numbers, targeting the real centers of financial and corporate power in the world.

Although many unions are engaged in new experiments, piloting new programs, I will focus on one union, the Service Employees International Union (SEIU). The SEIU experiences demonstrate how the interplay of numerous initiatives, programs, and processes within one organization drive change and create an environment in which change can occur. SEIU has been able to grow significantly because the leadership encourages new ideas and risk taking, supports new programs, and promotes organizing.

The SEIU is one of very few unions to have increased dramatically in size over the past decade, from 600,000 to a million members by its recent April 1992 convention. This growth, like that in other unions, comes from a combination of new organizing drives as well as affiliation campaigns. SEIU represents workers in the highest job-growth sectors of the economy: service, ranging from building maintenance to health care, and office work. A significant percentage of the new membership in SEIU—as well as the old—is female, people of color, and immigrants, largely Latino and Asian-Pacific. Both the growth and the struggle to organize have necessitated and also precipitated broad change within the union, an expansion of leadership, and increased emphasis on training and education, strong pressures for greater minority and female representation, and more coalition and community-based work.

The union is in the process of rethinking its organization, looking to adjust its structures and policies to address changes in ownership, work organization, labor markets, and membership. While exploring ways to reach out to the new work force and diversify its leadership,

the union has worked equally hard to bridge the cultural, gender, race, and age differences between the older, established leaders and locals and the newer ones in order to open and maintain a dialogue.

Two main initiatives or resolutions adopted at the 1992 convention reflect this direction: one, to put organizing at the center of all the union's work and increase the support for organizing; and two, to promote leadership development, especially for women and people of color, through a dramatic expansion of education and training programs for all levels of leadership in the union. These are not new initiatives but rather ones which emerged through years of consensus building within the union.

Let the following serve as examples: the Justice for Janitors (J for J) campaign, the focus on contract campaigns in bargaining, support for local unions struggling to shift their resources into organizing, and a few of the programs initiated as part of the Leadership Development Report approved at the convention.

The Justice for Janitors campaign, particularly in Los Angeles, has been perhaps the most visible and highly publicized organizing campaign of SEIU. The spirited rallies, marches, and ultimately the police attack on peaceful demonstrators two years ago focused tremendous attention on the battle of janitors for a union. This was a battle truly characterized in David and Goliath terms because of the immense size, wealth, and international character of the contractors and building owners, as well as the precariousness and perceived weakness of the workers, largely immigrant, non-English speaking people, some with doubtful documentation.

In an industry where turnover is very high, where ownership changes, and where contractors change like chameleons, "the worksite itself becomes less and less important," explains Stephen Lerner, director of organizing for the Building Services Division. "What matters," according to Lerner, "is gaining control of the industry, organizing new workers, and changing the lives of our members." As a result, he stresses "understanding the 'enemy' in the broadest way" is critical. The "enemy" in an organizing campaign or in contract negotiations may not necessarily be the employer. The restructuring of corporations has placed major financial institutions in control of decision making in many sectors of the economy. It is, in fact, those financial interests, "We Build L.A.," that are the target of the J for J organizing campaign in Los Angeles now because it is they who control economic development decision making in the city.

The J for J campaign owes its success to smart strategic thinking, not only in knowing who really has financial power but also in knowing how to tap the workers' power. In the J for J downtown contracts, the union pressured for an "organizing clause," a bargaining trigger that allows them to reopen a contract if over 50 percent of the workers join the union. In the short run it was a tradeoff for pennies on wages. In the long run it is a positive incentive for workers to commit time and energy to bring their brothers and sisters into the union. Along with participation and community, it builds industry power and will bring far greater benefits to the workers. In addition, battles are collective, engaging, and dramatic. Guitars, chants, and often garbage get directed at the less cooperative buildings. Victories are celebrated. It is not surprising that on a week's notice the local (SEIU 399) can mobilize up to 500 janitors, not only to respond to their own "injury" but to those of others like the Frontier Hotel workers in Las Vegas. When they chant "an injury to one is an injury to all" (and they do), they chant in the language of the workers which is rarely English. This is an organizing culture of unionism.

Many of the points Stephen Lerner raises about how to build power and where to aim it shape other areas of the union's activities as well, particularly bargaining. SEIU is far from alone in promoting contract campaigns to determine bargaining outcomes instead of relying mainly on table activities. Many, many unions have moved away from the table and into the field to oppose corporate, monopoly, and transnational power in bargaining. While not every SEIU local mounts a campaign, and certainly not for every contract (some locals negotiate hundreds of small contracts), the union encourages an organizing approach and a campaign as the most effective vehicle for building power in the union, whatever the final terms of the contract. Carried out with imagination and conceived strategically, campaigns bring forward new leaders and strengthen union identification and pride. They educate hundreds and sometimes thousands of workers about what unions are, about power, and about what workers themselves can accomplish when they are organized.

Organizing campaigns, contract campaigns, these are extraordinary events in the life of labor. They take an extraordinary amount of planning, energy, time, and resources. How can they become common events? How can the spirit and fire they create be sustained between contracts after the campaigns are over? How can the activists who come forward in these campaigns continue to be involved and challenged in union work?

These are very tough questions but fundamental for the transformation of labor and the building of an organizing culture. Within SEIU more and more attention is being focused on enhancing the ordinary day-to-day work and strengthening the basic union organization to enable the extraordinary to become more routine. The priority is on building strong effective local unions that can become and are committed to becoming the engine that drives continual organizing, external and internal. Unless the responsibility for organizing is based within the locals, there will never be sufficient resources for the kind of organizing on the scale required to rebuild the labor movement. Although SEIU employs hundreds of organizers, there are a million members. Drawing on that membership to organize is one of the most effective ways for a local union to make organizing a priority. SEIU supports volunteer organizing programs in locals and helps to train member organizers. No one knows better what a union can mean; no one speaks the language of other workers as clearly; no one understands better than another worker what might motivate a worker to unionize, to volunteer time, or to take risks. Member organizers not only bring energy and sincerity into an organizing campaign, but they return to their old jobs and worksites with tremendous spirit, skill, and commitment.

To support local unions that are trying to refocus on organizing, SEIU provides and is exploring a number of support programs beyond subsidies and training for member organizers. Local union efforts to channel additional resources into organizing precipitate organizational changes and, therefore, require building a unionwide commitment. Fear of failure, concern for reelection, uncertainty about the consequences of change, and the force of habit, all surface as resistance. The programs SEIU is developing to address these difficult challenges are experience-sharing, peer group events which enable leaders to problem solve collectively, explore strategies and options, and learn from each other what has worked or failed. They include industry-based bargaining and organizing strategy sessions and leadership forums and roundtables designed to encourage the leadership to pool and analyze their own experience and knowledge as a first step in tackling the problems they face. This approach represents an important break with the traditional culture that looks to "experts" to provide all the answers. Discussions among leaders with different kinds and levels of expertise supplant the lecture and significantly enhance everyone's expertise and self-confidence.

The leadership roundtables is a new program being hammered out and tested as part of the Leadership Development Program. The roundtables along with a new top officers' training program will provide top local union officers with a chance to compare ideas and concerns with peers, new and experienced. The programs are structured to address broad leadership issues, especially in the context of a changing work force and changing demands on unions. It is a space for leaders to think about what it means to be in charge; how to involve, encourage, and develop other leadership; how to work with executive boards, staff, and leaders; plan strategically; set priorities; and then how to develop budgets and a division of labor that can ensure implementation.

This approach to problem solving in SEIU values the experience of workers and also challenges them to draw more and learn more from their experience. It democratizes decision making. The very process used to shape the recommendations in the Leadership Development Report exemplified this methodology. Committees of the International Executive Board became initial centers for thinking about education and leadership development. They were provided time and space and a mandate from International President John J. Sweeney to do it. But, in addition, the union held open forums at all three regional conferences for participants to identify barriers within SEIU to women or people of color in their efforts to advance. They were asked for recommendations. All of the obstacles they listed along with the recommendations went then to two work groups: one composed of a cross-section of local women leaders; a second, a cross-section of local leaders of color. These leaders did not mask their skepticism or withhold criticism; there was a striking degree of honesty. At the same time, however, they welcomed the opportunity and worked constructively to agree on ten top recommendations, all of which were incorporated into the final Leadership Development Report and a Leadership Resolution. There will be regional women's and civil rights conferences; childcare at international events; a leadership reflective of the membership at every level, including the International Executive Board; career ladders; and special training programs for rank and file, local, and national leaders with a commitment to women and people of color. The process created ownership and also responsibility which will help ensure the implementation of the programs.

In these meetings and spaces new communities and cultures began to take shape, a crucial factor for ensuring broad leadership development. Without new networks and a supporting culture, new leaders,

particularly women and people of color, get absorbed into the existing culture and are forced to adopt or adapt to the prevailing styles and customs. Their impact on the organization is minimized as a result. The development of a supportive environment enables larger numbers of new leaders to advance and dispels the appearance as well as the feeling of tokenism.

Within SEIU many people are involved in the effort to figure out what it means to put organizing at the center of the union's work, to promote an "organizing" approach, or create an organizing culture. Many other international unions are engaged in similar debates, piloting their own kaleidoscope of experimental programs. It is a healthy and encouraging sign that unions are taking risks and trying to change what they do and how they do it. The future of labor in this country rests with the risktakers.

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Contracting Out of Management Services: A Unique Opportunity for Labor Unions

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For more than a decade “privatization” and “contracting out” have been two of the most vexing challenges in labor-management relations. Organized labor has been compelled to defend against plans to put union jobs and management services on the auction block, plans that brazenly target air traffic control, concessions at the national parks, environmental cleanup, garbage collection, prison operations, public schools, and, the special focus of this essay, the management of emergency medical services.

Unions in labor’s area of greatest recent growth, the public sector, are besieged here, along with private-sector unions like CWA, SEIU, and others with a large minority of government worker members. They charge ideologues seek only to replace unionists and “friendly” management types with a union-free environment, cowered “wage slaves,” and hard-assed “slave drivers.” Proponents impress cost-sensitive politicians, however, with their contention that competition among vendors for new business can help secure quality services at lower-than-ever costs to taxpayers.

Labor’s major defense takes the form of a vigorous offense (e.g., the alleged “savings” of proponents is denounced as the product of slashed benefits, wages driven down to substandard levels, “creative” accounting methods, and similar reprehensible moves—to everyone’s loss).

While effective in raising doubts, this tactic suffers the limitations of its one-dimensional confrontational approach. It says “no” without offering any alternative. It exposes without holding out hope that cost cutting and productivity-boosting gains can be rapidly secured within the present system.

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Accordingly, union strategists have recently widened the scope of labor's rebuttal and, in so doing, offer students of industrial relations an intriguing and revealing preview of a new stripe of robust unionism, one which may prove decisive in the Clinton and post-Clinton 1990s. After outlining its major dimensions, I focus on an example of the strength and weaknesses of labor's evolving counter to contracting out. Finally, I'll close with some cautious thoughts about organized labor's orientation here in a post-industrial America.

Moving Beyond Confrontation

Few in labor know as much about this subject as does Al Bilik, president of the Public Employees Department (PED) of the AFL-CIO, a bloc of 33 unions representing four and a half million public-sector workers. In an essay he authored in the spring 1990 issue of *Labor Research Review*, he identified several major strategies with which unions supplement a vigorous naysaying confrontational approach. As might be expected, they are traditional trade union remedies—strong contract protections, legislative solutions, and legal remedies—though no less effective for being familiar.

In those rare cases where labor has the necessary clout, a local wins a straightforward contract ban against contracting out. Far more likely is negotiated language that guarantees outplacement will not curtail employment of bargaining unit members (albeit it may cost future job openings). Still more common (and less adequate) are provisions for advance notice and full disclosure of contracting decisions, as these cost employers and earn unions very little.

Certain unions and state labor federations have successfully lobbied for new laws that assure a level playing field (i.e., they require outside contractors to meet the *same* standards of disclosure, efficiency, and fairness required of public agencies). When labor has been especially powerful—which is not very often—it has won prevailing wage legislation that requires contract workers be paid at the *same* rate and receive health and welfare benefits much as do current public employees, thereby removing a major prop to cost reduction by vendors intent on slashing wages and benefits.

As for legal remedies, typical is labor's use of Circular A-76 of the federal Office of Management and Budget. It requires that a cost-analysis study precede every request by a federal agency to contract out work. Familiar with its every detail, many unions are quick to get involved in the A-76 process and bird-dog the entire matter, some even producing their own analysis of alleged mistakes in an agency's request.

Going beyond these traditional strategies, various unions have chosen to become active and creative players in new campaigns to deflate calls to “sell” work to the lowest bidder. Locals join forces with progressive employers to serve as a proactive alternative to contracting out. Reliance is placed on Deming’s 14 points, TQM/TQC programs, labor-management teams, or other techniques for improving productivity, quality, and stakeholder satisfaction. Often able to get the parties past short-term solutions to long-term problems, this far-sighted strategy falters in requiring two items exceedingly rare in modern industrial relations—a *foundation of trust* between a local and a company along with the *persistence of goodwill* on the part of leaders on both sides.

Case Study: The Local that Came In From the Cold

As Al Bilik would be quick to agree, labor’s four counterstrategies do not exhaust the robust responses unions are making. Quite the contrary! New responses are being developed, field tested, improved, and disseminated, albeit with far less attention paid than warranted by the media, studies of industrial relations, and relevant trade unionists.

Outstanding in this regard is an ongoing experiment first developed in 1990 by three staffers, John Dalrymple, Steve Wolinsky, and Greg Lim, of California Bay Area Local 250 of the Service Employees International Union (SEIU). As explained to me in several lengthy interviews with Dalrymple, the experiment is being hosted by a section of the health care local made up entirely of emergency medical personnel (EMS), or paramedics and emergency technicians, working in the private sector.

Historically, EMS workers have been poorly paid, denied benefits, managed through intimidation, and treated shabbily by emergency room personnel. Not surprisingly, therefore, Dalrymple’s local rapidly won 25 out of 26 representation elections in Northern California, only to conclude that job satisfaction would elude their new dues payers until employee control increased over the *entire* work situation, from A to Z.

Ironically, the opportunity came here in the form of a standard notice that a management service contract had lapsed in San Mateo, California, and the management of the EMS work for that county would not go out for bid. Dalrymple’s local had used its political clout to have the new management contract require that the winning bidder give preference to the incumbent work force, thereby ensuring the local’s continuing representation.

Almost immediately the San Mateo EMS unit went into a funk. Members told Dalrymple there was nothing to do but wait passively on the sidelines while vendors courted the county commissioners. These elected officials would evaluate vendor presentations, assess the bids, and, in due course, indicate which vendor had been awarded a multi-year contract to administer the county's EMS system (that is, to boss Dalrymple's rank and file). All the SEIU unit could do was hope for the best and move rapidly to establish good relations with the vendor favored by supervisors who have little or no knowledge of EMS realities.

Dalrymple and his colleagues were struck by how emasculating this contracting out of managerial services was proving for the SEIU unit. Dalrymple, in particular, responded by thinking up a radical alternative to the status quo, one that might help this unit come in "from the cold." At a hastily called brainstorming session with the entire group, he sketched a bold new design to end their passivity and assume instead a major role as a player in the contract award process.

To make a long and complex story brief, the EMS unit proceeded to take five steps that made area labor-management history and might yet provide leads for a substantial redirection of national industrial relations.

First, the unit chose a small group of its own natural leaders, key figures in the unit's earlier organizing drive, to make up a provider selection committee (PSC). This group interviewed all of their coworkers and put together 30 questions to pose to the vendors (e.g., What is your firm's record in dealing with unions, and why? What sort of quality-control program do you favor? What communication system do you prefer for EMS van-to-base contact, and why?).

Second, the PSC endorsed the use of an "incident report" form Dalrymple had devised. It helped crews document current shortcomings in the system, like management's failure to keep up maintenance of the EMS ambulances and late response times totally the fault of a second-rate communications system. The committee used negative data collected in this way to impress area newspapers and TV reporters with the unit's keen interest in soon securing a far better management team and far superior backup systems with which to rescue accident victims.

Third, the committee invited the vendors to meet with it and answer the unit's 30 top questions. No union staff were present, as Dalrymple wanted rank and filers to rise to the occasion and feel the power inherent in this novel experience.

Fourth, the committee deliberated long and hard after all the answers were in. Authorized at the time of its creation to make a preferential ranking in the name of the entire unit, the PSC took its responsibility very seriously. Once its decision was reached, the committee used registered mail to alert the commissioners to employee preferences in the ongoing bidding war and the reasons for these preferences.

(Members of the committee, by the way, had previously made site visits to EMS operations run by various bidders, where they closely interviewed their counterparts and, in the case of union shops, the shop stewards and local officers.)

Finally, the committee explained to a meeting of the entire unit that win or lose on their preference for vendor, the unit had already won big! Thanks to its first ever screening interview with all the vendors, the unit had conveyed its agenda for upgrading EMS work and service to the community. The interviews had given the unit a rare opportunity to impress vendors with the intimate grasp rank and filers had of EMS issues. As well it made clear how wise was a course of mutual respect and cooperation between the unit and any vendor fortunate enough to win selection by the commissioners to administer that unit's operations.

Dalrymple remains very proud of the committee's effort which, thanks to over 100 hours of their volunteered unpaid work, paid off big when the commissioners essentially agreed with the committee's reasoning and chose one of the top two vendors deemed "preferable" by the unionists.

In three field trials since the adoption of this strategy the preference of the unionists has been seconded by county commissioners twice for a .750 success "score" in four efforts at influencing results.

Dalrymple is quite frank about criticisms aimed at these EMS experiments. First, opponents charge the unit with knuckling under. They insist a red-blooded local should fight against contracting out rather than merely help shape its outcome. Second, volunteers must have a lot of patience, collegial skills, and time to commit all assets in scarce supply in a typical local. Third, the ability of this strategy to earn adaptation throughout one union—better yet more than one—requires its adoption by a very high-placed elected officer: The fact that three hired staffers invented this tool leaves it suspended in air until a powerful politico high in the union hierarchy claims it as his/her own and lends the clout of his/her office to its promotion.

Volunteers to assume the committee's workload are scarce. And a "champion" has not yet appeared. The strategy therefore languishes at present, underutilized and undervalued, save for the fact that as of January 1993 Dalrymple was struggling to introduce it into a public-sector privatizing controversy involving the staff he represents at a California mental health institute. This strategy, he insisted to me during a San Mateo interview in December 1992, was far too expansive, exhilarating, and empowering to abandon.

In San Mateo itself, not coincidentally, the EMS unit and the management service vendor have since achieved a remarkable collaboration: SEIU stewards now help select front-line supervisors and new employees. They also provide seven of the eight members of a joint labor-management committee that controls how ambulance service is provided, what the EMS relations should be to area hospitals, and so on. Things have progressed so well and so far that San Mateo EMS personnel have been granted more medical discretionary authority than any other EMS personnel in the state, a very welcome development that unit activists trace back to morale boosted by labor's new role in the bidding process.

Summary

Privatization and contracting out are likely to persist as major flash points in industrial relations for many years to come, so great is the incessant pressure to get more for less, to achieve more customer/taxpayer satisfaction for less cost and less tax burden.

Unions recognize that only exposing the worst-case aspects of these two options will not suffice. Accordingly, outreach to progressive employers open to joint labor-management projects gains ground, as do the more familiar standbys of contract language, legislative "shields," and legal maneuvers.

Far more exciting is a fresh strategy to inject those affected directly into the bidding process. Instead of being invisible and meekly standing off to the side until elected officials choose among competing vendors, the new SEIU strategy propels its local into the fray as a decisive player in the vendor assessment process (initially and every time thereafter that the service contract is reopened for bid).

Should this strategy gain attention, adaptation, and applause from trend-setting unionists in the near future, three major changes might reshape American unionism. First, more power might be acceded by high-level officers to grass-root activists who volunteer for provider selection committees. Second, more consequential incentives might be

established to draw staffers into the kind of innovation exemplified by this strategy. And third, new schemes to publicize innovations and earn them "champions" among top power holders might be created at union headquarters.

In sum, a strategy of empowering those directly affected by contracting out is a strategy that honors the potential trade unionism uniquely recognizes in men and women on the front line. It helps them clarify what they really want from their work lives in the broadest sense of that question, and it empowers them to advance that agenda in the bidding process. It alerts others, such as the media and area politicians, to their deep concerns to do a still better job and their profound grasp of the job's many challenges. It earns overdue respect for the work force, overdue productivity gains for responsive management, and overdue rewards for stakeholders. Best of all, it replaces passivity and fatalism with creativity and empowerment, two critical substitutions if industrial relations and American unionism are to honor us all.

DISCUSSION

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Consistent with his recent work on labor union strategies for organizational innovation and revitalization (Shostak 1991), Shostak presents a compelling case study of local union membership mobilization. The recent case of a California Bay Area, SEIU paramedics' local demonstrates how enlarging the role of the local union can empower and energize its members. Demoralized by the enduring problem of contracting out of public services to private providers, the local union seized the opportunity to control the bidding process and subsequently exercised an unprecedented amount of influence in the final selection of the private provider who would become the effective employer of the local union members. Consequently the local union increased dramatically member involvement in union governance and administration and went on to achieve several similar collective bargaining gains in later years.

The practical lessons of this successful case of membership mobilization may be most applicable to small, occupationally homogenous, high-skilled craft local unions. Sociological research has shown that membership mobilization through worker self-determination may be most feasible in this type of local union because of the high levels of social cohesion and feelings of self-efficacy among the members. Larger, more heterogeneous, industrial local unions, in contrast, often are torn internally by factionalism along socioeconomic status lines, hindering the possibility of self-determined, concerted membership mobilization (Cornfield and Hodson 1993).

In a post-industrial service economy, however, membership mobilization through self-determination in *craft* local unions is likely to be applicable and pervasive. Many service industries consist of occupational structures which are more conducive to craft rather than industrial bargaining units. The AFL-CIO, for example, took this position in the recent case of hospital bargaining unit determination,

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advocating multiple, occupational craft bargaining units for hospitals. The case of Bay Area paramedics may indeed constitute a viable template for union membership mobilization in a post-industrial, service economy.

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DISCUSSION

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Activists and scholars of the labor movement are keenly interested in the question posed by Ruth Milkman: Can women transform the labor movement and the workplace? There is a “good news-bad news” aspect to Milkman’s paper. Women are increasing as a proportion of union members—the feminization of the union movement parallels the feminization of the work force. And women have clearly changed the terms of debate in both unions and the workplace. Work and family issues are now routinely discussed at the bargaining table, and affirmative action and diversity are legitimate issues in nearly all organizations. On the other hand, women still are underrepresented in positions of leadership, trapped by the reality of work and family life and demanding institutional rules and culture. Milkman correctly celebrates the changes that have been made but with an appropriate caution about these achievements.

Milkman uses as an example of the transformative power of women’s issues the campaign for pay equity for women workers. As the chair of the Pay Equity Task Force in Oregon, I was able to experience this power first hand, and subsequent research corroborates these findings. Pay equity is potentially transformative because it explicitly confronts the issue of values at the workplace. Through the campaign for pay equity, women are able to see themselves for the first time as valuable, highly productive workers.

This deserves some elaboration. Economists, union leaders, and women have confronted the wage gap between men and women for several decades. The strategies of the 1960s focused on equal pay for equal work, which we now know to be only a small part of the wage gap. Men and women do not perform the same work, so requiring equal pay for precisely equal work affected the wage gap in the most marginal way. Succeeding strategies focused on eliminating discrimination in hiring and promotion. Equal employment policies, including affirmative action, are important in breaking down sex segregation and expanding the opportunities for women workers. But they also

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had only marginal effects on the gender wage gap, although it is clear that the long-term effects of opening new job possibilities to women is now improving the wage gap for young workers.

These policies had a perverse side, however. They said to women that the path to a living wage was to change jobs, adopt a "nontraditional" career, or otherwise become more like a man. The campaign for pay equity carried the opposite message, that in order to eliminate the wage gap, we must upgrade wages in the jobs *where women work now*. Women began to ask *why* they should have to move in order to earn a living wage. While affirmative action was often an individual struggle, pay equity became a collective struggle that united women in challenging the historical and market determinants of wages.

The collective elements of the pay equity struggle truly did transform unions and their women members. Women were energized by explicitly examining the values of the marketplace. They asked why workers who took care of things should earn more than workers who took care of people. They asked why workers in the animal research laboratories earn more than workers in the child development center. Women seriously studied the relationships between wages, knowledge, and education, and they found that gender was an important independent determinant.

As Milkman states, the comparable worth reforms are "rooted in an innovative and deeply radical critique of the gender ideology surrounding the workplace."

So why did pay equity fizzle or at least move to the back burner? For a number of reasons, including adoption of management-oriented classification and compensation methodology, which limited the nature of the reform and the ability of management to control the agenda in some instances. However, pay equity also generated internal union dynamics which were not easy to deal with, and this has also had a dampening effect.

What other issues may become transformative in the sense Milkman suggests in creating a new model of unionism that has the concerns of working women at the center rather than the margins? Women and their unions now realize that the wage gap and women's status in the workplace is complex and cannot be solved with a piecemeal approach which first attacks wages, then family leave, then promotions, and so on. Only a sophisticated, integrated attack on sex segregation at work and in society will free women from their secondary status. This will become particularly important in this age of global economic restructuring and its effect on the workplace.

XV. DISSERTATIONS

Pattern Bargaining, Wage Uniformity, and the United Auto Workers: An Empirical Analysis

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There is a longstanding debate over how to characterize union goals: Are unions political entities or economic agents maximizing a wage and employment-based utility function? The goal underlying this thesis is to examine the collective bargaining objectives and outcomes of one international union, the United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), to better understand the nature of union goals and behavior.

A study of the stated goals of the UAW quickly reveals that the union's objective is equal wages for all of its members, regardless of the industry in which they are employed. The strategy the union employs for achieving this objective is pattern bargaining. Previous research on union behavior often overlooks the importance of pattern bargaining and what pattern bargaining implies about union goals. In addition, the importance of wage patterns is the subject of much debate. However, to comprehend UAW goals one must decipher the role of pattern bargaining in UAW contract negotiations. Thus this thesis examines wage determination via pattern bargaining for one union—the UAW. Due to data limitations and the complexity of the changes occurring in the 1980s, this thesis primarily concentrates on the pre-1980 period. My subsequent work attempts to overcome the data limitations and further analyze UAW pattern bargaining in the 1980s (Budd 1992). A thorough understanding of the pre-1980 period is

important not only for comprehending the 1980s but is important in its own right for understanding contemporary and historical union behavior and goals.

In conducting its pattern-bargaining strategy, except during the concessions of the early 1980s, the UAW begins each of its bargaining rounds by establishing a target settlement, or key bargain, with one of the "Big Three" automobile assembly companies. Note carefully that given the UAW's broad industrial coverage, the outcome of the key bargain sets the pattern not only for UAW negotiations in the auto industry, but also for those in agricultural implements, aerospace, and many other industries. For example, consider the following introduction from a consultant's report to a manufacturer of school furniture:

American Seating Company's interest in making early preparations for 1958 negotiations stems from its need to escape the UAW's automobile industry pattern of wages and fringe benefits.¹

Due to its size and scope, any UAW policy directly affects UAW workers in a wide range of industries and occupations. These interindustry ramifications make the UAW case especially interesting and important. This thesis estimates the influence of the target settlement on subsequent negotiations and analyzes what the observed behavior implies about the nature of union goals.

Two new data sets, one of UAW wage increases and one of UAW wage levels, that span 1950 to 1979 are constructed for the empirical analysis. The data do not include the 1979 round because major 1979 contracts were reopened early in 1982 in a round of concessionary bargaining.² Annual improvement factors and cost-of-living adjustments for UAW contracts for 1955-1979 are collected from *Current Wage Developments* and the annualized percentage increase in wages over the life of each contract is computed. The resulting sample contains 613 contracts in 95 UAW-firm bargaining pairs. The unit of observation for the second data set is the janitor's and tool and die maker's wage rate at the effective date of a UAW contract. Many UAW contracts contain the resulting base-wage rates as an exhibit or appendix to the agreement and this is the primary source for this data set. There are 321 and 294 wage observations for janitors and tool-makers respectively which span 1948 to 1981.

An introduction sets the foundation for the thesis by describing the UAW and its bargaining behavior in more detail. More importantly, the introduction shows that the observed behavior can be attributed to

the UAW—similar wage patterns did not exist prior to the UAW, nor, as is posited in the literature, did the National War Labor Board (NWLB) initiate the patterns. In fact, rather than serving as a basis for the UAW's wage uniformity, the NWLB was criticized by the UAW as promoting instability via area wage brackets rather than stability.

Chapter 1 explores the amount of pattern following exhibited by UAW wages and illustrates that pattern following occurs with respect to fringe benefits too. Contrary to the aggregate wage spillover literature (Burton and Addison 1977), the key bargain and wage rounds can be unambiguously identified in the single union case. Since the UAW announces the target firm before each bargaining round, one can unambiguously define a target wage. It is therefore straightforward to empirically estimate the importance of the target on subsequent UAW negotiations. Standard regression techniques are utilized to estimate the empirical magnitude of the target wage spillover within the UAW and to test what conditions affect the amount of pattern following. Depending on the specification, the coefficient on the appropriate target wage is generally in the 0.80 to 0.90 range—and always highly significant, for both wage levels and wage increases. The target wage spillover is unchanged when controlling for aggregate wage movements and region and industry effects. Budd (1992, Table 3) reports the regression results allowing the target spillover to vary by industry. The significant interacted coefficients are all negative so the pattern is followed most closely by the Big Three. Yet few statistically significant differences are found which means that many industries exhibit the same amount of pattern following as the Big Three. An F-test for the null hypothesis that all of the interacted coefficients are zero fails to be rejected in the percent increase data, but not in wage levels. Note the uniformity across the industries, especially agricultural implements and aerospace.

In addition to primary industry, chapter 1 shows that the importance of the target, i.e., the amount of pattern following, varies with some bargaining-pair characteristics but is invariant with respect to others. Most notably, larger bargaining units follow the pattern most closely as do units that settle shortly after the target. Strikingly, firm-specific profit measures, constructed from corporate balance sheet data and equity returns, do not influence the amount of pattern following. This is in contrast to the results of previous studies (Levinson 1960; Alexander 1961). In sum, chapter 1 shows that a very important empirical relationship between the target wage settlement and subsequent UAW settlements is present in data on UAW contracts

before 1980. The result is consistent with the UAW's rhetoric, but there may be alternative market-based explanations.

Chapter 2 tests whether the empirical spillover effect can be explained by traditional neoclassical models of union behavior or an explicit UAW wage uniformity objective. Models typically found in the economics literature imply that the UAW should act as a price discriminating monopolist, not strive for wage uniformity. Chapter 2 tests for various alternative hypotheses under which the UAW is price discriminating and yet the observed empirical spillover effect would still be found.

Even in the absence of a UAW wage uniformity objective, the target wage might still be highly correlated with other wages for several possible reasons. A competitive labor market would yield uniform wages. A comparison of the dispersion of UAW contract wages with other samples, the lack of a U.S. Steel spillover, major industrial union settlements that look much different than UAW settlements, and a much smaller target wage spillover into aggregate wages all illustrate that a competitive labor market is not driving the results, nor is spurious correlation between UAW wages.

In addition, chapter 2 develops two major alternative scenarios in which the union acts as a price discriminating monopolist, but a significant spillover effect is also predicted. First, it has been previously recognized that separate identification of spillover and alternative wage effects is troublesome. However, microdata on a single union with a well-defined target settlement alleviates the problem. The target spillover effect is still found to be crucial for subsequent UAW negotiations even after carefully controlling for alternative wages. Second, it may be the case that the union is contracting based on firm-specific profit levels and an empirical spillover is found due to profit correlations. In other words, there is the possibility of an omitted variable problem. Nevertheless, controlling for firm and industry profit conditions is not found to diminish the target's importance. Additionally, the correlation between a firm's equity return and the automobile assembly firms' equity returns is not an important determinant of the amount of pattern following.

These alternative theories are not sufficient to explain the amount of pattern following exhibited by the UAW data. The target spillover is the most important empirical determinant of subsequent UAW contract outcomes. In contrast to previous work on modeling union behavior, which predicts that the union should act as a price discriminating monopolist, the data support an explicit UAW wage

uniformity objective. This is a departure from conventional wisdom regarding union utility functions and goals. A fuller analysis of why the UAW places emphasis on pattern following and wage uniformity is addressed in chapters 3 and 4 in order to better understand union objectives and behavior.

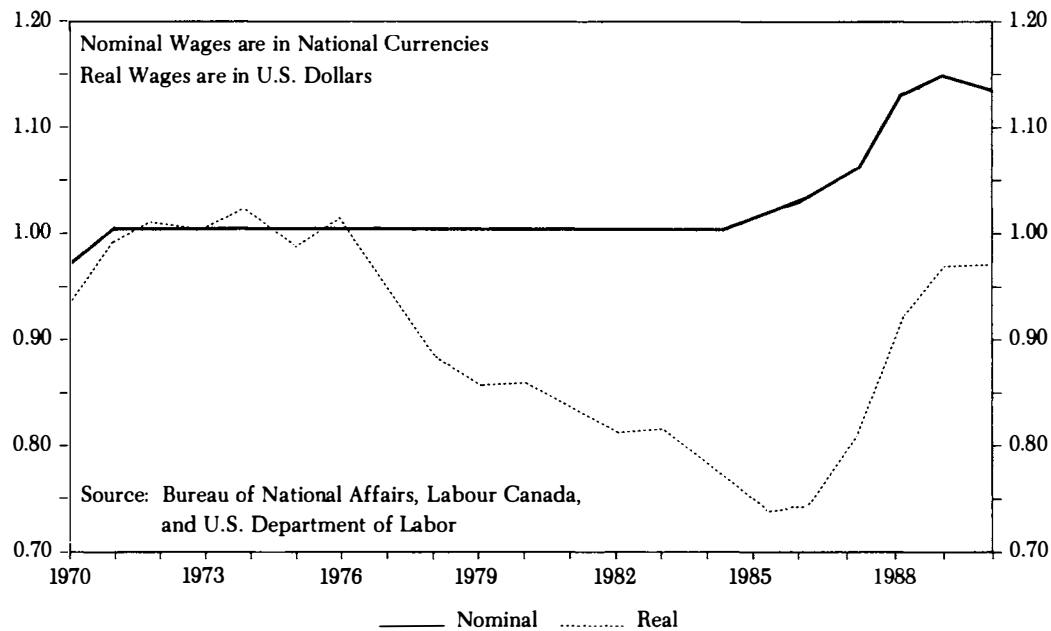
While the economics literature has ignored the widespread wage uniformity objectives of many unions, the industrial relations literature has not. Yet discussions of the rationale behind these uniformity objectives focus almost exclusively on "taking wages out of competition." Chapter 3 argues that the observed uniformity of UAW wages documented in chapters 1 and 2 is not satisfactorily explained simply by a UAW strategy to "take wages out of competition." Taking wages out of competition is important within a single firm or industry, but the UAW's uniformity extends across industries. An examination of the UAW's behavior in the Canadian automobile assembly industry also undermines the idea that the UAW's uniformity can be explained by taking wages out of competition.

In the 1967 UAW contracts with the Big Three, provisions were negotiated for achieving wage parity between workers in the U.S. and Canada within each of the Big Three automakers. But note carefully that only nominal wage parity was attained:

... base wage rates in plants of Chrysler Canada will be stated in Canadian currency and base wage rates in U.S. Chrysler plants will be stated in U.S. currency with the understanding that both currencies are on par with each other, regardless of the rate of exchange at any given time.³

This wage uniformity policy of the UAW led to the assembler wage rate at Ford in Canada being less than 80 percent of the U.S. Ford assembler wage in real terms in 1984, even though the assembler rate in each country was \$12.83 per hour. Figure 1 illustrates the extended decline of the wage rate in U.S. dollars of Ford assemblers at Canadian plants. If taking wages out of competition is the union's objective, uniform labor costs should be pursued. While employment stability was a UAW objective in 1967, nominal parity was continued in spite of the extended erosion of the real wage in Canada relative to the U.S. What makes the UAW's policy striking is that equal wage rates denominated in home currency irrespective of the exchange rate were maintained even in the face of dwindling U.S. employment, while Canadian employment was more stable due to the real labor cost

FIGURE 1
Ford Assembler Wages
Canadian Wages as a Fraction of U.S.



differences. Additionally, the employment situation did not even directly cause the UAW leadership to change its policy: the Canadians had to fight fiercely to increase their wages in 1984 which precipitated the U.S.-Canadian UAW split. These events illustrate that more underlies the UAW's wage uniformity policy than simply taking wages out of competition. Important political influences need to be incorporated into models of union behavior before union behavior can be better understood.⁴ These political influences are more fully analyzed in chapter 4.

Overlooked by previous authors is an important rationale for wage uniformity and pattern bargaining—the UAW leadership pursues equal treatment for the rank and file in order to seek to minimize factional conflicts within the union to maintain its leadership position. Wage uniformity can also lessen the chances of conflicts with other unions. This chapter makes an important contribution by not only discussing reasons underlying the wage uniformity objectives of the UAW but, more importantly, by presenting actual evidence in support of these hypotheses. This paper focuses primarily on political reasons for wage uniformity, not because economic reasons are unimportant but because political reasons have clearly been overlooked in the literature on union behavior. This is reminiscent of the famous Ross (1948) book.

A review of the equity theory literature shows that worker perceptions of fairness relative to other workers is an important determinant of worker behavior. This literature also finds that both within-firm and across-firm comparisons are important. This is important for the understanding of the UAW's behavior. Archival evidence presented in chapter 4 shows that UAW workers are quite aware of UAW settlements at other firms. More importantly, these concerns translate into a potential source of conflict within the UAW. For example, in a letter to the UAW General Motors (GM) department director regarding ongoing negotiations, the chairman of the Local 292 shop committee at a Delco Radio plant, a GM division, wrote,

Our members realize the low relative scale they endure in the general wage structure of GM and will not be inclined to ratify any Agreement that does not provide for Corporation rates for Delco Radio Workers.⁵

This clearly illustrates two points: First, workers are aware of how their wages compare to other wages within the union, and second, that this comparison is thought to be the basis for rejecting a substandard

contract. Within-industry comparisons are important too. A letter to the director of UAW Region 4 from a field representative begins,

Recently the International Harvester Company and several unions, one of which I understand is our union, negotiated wage increases for hourly workers. This created a problem in the John Deere Plants and I am under pressure to make similar demands on John Deere Management.⁶

After asking for the terms of the International Harvester settlement, the letter concludes by saying that this information is necessary "to pacify our membership." Thus workers are aware of gains the UAW was making for workers at other firms, and unless similar gains are made for them, the UAW leadership will face problems. Evidence on interindustry comparisons is also presented.

These interindustry comparisons within the UAW are quite important for several reasons. The history of the UAW is characterized by intense factionalism which yields an overwhelming need for unity and solidarity. Additionally, due to the centralized organizational structure of the union (stemming, in part, from the factionalism), national officials are responsible for contract terms and are held accountable for the outcomes. The central leaders also have to be quite sensitive to criticisms of favoritism. Finally, a single strike fund makes it clear to UAW members that their dues money supports strikes in other industries. Archival evidence supports these claims.

There is also clear motivation for pattern-following settlements that was pointed out by Ross (1948) but has been wrongfully dismissed since then. There have been intense union rivalries, especially between the UAW and Machinists in aerospace and between the UAW and Farm Equipment Workers in agricultural implements. Chapter 4 presents evidence that shows that wage comparisons play a pivotal role in trying to win workers' NLRB election votes. Subpattern contracts are ripe ammunition for the propaganda campaigns of other unions. Also, plants with subpattern contracts are prime targets for raids due to the increased likelihood of worker dissatisfaction with the union leadership.

In conclusion, this thesis undertakes an in-depth empirical analysis of the UAW's bargaining behavior in order to better understand union goals and behavior. While pattern bargaining has weakened in the last decade, an understanding of the earlier period is important for understanding more recent events since similar behavioral determinants are present. Contrary to popular beliefs, wage spillover effects

within the UAW are a primary determinant of contractual outcomes, especially before 1980. These spillover effects are found to be rooted in important political realities of a large, diverse industrial union. Previous work on modeling union behavior from a purely economic standpoint is therefore quite misleading. Modern economists need to recognize the importance of political pressures in addition to economic forces within trade unions in order to better understand union goals and behavior and the unionized wage determination process.

Endnotes

¹ "Recommendations Concerning Preparation for 1958 Negotiations," reported by Fred Rudge Associates, Inc., to American Seating Company, July 31, 1957. From the files of Fred Rudge Associates, Inc., Industrial Relations Library, Princeton University.

² Furthermore after 1979 the data coverage in *Current Wage Developments* deteriorates.

³ Chrysler announcement of the 1967 settlement as quoted in *Daily Labor Report*, No. 219, November 9, 1967, p. A-11.

⁴ Two examples serve to illustrate the terminology employed in this thesis. Wage uniformity between auto assembly and auto parts firms to prevent outsourcing of parts is an example of what I term an economic reason. A political reason is wage uniformity or pattern following because workers covered by below-pattern settlements are likely to be more dissatisfied with their union leaders.

⁵ Letter dated September 21, 1964, UAW GM Department collection, Series V, Box 2, Walter P. Reuther Library of Labor and Urban Affairs, Wayne State University (WSU).

⁶ Letter dated November 18, 1947, UAW Agricultural Implement Department collection, Series 2, Box 1-1, WSU.

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Executive Compensation Structure and Firm Characteristics

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The substantial research on executive compensation has mostly focused on the determinants of executive pay *level*. The determinants of the executive pay mix remain largely unknown. This study investigates the relationships between executive pay mix and firm characteristics. It also has two other merits: it includes some firm variables thus far ignored in executive compensation studies and it improves on executive pay measures. No earlier studies have ever attempted to include *all* important components of executive compensation, particularly pension benefits and various long-term incentives (Ehrenberg 1990). This study includes data on all these items and thus represents a true total compensation approach.

Theoretical Framework and Hypothesis Development

The development of agency theory provides a pertinent framework for executive compensation studies. Under this framework, executives are viewed as agents hired by principals (shareholders as represented by the board). Agency theory recognizes that individuals are self-interest driven and that agents will not invest their best effort unless such investment is consistent with maximizing their own utility. The agent problem also involves information asymmetry. Agents may possess informational advantage because principals cannot observe agents' behavior or do not have the expertise to judge the agents' action. In addition, the agent and the principal have different risk preferences and different degrees of risk vulnerability. The varying degrees of risk vulnerability of agent and principal can influence their attitudes towards risks (Eisenhardt 1989).

Therefore, the agency relationship constitutes the fundamental need for *self-enforcing* incentive contracts, which can appropriately motivate the agent to exert optimal effort. In other words, the principal needs to strike a balance between a behavior-oriented contract (cash

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pay) and an outcome-oriented contract (performance-contingent pay) in any given situation. The task is, therefore, to analyze firm situations and find out what mixture of behavior-based and outcome-based pay firms adopt to alleviate the agency problem. The firm characteristics believed to have important impact on executive pay mix are firm performance, product diversification, R&D intensity, growth rate, board composition, and director ownership structure.

Firm performance. Firm performance is argued here as having the most direct link with the long-term incentive proportion of compensation. This argument is directly in line with the agency theory discussed above. Because of the unobservability of executives' effort, principals will set up self-enforcing mechanisms to extract effort from executives. A large share of long-term performance-based pay is such a mechanism. Leonard (1989) found that managerial base and bonus pay were hardly influenced at all by changes in firm profitability, but executive contingent pay was heavily related to firm performance. This reasoning yields the hypothesis:

H1: Firm performance is negatively related to the proportion of cash and benefits pay, and positively related to the proportion of long-term incentive pay.

Diversification. Product diversification is generally argued to be aligned with the interests of management but not in line with the maximization of shareholder wealth (Hill and Snell 1989). Managers favor diversification for two reasons. First, it is often the best way to maximize the size of the firm, which is believed to boost managerial power. Second, it allows managers to diversify their own employment risk. Assuming agency theory is at work, managerial propensity to diversify will be controlled by shareholders through the reward system. Therefore, the greater extent of diversification, the greater need for shareholders to monitor managerial behavior and, thus, the higher proportion of outcome-based pay.

H2: The extent of diversification is negatively related to the proportions of cash and benefits compensation and positively related to the proportion of long-term incentive pay.

R&D intensity. R&D intensive firms are usually also high-tech firms. Agency theory argues that high R&D spending firms have a greater need to use incentives to combat the principal-agent problem. The explanation involves the assumption of information asymmetry,

because executives in those firms have better knowledge and easier access to technical information and their behavior cannot be as easily monitored or controlled. Executives in R&D intensive firms can manipulate information in their own best interests. Therefore R&D intensive firms have more need to control the problem with long-term binding incentives. As Balkin and Gomez-Mejia (1987) argued, incentive pay as a proportion of total compensation should be higher in high-tech firms, and the use of an incentive-based strategy should be more effective in high-tech industry.

H3: R&D intensity is positively related to the proportion of long-term incentive pay and negatively related to the proportions of cash and benefits pay.

Firm growth rate. Firms at the growth stage have greater reliance on human capital and a greater need for motivating its employees. These firms also face a higher degree of market risks and the executives attracted by these firms are more likely to be risktakers. Furthermore, firms with a higher growth rate are less likely to afford competitive cash compensation to their executives and will be glad to shift portions of their fixed compensation cost to a variable cost in the future. For these firms, incentive pay functions not only to finance future growth but also to motivate executive effort. Therefore:

H4: Firms with a greater growth rate will structure a higher proportion of long-term incentive pay and lower proportions of cash and benefits pay.

Board composition and board ownership structure. Agency theory casts the board in the role of a guardian for stockholder welfare (Fama and Jensen 1983). In strategy literature the managerial hegemony hypothesis argues that the board serves merely as a rubber stamp, since board members are in most cases handpicked by management (Pfeffer 1972). Other scholars (Kimberly and Zajac 1989) argue that the board is in control of management and that executives only serve at the pleasure of the board. The middle ground is occupied by the argument that the ability of the board to act as a guardian for stockholders is a function of board composition (Mizruchi 1983). Inside directors are argued to be rubber stamps because their interests are assumed to be aligned with those of management, while outsiders are assumed to have greater independence from management and their interests are more aligned with those of stockholders. Therefore

the ratio of outsiders to insiders on the board is argued to be a critical indicator of board alliance with stockholders.

H5a: The ratio of board outsiders to insiders is positively related to the proportion of long-term incentive pay and negatively related to the proportions of cash and benefits pay.

Related to board composition is the issue of board ownership structure. According to agency theory, large ownership by outside directors should align their interests to those of shareholders and provide strong incentive for them to be shareholders' guardians. To test this idea, the ratio of outside directors' ownership to inside directors' ownership is used to measure the power balance between outside directors and inside directors. The larger the ratio, the more representative the board of shareholder interests and the less managerial discretion.

H5b: The ratio of outsiders' ownership to insiders' is positively related to the proportion of long-term incentive pay and negatively related to the proportions of cash and benefits pay.

Methods

The sample consists of 66 firms from the Fortune 500 industrial corporations with the five highest-paid executives selected from each firm, making a sample of 330 executives. To test the robustness of the hypotheses, five alternate years' data (1980, 1982, 1984, 1986, and 1988) are included. The dependent variables are the ratios of three major components to the total executive compensation. The cash component includes base salary and bonus; the long-term incentive component includes stock options, stock awards, and performance shares/units; the benefits component includes pensions, savings plans, profit-sharing plans, etc. All compensation data are from proxy statements. Stock options are valued using the Black-Scholes model. Other types of equity-based pay are valued individually according to stock prices provided by the CRSP tape. Pension benefits are annualized using pension plan formula and actuarial tables. Board composition and director ownership data are also from proxy statements. Firm performance, R&D spending, and firm growth data are taken from *Compustat*. These three items are lagged by one year on the ground that compensation should be influenced by the previous year's data for

these variables. Performance is measured by return on equity (*ROE*), *R&D* spending is measured by the ratio of R&D spending to total sales, and growth rate is measured by the percentage growth rate in sales over the previous year. Diversification is measured by the number of four-digit SICs that a firm assumes. The following regression model is specified:

$$R_{ij} = \alpha_{0j} + \alpha_{1j}ROE_i + \alpha_{2j}DIVE_i + \alpha_{3j}R\&D_i + \alpha_{4j}GROWTH_i + \alpha_{5j}O/I_i \\ + \alpha_{6j}OH/IH_i + \alpha_{7j}AGE_i + \alpha_{8j}TENURE_i + \alpha_{9j}SALES_i + \epsilon_{ij},$$

where R_{ij} is the ratio of the j th component of the i th executive's total compensation, with j ranging from 1 to 3, indicating the three pay components, and i ranging from 1 to 330, indicating the observations. *ROE*, *R&D*, and *GROWTH* are self-explanatory; *DIVE* is diversification; *O/I* is the outsider-insider ratio on the board; *OH/IH* is the outside-inside director ownership ratio. Executive age (*AGE*), tenure (*TENURE*), and firm sales (*SALES*) are included as control variables. Sales (in millions) data are also lagged by one year. The first testing uses the mean value of all five years' data. The second testing uses the yearly samples to test the robustness of the hypotheses.

Results

Table 1 presents the descriptive statistics of firm variables. The *variance-inflation factor* method was used to find no serious multicollinearity. Table 2 reports the descriptive statistics of compensation. Table 3 reports the empirical findings.

Most of the hypotheses are confirmed with strong statistical significance and high robustness. Firm performance shows significant positive impact on the proportion of long-term incentive pay and negative impact on the proportions of cash and benefits pay, lending support to H1. H2 is also strongly and consistently supported by the cash and long-term share yearly equations, although not by the benefits equations. Both R&D intensity and firm growth show strong and significant influence on long-term pay proportion and negative impact on the cash share and benefits share. These findings confirm H3 and H4. The findings concerning board composition indicate that outside board members do have positive influence on the share of long-term incentive pay and negative influence on the shares of cash and benefits, confirming H5a. However, H5b (the hypothesis about the relationships between director ownership and pay mix) is not confirmed. Results show that the outsider-insider ownership ratio is related to pay mix in directions opposite to the hypothesized

TABLE 1
Descriptive Statistics and Pearson Correlations of Firm Variables

VARIABLE	MEAN	SD	MIN	MAX	1	2	3	4	5	6
<i>Mean Sample: N = 66.</i>										
1 SALES	5346	6317	234	61453						
2 ROE	11.43	12.01	-63.3	75.13	033					
3 DIVE	9.43	7.69	1.00	37.00	-025	-144****				
4 R&D	3.22	2.91	0.00	13.27	-092***	100***				
5 GROWTH	14.22	73.03	-54.24	507.1	266****	-032	-049*	021		
6 O/I	2.68	2.20	0.00	14.00	-110****	-123****	154****	-028	-040	
7 OH/III	1.75	2.86	0.00	45.30	-094****	033	116****	-132****	-026	107***
<i>Yearly Sample: N = 66.</i>										
<i>YEAR = 1980</i>										
1 SALES	3756.5	6446.2	122.45	44721						
2 ROE	15.15	12.07	-68.35	30.11	-174***					
3 DIVE	10.30	7.81	1.00	35.00	-036	-065				
4 R&D	2.18	2.20	0.00	8.01	-040	091	-207***			
5 GROWTH	16.78	93.11	-97.42	709.10	092****	-147**	-103	148		
6 O/I	2.27	1.43	0.00	6.00	-080	-102	305****	-033	-111*	
7 OH/III	2.35	4.54	0.00	19.40	-089	074	197***	-050	-084	386***
<i>YEAR = 1982</i>										
1 SALES	5141.2	9608.9	150.3	64488						
2 ROE	15.38	10.79	-14.40	88.16	-035					
3 DIVE	10.77	7.47	1.00	51.00	-003	-047				
4 R&D	2.63	2.45	0.00	9.36	-126*	001	-255****			
5 GROWTH	8.68	9.80	-19.69	35.97	012	253****	-118*	-102		
6 O/I	2.64	2.25	0.14	16.00	-110*	023	278****	011	051	
7 OH/III	1.78	4.48	0.00	26.60	-061	080	109*	-057	-109	064

TABLE 1 (Continued)
Descriptive Statistics and Pearson Correlations of Firm Variables

VARIABLE	MEAN	SD	MIN	MAX	1	2	3	4	5	6
<u>YEAR = 1984</u>										
1 SALES	5096.8	9074.9	225.95	54607						
2 ROE	10.51	11.54	-29.92	29.29	.039					
3 DIVE	10.85	8.16	1.00	33.00	-.040	-.240****				
4 R&D	3.08	2.87	0.00	11.25	-.137*	.248****	-.217***			
5 GROWTH	7.17	15.27	-18.04	65.55	-.077	.447****	-.119*	.001		
6 O/I	2.75	2.66	0.15	14.00	-.093	-.157**	.217****	-.102	-.197***	
7 OH/IH	1.47	4.13	0.00	25.40	-.077	-.061	.199***	-.145*	-.077	.208***
<u>YEAR = 1986</u>										
1 SALES	5507.3	9784.1	276.9	55960						
2 ROE	6.69	23.59	-111.3	38.79	.130*					
3 DIVE	9.98	7.39	1.00	33.00	-.037	-.241****				
4 R&D	3.50	3.25	0.00	14.65	-.135*	.182**	-.192***			
5 GROWTH	-.070	10.85	-35.25	29.67	.026	.440****	-.174***	.006		
6 O/I	2.85	2.60	0.20	14.00	-.135*	-.224****	.014	-.089	.023	
7 OH/IH	118	3.45	0.00	23.90	-.108*	.015	.160**	-.096	.127*	.109*
<u>YEAR = 1988</u>										
1 SALES	5948.0	10919	391	71643						
2 ROE	15.69	10.57	-5.24	54.75	.074					
3 DIVE	10.06	7.61	1.00	43.00	-.013	-.127*				
4 R&D	3.56	3.38	0.00	15.27	-.095	.050	-.284****			
5 GROWTH	16.14	33.06	-17.68	204.96	-.041	-.141**	-.046	-.089		
6 O/I	2.89	1.73	0.28	10.00	-.175***	.065	.006	.030	.184***	
7 OH/IH	1.96	7.28	0.00	51.20	-.113*	-.004	.016	-.200***	-.172	-.017

* Statistically significant at the .1 level; ** at the .05 level; *** at the .001 level; **** at the .0001 level.

Correlation decimals are omitted.

TABLE 2
Descriptive Statistics of Executive Compensation

VARIABLE	MEAN	SD	MIN	MAX
<i>Full Sample: N = 1650 executive-year.</i>				
CASH	424.39	283.74	70.00	3340.0
LTP	473.77	962.30	0.00	18327.3
BEN	79.53	77.93	0.00	977.2
TCOMP	977.7	1140.5	92.40	19647.1
RCASH	54.34	18.15	3.50	100.0
RLTP	35.77	20.51	0.00	95.8
RBEN	9.89	5.82	0.00	64.3
<i>Yearly Sample: N = 330 executives.</i>				
<u>YEAR = 80</u>				
CASH	302.0	156.5	70.0	1028.0
LTP	245.8	373.8	0.0	3450.5
BEN	63.8	73.0	2.1	977.2
TCOMP	611.6	511.7	92.4	4389.7
RCASH	58.9	18.7	17.2	98.7
RLTP	30.0	20.9	0.0	78.8
RBEN	11.1	6.3	0.5	59.0
<u>YEAR = 82</u>				
CASH	333.1	169.9	70.0	1105.0
LTP	353.8	652.4	0.0	10007.0
BEN	75.5	91.8	0.0	936.5
TCOMP	762.4	734.3	144.0	10444.9
RCASH	52.6	18.4	3.5	99.1
RLTP	36.9	20.5	0.0	95.8
RBEN	10.5	6.7	0.0	64.3
<u>YEAR = 84</u>				
CASH	419.6	244.1	95.0	1580.0
LTP	396.0	777.4	0.0	9626.0
BEN	73.9	64.2	0.0	578.0
TCOMP	889.4	939.7	123.0	1145.5
RCASH	56.5	17.1	10.7	95.4
RLTP	33.6	19.5	0.0	88.0
RBEN	9.8	5.3	0.0	44.2
<u>YEAR = 86</u>				
CASH	472.7	290.2	85.0	1961.0
LTP	554.4	1061.5	0.0	11470.0
BEN	85.4	76.0	0.0	653.0
TCOMP	1112.4	1235.8	119.7	12340.4
RCASH	53.7	17.0	6.1	98.6
RLTP	36.8	19.0	0.0	93.0
RBEN	9.5	5.0	0.0	34.3
<u>YEAR = 88</u>				
CASH	592.7	389.3	106.0	3340.0
LTP	815.4	1462.1	0.0	18327.3
BEN	98.9	77.9	0.0	691.8
TCOMP	1507.0	1675.3	188.5	19647.0
RCASH	50.0	18.3	5.8	100.0
RLTP	41.5	20.9	0.0	93.3
RBEN	8.6	5.2	0.0	43.5

CASH, LTP and BEN represent cash, long-term incentive, benefits components in thousands.

TCOMP represents total executive compensation in thousands.

RCASH, RLTP and RBEN represents cash, long-term incentive, benefits shares of TCOMP in percentage terms.

TABLE 3
Compensation Share Equation Results (t-statistics in parentheses)

A. Cash Share Equation						
Variable	Mean Value	1980	1982	1984	1986	1988
Constant	54.58**** (12.29)	69.577**** (6.898)	48.09**** (5.145)	47.002**** (5.338)	60.95**** (6.800)	33.864**** (3.123)
ROE	-.1112**** (3.739)	-.1602*** (3.199)	-.3110**** (3.440)	-.1776** (1.964)	-.2218**** (5.182)	-.2158** (2.296)
DIVE	-.2052**** (3.456)	-.4526** (2.456)	-.4746*** (3.224)	-.3586**** (3.345)	-.3987*** (3.272)	.0299 (.221)
R&D	-.3773** (2.312)	-.5572*** (3.033)	-.4031*** (2.424)	-.5238**** (3.833)	-.3064 (1.049)	-.9144**** (2.784)
GROWTH	-.1050** (2.381)	-.1267**** (3.410)	-.1103** (2.026)	-.1114** (2.307)	-.1514* (1.684)	-.1229**** (3.826)
O/I	-.0182**** (6.831)	-.0224*** (2.576)	-.0187** (1.987)	-.0168**** (4.900)	-.0215**** (6.010)	-.0176**** (5.160)
OH/IH	.0065** (2.03)	.0034** (2.120)	.0076**** (3.490)	-.0087 (.428)	.0077*** (2.827)	.0057*** (3.291)
AGE	.1387* (1.909)	.1796** (1.979)	.1726* (1.936)	.4750*** (2.716)	.1187 (1.593)	.1740**** (2.884)
TEN	.1273*** (2.687)	.2742** (2.388)	.3549*** (3.291)	-.0984 (1.043)	.3440 (.367)	.3631** (2.141)
SALES	-.0002**** (3.599)	-.0001**** (4.165)	-.00042**** (4.415)	-.00032**** (4.443)	-.00004** (2.451)	-.00003**** (3.319)
R-SQ.	.2452	.2357	.2327	.2112	.1990	.2532

N = 330.

* Statistically significant at the .1 level; ** at the .05 level; *** at the .01 level; **** at the .001 level.

TABLE 3 (Continued)
 Compensation Share Equation Results (t-statistics in parentheses)

B. Long-Term Pay Share Equation						
Variable	Mean Value	1980	1982	1984	1986	1988
Constant	37.03*** (7.401)	20.113* (1.803)	51.125**** (4.929)	41.905**** (4.133)	26.57*** (2.649)	61.56**** (5.023)
ROE	.1395**** (4.164)	.2498** (2.373)	.3746**** (3.731)	.2312* (1.807)	.2504**** (5.237)	.2375* (1.827)
DIVE	.0967* (1.846)	.2362*** (2.613)	.2818*** (2.584)	.2583* (2.093)	.3141* (2.304)	.3353*** (3.231)
R&D	.4612** (2.509)	.7048*** (2.651)	.5871** (2.143)	.6650**** (4.431)	.4476 (1.37)	.9807*** (2.642)
GROWTH	.1507** (2.291)	.1256*** (3.201)	.1441** (2.340)	.1898** (2.290)	.2058*** (2.726)	.1375*** (3.025)
O/I	.1332**** (6.875)	.0316*** (3.288)	.0056*** (3.117)	.0020**** (5.115)	.0231**** (5.759)	.0209 (.5790)
OH/IH	-.0800** (2.344)	-.0116**** (3.374)	-.0051** (2.111)	-.0014 (1.006)	-.0091**** (3.012)	-.0088**** (3.673)
AGE	-.1799* (1.853)	-.1724*** (2.809)	-.3019** (2.473)	-.5244*** (2.604)	-.0920 (1.479)	-.2542*** (3.142)
TEN	-.1029* (1.926)	-.2970** (2.34)	-.3871*** (3.205)	-.1913* (1.761)	-.0285 (.271)	-.3002** (2.128)
SALES	.0003**** (4.348)	.00024**** (3.996)	.00047**** (4.414)	.00037**** (4.898)	.00032** (2.317)	.00022**** (5.215)
R-SQ.	.2735	.2483	.2306	.2057	.1971	.2188

N = 330.

* Statistically significant at the .1 level; ** at the .05 level; *** at the .01 level; **** at the .001 level.

TABLE 3 (Continued)
Compensation Share Equation Results (t-statistics in parentheses)

C. Benefits Share Equation						
Variable	Mean Value	1980	1982	1984	1986	1988
Constant	8.389*** (5.893)	10.31*** (2.866)	.7852** (2.122)	11.09*** (3.574)	12.476*** (5.293)	4.572* (1.720)
ROE	-.0283*** (2.972)	-.0896* (1.712)	-.0636* (1.777)	-.0536* (1.804)	-.0286*** (2.579)	-.0217* (1.943)
DIVE	.1065*** (5.698)	.2164*** (4.019)	.1928*** (3.617)	.1002*** (2.652)	.0846*** (2.638)	.1054*** (2.650)
R&D	-.0839 (1.604)	-.1476* (1.806)	-.1840 (1.112)	-.1412* (1.838)	-.1412* (1.838)	-.0663* (1.824)
GROWTH	-.0457* (1.679)	.0011 (.380)	-.0338* (1.797)	-.0784* (1.838)	-.0484*** (3.314)	-.0146* (1.659)
O/I	-.1150*** (2.858)	-.0092*** (2.973)	.0131 (.383)	-.0034*** (2.807)	-.0016* (1.3)	-.0033*** (2.061)
OH/IH	.0735** (2.556)	.0082** (1.965)	-.0025*** (2.914)	.0101 (1.167)	.0015* (2.065)	.0031** (2.014)
AGE	.0413 (1.496)	-.0071 (.104)	.1292* (1.770)	-.0494 (0.801)	-.0269 (1.017)	0.080* (1.661)
TEN	-.0244 (.1611)	.0229 (.560)	.0322 (.748)	-.0929*** (2.794)	-.0627** (2.547)	-.0371* (1.790)
SALES	-.0001*** (4.055)	-.00014* (1.712)	-.00005* (1.673)	-.00005* (1.678)	-.00005** (2.186)	-.000034** (2.041)
R-SQ.	.2643	.1884	.2434	.1607	.2385	.1890

N = 330.

* Statistically significant at the .1 level; ** at the .05 level; *** at the .01 level; **** at the .001 level.

directions. These findings seem counterintuitive and warrant further discussion. It is important to note that most of the confirmed relationships demonstrate surprisingly strong robustness across the five sample years in a nine-year time span. The robustness greatly enhances the external validity. It is also important to note that results with the benefits equations are generally weaker than those of cash pay and the long-term pay equations. The reason may be that included in the benefits component are diverse items which may manifest different characteristics in terms of their motivating effects. In addition, benefits may have less variation across firms. Table 4 presents a summary of the results.

Discussion and Conclusions

The findings offer a host of implications. First, this study pinpoints relationships of firm performance to different components in the compensation package. Second, findings on the links between diversification and executive pay mix imply that certain accountability, in the form of a more volatile pay package, is imposed on executives for their propensity for diversification. Third, empirical evidence on relationships between R&D intensity and executive pay mix and on relationships between firm growth and pay mix generalizes findings by Balkin and Gomez-Mejia (1987) for high-tech firms to a sample of Fortune 500 firms. Fourth, findings on board composition are supportive of the argument by Mizruchi (1983): the board may not be a mere rubber stamp, at least not if there is a large number of outsiders on the board. One way for executives to reduce pay risk is to have fewer outsiders on the board. This result is particularly interesting when linked with the somewhat counterintuitive findings about director ownership, i.e., outside directors' ownership is consistently positively related to proportions of cash and benefits pay and inversely related to the proportion of long-term incentive pay. The issue of short-term market value vs. long-term performance may be brought to bear here. It is possible that outsiders with large ownership tend to emphasize short-term market gains and prefer to structure a greater proportion of short-term rewards (i.e., base pay and bonus) into the compensation package to encourage executive actions aimed at boosting short-term market value. If the objective of the firm is to maximize the present value of shareholder long-term wealth, then firms should have more outsiders on the board but should not let them have too much ownership or should not have outsiders with already large ownership on the board. On the other hand, executives who want to have a more stable

TABLE 4
Summary of Hypothesis Testing Results

H#	Indep. Vars.	Cash Pay	L. T. Inc. Pay	Benefits Pay
H1	Performance	Confirmed in all equations; <i>extremely robust.</i>	Confirmed in all equations; <i>extremely robust.</i>	Confirmed in all equations; <i>extremely robust.</i>
H2	Diversification	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>	Confirmed in mean value equation, and in all yearly equations; <i>extremely robust.</i>	Unconfirmed with contrary evidence; <i>high robustness.</i>
H3	R&D spending	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>	Partially confirmed; <i>low robustness.</i>
H4	Firm growth	Confirmed in all equations; <i>extremely robust.</i>	Confirmed in all equations; <i>extremely robust.</i>	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>
H5a	Ratio of board outsiders to insiders	Confirmed in all equations; <i>extremely robust.</i>	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>	Confirmed in mean value equation, and in 4 yearly equations; <i>high robustness.</i>
H5b	Ratio of outside ownership to that of insiders	Unconfirmed with robust contrary results.	Unconfirmed with robust contrary results.	Unconfirmed with robust contrary results.

pay package would prefer just the opposite: fewer outsiders or, if there have to be, outsiders with large ownership.

In summary, this study represents a first attempt to explain the determinants of executive pay mix. The study of executive pay mix is important because not only does this type of study help to clarify unanswered questions, but it helps to structure a better executive compensation system. One important side result of this study is that it reveals that long-term incentive pay and benefits pay account for enormous portions of the total executive compensation—with a maximum of 64 percent and a mean of 10 percent for benefits and a maximum of 96 percent and a mean of 36 percent for long-term incentive pay (see Table 2). Any study excluding either of these two components will probably bias its otherwise valid findings. One immediate future study is to use this set to replicate some of the previous studies on the link between firm variables and total executive compensation levels.

One important contribution of this study is its inclusion of board composition and director ownership. But this study does not distinguish between different types of outsiders—outsiders hand-picked by the current CEO, outsiders appointed by the CEO's predecessor, outsiders who are on the board because of their large ownership, or outsiders who bought or fought their way onto the board. It would be interesting to focus a study exclusively on the effects of board characteristics on the structure as well as the level of executive compensation.

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The Effects of Disability-Related Information on Employment Decisions

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The purpose of this research was to examine how information about a job applicant's disability influenced perceptions of the applicant and subsequent employment decisions regarding the applicant. This topic is particularly relevant to management research and practice given recent public policy changes regarding employment discrimination based on disability. The study investigated three general research questions: (1) Are job applicants with disabilities evaluated more negatively than equally qualified nondisabled applicants? (2) Are job applicants with disabilities evaluated differently based on the type of disability? For example, are applicants with visual impairments evaluated more negatively than equally qualified applicants with motor impairments? (3) Are job applicants whose disabilities are more visible evaluated more negatively than equally qualified applicants whose disabilities are less visible?

Theoretical Framework

The theoretical framework for the study was adapted from Heilman's (1983) lack-of-fit model regarding sex-based bias in employment decisions. This model posits that perceived person-job fit is a function of perceptions of an individual's personal attributes and the perceived requirements of a given job. Perceived person-job fit is then positively related to performance expectations and subsequent employment decisions (e.g., hiring, performance appraisal, reward allocation) regarding that individual. Bias enters the decision process via stereotypes associated with different social categories of people (e.g., stereotyping of attributes as "male" or "female" and sex-typing of jobs as "men's work" or "women's work"). The dissertation focused

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on the role of disability-related stereotypes in person-job fit perceptions, performance expectations, and screening decisions.

Methodology

Sample

Students enrolled in upper-division undergraduate management courses volunteered to participate in the study ($n = 126$). Males and females were equally represented in the sample. Other compositional features of the sample include (1) 97 business majors, 29 nonbusiness majors (23 percent); (2) 98 U.S. citizens, 28 non-U.S. citizens (25 Asian, 3 European) (22 percent); (3) 39 who knew someone with a disability (31 percent), 87 who did not; and (4) 42 who knew of the existence and purpose of the Americans with Disabilities Act (33 percent), 84 who did not.

Independent Variables

A laboratory experiment was designed to simulate an applicant-screening procedure for the job of underwriter trainee in an insurance company. Underwriter trainee was chosen as the target job because companies typically recruit college graduates in both business and liberal arts for this job. Since research participants were college students majoring in these areas, they might be more likely to view the applicant in the experiment as similar to themselves. In addition, the selection of this target job was supported by the results of a pilot survey in which respondents evaluated the suitability of qualified individuals with visual or motor impairments for 11 different jobs.

The experimental design involved manipulation of three applicant characteristics as independent variables: (1) qualification level (acceptable, acceptable/high); (2) disability type (visual impairment, motor impairment); and (3) disability visibility, defined as the degree to which behavior and/or appearance deviates from "normal" (low, high). For the low-visibility motor impairment condition, the cell sizes for the "acceptable" and "acceptable/high" qualification levels were 11 and 13, respectively. In all other disability-related conditions, the cell size was 12. The design also included a nondisabled comparison condition in which only qualification level was manipulated ($n = 15$ for each level).

Manipulation

Participants were randomly assigned to conditions and took on the role of a human resource specialist responsible for initial screening of applicants for the position. They were told that an unnamed company

based in the midwestern U.S. had donated application materials for ten individuals (removing their names and other identifying information for confidentiality) for research purposes. In reality, application materials were prepared by the researcher. Participants reviewed one individual's application file, viewed what they thought was a five-minute videotaped excerpt from that applicant's initial screening interview, and then completed their evaluation forms. Two actors portrayed the interviewer and applicant in all interview tapes using the same script. Only the applicant's portrayal of disability type and visibility differed across interview scenarios.

Dependent Variables

All of the dependent variables came directly from Heilman's (1983) lack-of-fit model. Variables 1 through 5 below were measured using eight-point Likert scales. For the last variable participants gave a specific dollar amount.

1. *Applicant Characterization.* Eight bipolar adjective scales were used (persistent/gives up easily, independent/dependent, happy/unhappy, aggressive/passive, mature/immature, likable/not likable, unselfish/selfish, strong/weak). Half of the items were reverse scored. Selection of these scales was based on previous research by Comer and Piliavin (1975), Lehrer (1983), and Rapier, Adelson, Carey, and Croke (1972).
2. *Person-Job Fit.* Anchors were labeled "definitely well-suited (for the job)" and "not well-suited at all."
3. *Performance Expectations.* Anchors were labeled "definitely would succeed (if hired)" and "definitely would not succeed."
4. *Advancement Potential.* Anchors were labeled "extremely high" and "extremely limited."
5. *Screening Decision.* This is the participant's recommendation regarding a second interview for the applicant. Anchors were labeled "definitely would interview" and "definitely would not interview."
6. *Starting Salary.* Participants indicated what salary they would recommend (given a starting range of \$22,400 to \$25,900) if the applicant was hired.

For all dependent variables except applicant characterization, participants gave two assessments: (a) their own evaluation of the

applicant, and (b) their perception of how "most other employers" would evaluate the applicant. Participants' "a" and "b" responses were significantly different from (all p -values $< .01$) but highly correlated with each other (r -values from .81 to .88, $p < .001$). For this reason, dependent variables were grouped into three models for analysis: (1) full model ("a" and "b" responses summed); (2) model A ("a" responses only, starting salary excluded); and (3) model B ("b" responses only, starting salary excluded).

Data Analysis

Multivariate analyses of variance (MANOVAs) were performed for the applicant characterization variables and for each of the three models. Exploratory univariate analyses of variance (ANOVAs) for individual dependent variables followed. Contrasts were then used to determine where any significant mean differences occurred.

Multivariate analyses of covariance (MANCOVAs) were then performed for each of the three models using the applicant characterizations as covariates. Exploratory univariate analyses of covariance (ANCOVA) followed. Results of the covariance analyses were then compared to those of the previous MANOVAs and ANOVAs to examine the effect of disability-related stereotyping on the evaluation of applicants.

A pilot survey preceding the experiment had indicated that differences in participant sex, academic major, or acquaintance with a person who has a disability were not likely to produce differences in perceptions. However, the impact of citizenship (U.S., non-U.S.) or awareness of the Americans with Disabilities Act on perceptions was not known. Therefore the covariance analyses were repeated, adding these two variables as covariates.

Results

Applicant Characterizations

A factor analysis (principal component extraction, varimax rotation) was performed on the eight characterization scales to identify any underlying dimensions. Only responses from the disability-related conditions were included in this analysis ($n = 96$). Two factors emerged from the analysis. Factor 1 included the following scales: (1) persistent/gives up easily, (2) independent/dependent, (3) aggressive/passive, (4) mature/immature, and (5) strong/weak. The remaining three scales (happy/unhappy, unselfish/

selfish, likable/not likable) fell into factor 2. Factor loadings ranged from .87 to .59 for factor 1 and from .74 to .73 for factor 2.

To simplify subsequent analyses, two characterization scales were formed. Ratings on the scales in factor 1 were summed for characterization 1. Ratings on the remaining three scales were summed for characterization 2. Reliability coefficients for these scales, measured by Crombach's alpha, were .86 and .69, respectively.

A MANOVA performed on the applicant characterization scales revealed a significant main effect for disability type. Univariate analyses showed that applicants with disabilities were viewed as happier, less selfish, and more likable than nondisabled applicants. This generally supports other research findings that people with disabilities are viewed as "nicer" or more "special" than nondisabled people (e.g., Makas 1983). In addition, applicants with motor impairments received higher ratings on these characteristics than applicants with visual impairments.

Remaining Dependent Variables

MANOVAs performed on the full model, model A, and model B showed a significant main effect for applicant qualification level in the full model and model A, but not in model B. As expected, univariate analyses for the full model and model A showed that more highly qualified applicants were evaluated more favorably on most dependent variables.

In general, disability type tended to make a difference in the evaluation of applicants with disabilities. Applicants with motor impairments were typically evaluated more favorably than applicants with visual impairments. This was particularly evident in model B. However, the interaction between qualification level and disability type had a surprising effect in the full model. Highly qualified applicants with motor impairments were rated more favorably in terms of performance expectations and starting salary. Removing applicant characterization effects in the full model and model A tended to limit the impact of disability type on evaluations. The qualification level \times disability type interaction effect on performance expectations was found again in the covariance analysis.

Disability visibility did not appear as a significant main effect until the covariance analyses were performed for model B. Applicants in the low-visibility disability condition tended to receive more negative evaluations than nondisabled applicants. The role of visibility in perception may lie more in its interaction with other variables. This

possibility is suggested by the fact that some of the two-way interactions involving disability visibility approached significance in the three models. However, the emergence of disability visibility as a main effect in the covariance analysis for model B suggests the added possibility that its influence may simply be masked by the effects of overly positive stereotypes.

Individual Differences

Two additional findings from the covariance analyses are also of note. Individuals who are U.S. citizens tended to evaluate applicants with disabilities more favorably than did non-U.S. citizens. Also, individuals who knew about the Americans with Disabilities Act and its provisions tended to give more favorable second interview recommendations than individuals who were not familiar with the ADA.

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DISCUSSION

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It's a pleasure to be part of this session, though I have to admit the role of discussant has presented some difficulties. After reading these papers I realized what a challenge it is to condense what could be a 300-page dissertation to a mere ten pages. The difficulty I face is to comment on these ten pages, without having read the other 290. For this reason I decided to depart somewhat from the usual comments I give as a discussant and instead explore some of the implications of the papers' findings for future research.

Like virtually every dissertation I have read, the selections for this session probably raise at least as many questions as they answer. This is a plus in my opinion, for the authors have presented a series of issues that future studies can address and thus offer a beginning to a true research stream.

To my mind, the most interesting questions raised in John Budd's work have to do with *why* the UAW maintains its goal of wage uniformity. Budd offers two explanations—the UAW's history of factionalism and the rivalries between the UAW and other unions. Given an interest in understanding the nature of union goals, I had to wonder whether these findings could be applied to other unions. Can we expect that wage uniformity is more likely to be adopted as a goal by other unions that have diverse memberships or that face greater competition for members?

Budd links factionalism and union rivalries to the wage uniformity goal by arguing that workers have sufficient information to be able to compare their own contractual outcomes with those negotiated in other firms. Thus workers can gauge the discrepancies between the target wage, their own wage, and the wages negotiated in other firms. Moreover, workers can vote to remove union leadership from office if their wage falls well below the target and other negotiated wages. This argument raises a number of questions that can be bases for future studies. Do workers have this type of information? If they do have it,

how did they get it? As I see it, there are three possible sources for this information. First, the workers could collect it themselves (e.g., through the media, word of mouth). Budd's discussion leans in this direction. However, searching for such information seems to me to be too costly an activity to be undertaken by a large proportion of the membership. The other two possible sources are the local and the national. These other possibilities need to be examined for they have very different implications for union behavior than the first. For example, it would seem consistent with an established wage uniformity goal to have a central data collection mechanism as a means of providing feedback not only to the leadership but also the membership.

This raises a fundamental question regarding the relationship between union characteristics and union goals. Are certain types of goals adopted because of the given characteristics of the union (as Budd appears to argue in the case of centralization), or are union characteristics chosen to conform to adopted goals?

Bill Jiang's study suggests that various characteristics of firms are associated with forms of compensation given top executives. He ties firm characteristics to compensation with agency theory and the idea that compensation can be used as a mechanism to force executives to monitor their own behavior. The findings Jiang reports raise a number of questions regarding self-monitoring. Is it effective (e.g., do executives with larger proportions of contingent pay engage in behaviors that lead to increased firm performance or growth)? What effect does the form of compensation offered executives have on the type of executive attracted to the firm? Are executives attracted to firms offering greater shares of contingent pay more willing to expend effort as the theory would predict? Are they more likely to be risk seekers?

Anytime we provide evidence that a "new" class of variables (e.g., firm characteristics) is related to a dependent variable, we open a number of questions dealing with how the new class relates to the "old" class (e.g., individual characteristics). Future studies could look into what happens to compensation packages when incumbents change versus what happens when firm characteristics change. For example, do results reported suggest that if a firm experiences several periods of reduced performance or growth, then packages will move toward cash and fringe benefits? Alternatively, if a new CEO is selected, do packages change in ways that are predictable given the CEO's characteristics? Do new CEOs change the board's composition to ensure greater proportions of their preferred pay forms?

Marianne Miller provides evidence that seems to contradict what we may have expected, particularly if we considered the reasons given for why the ADA was a necessary piece of legislation. Her investigation suggests a number of directions for follow-up studies. One such study that I strongly recommend be conducted is a replication using a sample of managers.

The ADA itself suggests other studies. One possible employer response to the ADA is to reduce employment of individuals with disabilities given the perceived costs of accommodation. How large are these perceived costs? Do initial perceptions change if objective, possibly conflicting, data are presented? Another response would be to hire only individuals who are "over qualified" relative to the remaining work force. This leads to questions regarding the qualification levels perceived necessary to compensate for any costs of employment. I would expect that a study that manipulates costs and qualifications and assesses their joint effects on selection probabilities would make a distinct contribution to our understanding of employer behavior under the ADA.

To conclude, I see numerous directions for future research represented in these dissertations. I hope the authors pursue some of the many issues imbedded in their work.

XVI. THE ROLE OF TRUST, POWER, AND EMPLOYMENT SECURITY IN SUCCESSFUL LABOR- MANAGEMENT COOPERATION

Institutions are Learned Behavior: Flexibility and Shopfloor Bargaining in France and Germany

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During the 1980s, manufacturers in advanced industrialized nations began responding to the pressures of intensified international competition by seeking greater organizational flexibility at the enterprise level. These efforts have involved the attempt to improve a firm's capacity for process and product innovation with participatory schemes such as quality circles, which aim to strengthen cooperation between shopfloor workers and managers (Atkinson 1987; Dore 1987; Hirst and Zeitlin 1989; Piore and Sabel 1984; Regini 1987).

This restructuring has been less successful in France than in Germany, where new forms of worker participation were established at the plant level after World War II. In France joint determination of working conditions remains poorly institutionalized at the plant level, despite repeated efforts of the state since 1945 to establish representation (Berg 1992; Bunel and Bonafe-Schmitt 1984; Campbell et al. 1989; Eyraud et al. 1988; Gallie 1978; Lorenz 1992; Maurice et al. 1986; Moss 1989; Segrestin 1990; Streeck 1990; Thelen 1991; Turner 1991). An explanation for this difference between Germany and France would sharpen our understanding of the possibilities for reforming industrial

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relations, not only in France but also in other countries such as Britain and the United States, where labor and management may seem destined to play out an endless cycle of mutual recrimination. It should also help discriminate between alternative explanations for labor-management cooperation and its consequences for competitive performance.

Theoretical Background

The analysis in this paper is grounded on the idea of many possible worlds and of points in time in which different, possibly self-enforcing, trajectories might come to be realized. History matters in my approach, and this gives it something in common with the work on "path dependency" associated with Brian Arthur (1989) and Paul David (1987). Unlike path dependency, the mechanism I explore does not depend on scale economies "locking-in" agents to a particular technological path. Rather, I develop the idea that labor-management cooperation depends upon *trust*¹, and that this trust may result from an incremental learning process.

To appreciate the importance of trust for labor-management cooperation, consider the limitations of some other explanations for collective action. One idea is that the actors can precommit themselves to cooperate through the use of third-party enforceable agreements. For example, it has been argued that the success of labor-management cooperation in Germany can be explained by the legal framework of codetermination, which requires consultation over manpower planning. This argument accords poorly with the conflictual nature of Weimar Republic industrial relations, characterized by the failure of nearly identical legislation on works councils to institutionalize an effective system of joint consultation in German plants (Berghahn and Karsten 1987; Markovits 1986; Thelen 1991).

The limits of the legal-institutional interpretation are also evident in the ineffectiveness of similar French participatory legislation. In February 1945 works committees were legislatively established in French plants above a certain size to provide a forum for labor-management cooperation. In April 1946 another piece of legislation created workers' delegates charged with presenting individual claims to management. It is generally recognized that these institutions have not fundamentally challenged management's unilateral determination of formal work rules (Delamotte 1959; Reynaud 1978; Gallie 1978). Both Germany's experience with works councils during the interwar years and France's experience with similar institutions after the war suggest that

formal rules designed to institutionalize cooperation will be of little import if the actors lack the interest or political resources to make use of them.

Furthermore, arguments relying on third-party enforcement ignore the important role played by informal cooperation in sustaining the firm's capacity for flexible adjustment. For example, organizational flexibility depends upon labor and management living up to their commitment to share proprietary information. Each side may suspect that the other is reneging on this commitment, but they will be hard put to prove it. Given the impracticality of third-party enforcement of such obligations, trust is expedient.

Cooperation may also be motivated by social norms or religious beliefs that are internalized through education and socialization. This theoretical perspective finds expression in the popular discourse of opinion that links Germany's enviable post-war success to norms of a particularly "Germanic" kind, such as discipline and a near blind faith in authority. This argument also accords poorly with the conflictual nature of Weimar Republic industrial relations. Germany's uneven 20th century record of labor-management cooperation concurs better with Andrei Markovits's (1982) observations about the German labor movement's ambiguous legacy and its simultaneous embodiment of the contradictory goals of liberal reform and revolutionary transformation.

Rather than the inevitable result of economic interests, legal-institutional constraints, or cultural predispositions, in what follows I argue that the success of labor-management cooperation for flexibility in West Germany in the 1980s can best be explained by the way in which historically contingent events after World War II engendered an incremental and progressive process of trust building between labor and management. Labor and management *learned* to appreciate the mutual benefits of joint consultation after the war, especially on issues of manpower planning, and as a result, the German system became even better during the 1980s because the resulting trust provided the lubricant for additional forms of labor-management cooperation needed for flexibility. Unfortunately, in France during the same period, the reliance of labor and management on the unilateral exercise of power, rather than on joint consultation, sustained a distrust that is now proving inimical to achieving organizational flexibility.

Post-World War II Institutional Renovation

The failure of the 1945-46 program of industrial relations reform in France is often seen as the inevitable consequence of the ideological

radicalism of the CGT, the principal union confederation, and the subordination of its activities to the electoral needs of the French Communist Party (PCF), which led directly to the great schism of 1947. Faced with a politically divided, and hence weakened, labor movement, French employers with the backing of the state moved to crush the strength of the labor movement by decisively defeating the CGT in the "generalized strike" of 1947. The labor movement's defeat gave French employers the go-ahead to neutralize the newly established system of works committees and reassert their traditional managerial prerogatives (Chapman 1991; Gallie 1982; Ross 1982).

If the ideological radicalism of the labor movement and employers' deep-seated hostility to joint determination is thought to have condemned industrial relations reform in France after the war, the success of reform in the Federal Republic during the 1950s and 1960s is often linked to a new pragmatism and moderation on the part of both German labor and management, born of their mutual conviction that the overt conflicts of the Weimar period had contributed to the rise of the Nazi dictatorship.

Recent work has made it clear that this is an overly simplified picture of prevailing ideologies, certainly for the late 1940s and 1950s and arguably for the 1960s and beyond. As Berghahn's (1986) detailed account of post-war industrial relations in the Federal Republic makes clear, the hardliners in industry, especially in Ruhr heavy industry, detested the "Dinkelbach" model, which was established in the British zone in 1947 and which provided for union-employer parity on the supervisory boards of coal and steel enterprises. Individuals such as Hermann Reusch, the director-general of the giant steel producer Gutehoffnungshutte, and F. Berg, the first president of the BDI,² the peak association concerned with the economic-policy interests of German employers, continued to see the situation much as they had during the Weimar, as a question of socialism versus capitalism with the unions as their implacable foes (Berghahn 1986, 192-3, 222-30).

Conversely, if we are to take at face value the statements of the unions at this time, the labor movement's contradictory legacy of liberalism and Marxism, discussed so eloquently by Markovits (1982), might well have emerged stronger after the war. In October 1949, at the founding congress of the unions' confederation, the DGB program called for a fundamental transformation of socioeconomic relations in Germany. The centerpiece of this was the all-encompassing framework of *Mitbestimmung* or the program of power sharing at all levels of society from the shopfloor up through to the public institutions

responsible for macropolicy. (Markovits and Allen 1984, 96). By the late 1950s, though, the DGB and its affiliated unions had all but abandoned their social transformative aspirations and were concentrating on improving wages and conditions of their members through collective bargaining with the employers.

Arguably, a key factor reinforcing the position of the moderates both within the labor movement and on the employers' side was the Christian Democratic Union (CDU) government's moderate handling of the 1950 strike threat by I. G. Metall, the dominant union in the DGB. I. G. Metall threatened strike action in a bid to prevent the introduction of a Works Constitution bill that would have eliminated existing arrangements in coal and steel based on the principle of power sharing through union-employer parity on the supervisory boards of companies. Chancellor Adenauer personally mediated this conflict and his intervention was instrumental in forging a compromise that provided for the separate 1951 Codetermination Act exclusively for iron and steel to be ratified in advance of the passage of a works constitution bill for the rest of German industry. This solution was designed to appease the employers who would be assured that parity would not be extended beyond coal and steel and that a less radical works constitution bill would be passed at a later date (Berghahn and Karsten 1987, 184; Thelen 1991).

Employers were deeply divided on this matter. As Berghahn and Karsten note, "The hardliners in industry, who had never reconciled themselves to the advances made by the unions after the war . . . urged him [Adenauer] to stand firm and not give in to union 'blackmail'" (Berghahn and Karsten 1987, 184). Labor's victory in blocking the elimination of power sharing in coal and steel, however, was more apparent than real. The moderate character of the 1952 Works Constitution Act for the rest of German industry, with less than work force parity on the supervisory board and no direct union input, was perceived as a major defeat by the DGB (Markovits 1986).

Union reaction to this defeat, however, was highly pragmatic. As a number of accounts have stressed, an important factor was the cold war and the particular position of the two Germanies which had strengthened the hand of the moderates by 1952-53. The unions pursued a twofold strategy of both mounting a plant-level drive to create union shop steward committees alongside, and in competition with, the works councils and campaigning actively to fill the works councils with their own members (Thelen 1991, 78). The first strategy proved a failure, while the longer term success of the second strategy

led the unions to gradually change their view of the works councils, seeing them not so much as competitors but as a vehicle for influencing plant-level decision making.³

On the employers' side there was a similar process of adaptation during the 1950s and an important factor in this process was the role played by the BDA, the peak association responsible for the social welfare and collective bargaining interests of German employers. Under the leadership of such moderates as G. Erdmann and W. Raymond, the BDA acted as a buffer against the more conservative BDI, while also playing a pedagogic role in urging its regional and branch associations to pursue regular collective bargaining with employees and their organizations (Berghahn 1986, 230-59).

Conclusions

The above brief characterization of the attitudes and beliefs of labor and management in Germany just after the war makes it clear that the actors were far from unified around a policy of social partnership. If anything, the balance was tipped against the forms of cooperation which we now take as characteristic of German industrial relations. In this light it is not unreasonable to suggest that had Adenauer taken a more aggressively antiunion position during the key conflicts of the early 1950s or had the BDA fallen under a more conservative leadership, the hardliners in industry would have been encouraged to act to neutralize the newly instituted system of plant-level works councils, much as they had during the late 1920s or much as French employers did with respect to works committees after 1947.

The other side of this analysis, which I can only touch upon here, concerns the lack of reform in French industrial relations subsequent to the events of the late 1940s. As in the case of Germany, any simple characterization of employer or union attitudes after the war is inappropriate. There was a significant group of French employers, associated with the Centre de Jeunes Patrons (CJP) and the Centre Français du Patronat Chrétien (CFPC), who responded favorably to the introduction of works committees as a force for industrial democracy (Weber 1986, 112-120). On the union side the Confédération Française des Travailleurs Chrétiens (CFTC) and, after the schism of 1947, the CGT-FO were potential interlocutors for the promotion of policy of regional collective bargaining and worker participation at the enterprise level. In accounting for the failure of this alternative vision to take hold, I would like to draw attention to the role played by employer peak associations, as the Confédération

National du Patronat Française (CNPF) and the Union des Industries Métallurgiques et Minières (UIMM). The CJP and the CFPC had a marginal influence on the policies of these associations during the 1950s and 1960s and, unlike their counterparts in the BDA in Germany, the individuals leading these associations never seriously urged a policy of social partnership.

In pointing to this difference between France and Germany, I am not arguing that a more progressive policy on the part of the employer peak associations in France necessarily would have had an appreciable effect. Any assessment of the likelihood of this outcome would have to consider not only the import of the subordination of the CGT, the largest union confederation, to the electoral needs of the PCF but also the ambiguous role played by the French state, whose unwillingness to truly share sovereignty may have had the perverse result of undermining the very legislation it promoted in favor of collective bargaining and other forms of joint determination between workers and employers (Tolliday and Zeitlin 1992, 308-316). The lesser argument I am making here is that the failure of reform in France in the 1950s and 1960s is something that needs to be explained rather than taken as the inevitable consequence of the structure of organizations and the balance of power among interests that emerged out of the events of the war and liberation.

Endnotes

¹ Roughly, trust may be defined as the *belief* on the part of an agent that another agent will perform a particular action that is beneficial to him, both independently of his capacity to monitor such action and in a context where he will be worse off if the other agent reneges on his commitments. See Lorenz (1988).

² The BDI holds responsibility for economic and commercial policy issues, while a separate peak organization, the BDA, is responsible for social welfare and collective bargaining policy.

³ This is a major theme developed by Thelen (1991).

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Shopfloor Power and U.S. Labor-Management Cooperation

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A crisis emerged in the institutional arrangements of shopfloor governance in U.S. manufacturing a little over two decades ago. The post-war system of "shopfloor contractualism"—involving the regulation of shopfloor conditions through detailed "job control" language in bargaining agreements, bureaucratic procedures for dispute resolution, and a sizeable realm of unconstrained managerial prerogative—no longer serves the interests of either labor or management. Recent developments in technology and increasing international competition have forced change onto the agenda. It is claimed that a leaner, more flexible approach to production is required, involving, above all, greater cooperation between labor and management.

The issue of how to initiate more cooperative labor-management relations in the U.S. has been the subject of much recent discussion. A consensus seems to have emerged around the theme of greater participation by workers in shopfloor decisions. The two models that are held up for possible emulation are Japan and Germany. However, worker participation can involve varying degrees of worker empowerment over shopfloor decision making, as these two models make clear. Does the distribution of shopfloor power matter for the success of labor-management cooperation in the U.S.? In the following essay I offer some thoughts on this question.

Shopfloor Power and Labor-Management Cooperation

Shopfloor relations between labor and management are strategic in nature, involving both mutual and conflicting interests. Management is concerned with productivity, and workers are concerned about the quality of shopfloor conditions. Mutually beneficial shopfloor outcomes emerge when the institutional arrangements of shopfloor governance constrain certain types of self-serving behavior on the part of labor and management and promote cooperation. The institutional

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arrangements of shopfloor governance are composed of both formal and informal constraints. Formal constraints—e.g., reward systems based on worker performance and health and safety regulations—play an important role in promoting mutually beneficial outcomes, but informal constraints—e.g., behavioral norms—are important as well.

The independent influence of informal norms of behavior on shopfloor outcomes is guaranteed by the fact that the construction and enforcement of formal constraints is both costly and unlikely to cover all possible future contingencies. Social norms that are conducive to labor-management cooperation enhance the attainment of mutually beneficial shopfloor outcomes. Norms of cooperation are important not just because of their independent effect on shopfloor outcomes, but also because, to the extent they exist, they reduce the resources devoted to the construction and enforcement of formal constraints. These resources can then be devoted to increasing productivity and the quality of shopfloor conditions.

The construction of formal constraints that limit certain forms of self-serving behavior is a strategic consideration in the sense that their creation is a conscious attempt to promote mutually beneficial shopfloor outcomes. It is my contention that behavioral norms may also involve strategic considerations. Norms of labor-management cooperation may be contingent upon, among other things, the fairness of shopfloor outcomes and the legitimacy of shopfloor authority. If the process of shopfloor production exhibits the legitimate use of authority and the distribution of shopfloor rewards (between productivity and shopfloor quality) is seen as fair, norms of cooperation will be “triggered” in the behavior of strategic agents, with positive consequences for both productivity and the quality of shopfloor conditions.¹ Since the configuration of shopfloor power between labor and management is an important determinant of the fairness of shopfloor outcomes and the legitimacy of authority, shopfloor power will influence shopfloor cooperation.

Mutually beneficial shopfloor outcomes occur where minimal resources are devoted to establishing and enforcing formal constraints, and informal behavioral norms are cooperative in nature. Societies must be concerned with the extent to which the formal rules and regulations governing shopfloor behavior trigger norms of labor-management cooperation.² The implications of formal arrangements for the configuration of shopfloor power is particularly important. The legitimacy of shopfloor authority and the fairness of shopfloor outcomes depend, in part, on the configuration of shopfloor power

and, in turn, influence shopfloor norms of labor-management cooperation.

Post-War Shopfloor Relations in the U.S.

While conflict and cooperation are both inherent features of the labor-management relationship, there is suggestive evidence to support the claim that shopfloor cooperation has deteriorated in the U.S. over the post-war period. The causes of this deterioration are rooted in the growing unresponsiveness of the system of "shopfloor contractualism" to workers' shopfloor concerns. The increasing centralization of power in both union and management bureaucracies; the increased reliance on a juridical, "contract and grieve" approach to shopfloor governance; and the consequent reduction in the decision-making power of shopfloor actors—especially workers—led to a skewing of shopfloor outcomes toward productivity over workplace quality and increased expressions of workplace discontent on the part of rank-and-file workers beginning in the mid-1960s (Fairris 1990, 1991).³

Declining shopfloor conditions and unresponsive institutions of shopfloor governance contributed to a growing sense among workers that shopfloor rewards were being unfairly distributed and that managerial authority was being illegitimately wielded. The sense of unfairness and illegitimacy arguably led to a deterioration in the norms of labor-management cooperation. While this connection remains mostly speculative at present, there is significant evidence linking the expressions of rank-and-file discontent and the declining quality of shopfloor conditions to the productivity slowdown beginning in the late 1960s in the U.S. (Naples 1988). Moreover, it is difficult to explain the coexistence of rising injury rates and declining productivity growth without reference to a general deterioration in shopfloor cooperation between labor and management. The historical evidence thus suggests that enhanced labor-management cooperation will require greater fairness and legitimacy in shopfloor labor-management relations, which in turn will require greater shopfloor decision-making power for rank-and-file workers.

Shopfloor Relations in Japan and Germany

The institutional arrangements of shopfloor governance in Japan and Germany are widely identified as fostering significant labor-management cooperation. Based on their records of continued productivity growth and relatively smooth adjustment to changing technologies

and international competition, Japan and Germany have become the two contending models for reform of U.S. shopfloor institutions. The post-war trajectory of shopfloor conditions in both countries suggests that the rewards of shopfloor production have indeed been shared with workers.⁴ By most accounts the structure of shopfloor authority is also seen as legitimate by labor and management in both countries. However, labor-management cooperation is fostered in the two countries through very different institutional arrangements.

Japan relies more on informal constraints to regulate shopfloor behavior. Labor laws, collective bargaining agreements, and formal grievance procedures exist, to be sure, but they are mostly subordinate institutions. Enterprise unions and the unionization of certain segments of management are in strict violation of Japanese labor law, for example, but they exist because they are integral to the normative shopfloor behavior of labor and management (Gould 1984). Other features of the employment relation—such as employment security, the *nenko* wage system, firm-level welfare provisions, and mechanisms of joint consultation—serve, in part, as formal arrangements which align the interests of workers with those of management, and vice-versa, but they are also, and arguably primarily, supportive institutions for informal Japanese social norms.

Perhaps the primary normative commitment in Japanese labor-management relations is to “harmony” through “mutual understanding” (Hanami 1979). This takes the specific form of a relationship in which workers are obligated to their superiors “for favors received and [are] duty bound to repay in hard work and loyalty” (Cole 1971, 184). The immediate superior is expected, in return, to advise and protect the worker, looking out for his or her interest in relations with superiors. The superior is expected to act with benevolence toward his subordinates, to exhibit, in Dore’s (1987, 94) words, “concern for the interests and dignity of subjects, a concern for justice, tempered with the optimistic faith which puts more reliance on the judicious use of rewards than on punishments.” The legitimacy of shopfloor authority and the fairness of shopfloor outcomes rest largely on these normative features of the labor-management relationship.

In contrast to Japan, formal rules and regulations and especially broadly-defined rights play a greater role in labor-management shopfloor relations in Germany. The statutory rights of works councils—plant-level bodies which represent workers’ interests in workplace decisions—are the most important of these formal arrangements for our purposes. In exchange for the legal obligation to “cooperate” with

management "for the good of the plant and its workers" (Markovits 1986, 49), works councils are granted rights of joint determination with management for some workplace conditions (e.g., discipline procedures and safety) and the right to be consulted by management on decisions concerning other conditions (e.g., job design and technology) (Thimm 1980). Works councils are able to sign agreements with management that have legal force; they are the focal point for workers' shopfloor grievances; and they serve as equal participants with management on boards of arbitration.

The fairness of shopfloor outcomes and the legitimacy of authority in German industry rests, in part, on the shopfloor decision-making power that works councils grant workers. But normative features of shopfloor labor-management relations play a prominent role as well. It is often claimed, for example, that there is a collective commitment to work and the creation of high-quality products in Germany. Arguably more important is the claim that managerial authority in Germany is based on the superior knowledge of the manager (Lawrence 1980), and that management relates to labor on the basis of "professional cooperation" rather than "pure surveillance" (Maurice et al. 1986, 125). Shopfloor management in Germany is ostensibly authoritative, not authoritarian.

The Future of U.S. Shopfloor Relations

What are the prospects for enhanced shopfloor cooperation between labor and management in the U.S. through the adoption of Japanese or German-style shopfloor institutions? We may begin an answer to this question by noting that although there are significant differences in the institutional arrangements of shopfloor governance in Germany and Japan, there are also a number of rather striking similarities. In both countries production managers typically have extended experience as production workers, there is significant employment security, investment in worker training is high, bureaucratic structures that inhibit the immediate resolution of shopfloor disputes are held to a minimum, the earnings of management relative to labor are low, production workers have more responsibility and are expected to display greater versatility in job tasks, and there exist plant-level mechanisms for worker representation. Perhaps these are strategic features that contribute positively to labor-management cooperation in a variety of normative settings and would do so in the U.S. as well.

As a model for U.S. shopfloor governance, the Japanese system has a number of advantages. It would significantly reduce the costs of contracting and contract enforcement and would eliminate many of the structural rigidities associated with the formal constraints of "shopfloor contractualism." It would also enhance shopfloor labor-management communication. The vacuum that is created by the absence of formal constraints on the behavior of labor and management is filled in the Japanese system by informal norms of cooperation. Workers in Japan participate in shopfloor decisions but possess few substantive rights of shopfloor decision making (Marsh 1992). The legitimacy of managerial authority and the fairness of shopfloor outcomes are assured by the normative commitment to "mutual understanding."

Are legitimate structures of authority and fair shopfloor outcomes likely to emerge in the U.S. under formal institutional arrangements of shopfloor governance similar to those in Japan? If history serves as a guide, the answer would seem to be in the negative. The industrial organizing drives of the 1930s were an attempt by workers to establish formal rules and regulations protecting them against shopfloor managerial prerogative, even though in many cases management was informed of workers' shopfloor interests (through company unions) and acted with some benevolence in its shopfloor dictates. Some thirty years later it became apparent that even specific rules and regulations could not serve as adequate mechanisms for insuring workers' shopfloor concerns. Replacing the protections against speed-ups and unsafe working conditions currently embedded in the "job control" language of U.S. collective bargaining agreements with mechanisms of joint consultation and an enlarged realm of shopfloor managerial prerogative is not likely to yield fair shopfloor outcomes or to be seen by workers as the legitimate use of managerial authority.

German institutions of shopfloor governance offer many of the same advantages as the Japanese system, yet contain fewer drawbacks as a shopfloor model for the U.S. German workers possess formal rights of shopfloor participation that grant them significant decision-making power. Because these are statutory rights and therefore less subject to private manipulation, fewer resources would be devoted to establishing and protecting shopfloor rights under this system than under the system of "shopfloor contractualism." Because shopfloor rights are broadly defined, in contrast to the "job control" approach in the U.S., flexibility in shopfloor organization would also be enhanced.

The degree to which the formal arrangements of shopfloor governance in Germany mesh with the history and informal norms of

behavior in the U.S. should not be exaggerated. In comparison to the most privileged workers under the U.S. system, German workers possess less control over the allocation of labor in the plant and are unable to legally withdraw their labor from production over shopfloor issues. (Works councils are legally barred from striking.) The collective commitment to quality products and the grounding of managerial authority in superior knowledge are features of the German system that contribute to labor-management norms of cooperation and yet may be difficult to develop in other cultural settings.

The German system does, however, provide for the existence of a plant-level organization that represents workers' shopfloor interests and possesses significant decision-making power over shopfloor outcomes. This system would make possible such things as continuous negotiations between labor and management over changing shopfloor conditions; the more immediate resolution of shopfloor disputes; and the elimination of the "obey now, grieve later" aspect of "shopfloor contractualism" which offends even traditional notions of due process. Formal arrangements of shopfloor governance similar to those in Germany would appear to offer solutions to the illegitimacy of managerial authority and the unfairness of shopfloor outcomes that have plagued U.S. shopfloor relations and fostered uncooperative norms of shopfloor behavior for some time now.

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Endnotes

¹ To the extent that either process or product fail to have these attributes, uncooperative norms will prevail, along with the negative consequences for productivity and shopfloor quality. Gouldner's (1954) classic analysis of a wildcat strike serves as an illustration of how uncooperative norms may emerge.

² Societies must also be concerned with the way in which informal norms of management trigger informal norms of behavior on the part of labor and vice-versa. However, informal norms are presumably less amenable to direct manipulation.

³ The injury frequency rate (injuries per million employee hours) in manufacturing declined significantly over the decade following World War II from roughly 20 in 1946 to 12 in 1956. The injury frequency rate began to rise in the late 1950s, however, and continued to increase throughout the 1960s and 1970s so that by the late 1970s it once again approached and eventually exceeded the immediate post-war rate of 20 injuries per million employee hours (Naples and Gordon 1981).

⁴ The injury frequency rate (injuries per million employee hours) in Japanese manufacturing declined continuously from roughly 27 in 1952 to four in 1975 (Bureau of Statistics, various years). An employment-weighted average of the injury frequency rates in eight major manufacturing industries in Germany revealed continuous improvements in safety as well: the injury frequency rate (injuries per 10,000 workers) fell from roughly 35 in 1950 to 20 in 1977 (Hauptverband der gewerblichen Berufsgenossenschaften 1979). (Germany does not report injury rates for manufacturing as an aggregate.)

International comparisons of workplace safety suffer from near insurmountable problems of both measurement and interpretation. Definitions, sampling procedures, the accuracy of safety records, industry mix, and the like differ across countries. To minimize some of these problems, I have focused on the general trends in safety performance.

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Conflict and Cooperation in Labor-Management Relations in Japan and the United States

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Discussions of the Japanese post-war economic miracle and the U.S. economy's recent difficulties often cite the significant role played by each country's human resource management system. The Japanese model of labor-management is said to have encouraged economic growth and competitiveness, while the U.S. model is said to have played a constraining role. This paper reports our preliminary findings of our investigation of this general hypothesis. For the past five years we have conducted fieldwork at a matched sample of nine U.S. and nine Japanese private-sector organizations, many of which operate plants in both countries. In the U.S. the organizations we have studied are in manufacturing and services and include union and nonunion companies. In Japan the organizations are all unionized. Most of the organizations have more than one plant, and we visited three or more plants of these companies. We have interviewed and surveyed shop-floor workers, supervisors, managers, local union officials, as well as members of government agencies and union confederations.

To analyze the employment and training systems of Japan and the U.S., we developed conceptual frameworks for each system. We call one of these SET (for security, employee involvement, and training) and the other JAM (for job-control unionism, adversarial labor-management relations, and minimal training). In this paper we discuss how SET, characterized by a high degree of employment security with flexible job assignments, employee involvement in problem solving and continuous improvement, and continuous training of employees, works in Japan and its emergent problems in the U.S. We also analyze the wage determination process in Japan at the national level and how this process is related to firm practices and performance. Brown,

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Reich, and Stern (1991, 1993) provide more detailed discussions of SET and JAM and the fieldwork upon which this research is based.

In the JAM system, rigid rules such as seniority and job classification decide outcomes and promote fairness. Under JAM the focus on the rights of each party and the limits to these rights preclude the need for trust between the parties. The union is relegated to a reactive role where it can grieve actions taken by management.

Labor-management cooperation works in Japan by being embedded in a SET system. Compared to JAM, the incentives for both sides to cooperate are much greater because each side gains by a trade-off of short-run and long-run power. In JAM, labor generally holds short-run power to control activities on the shopfloor while the company holds long-run power to close or move the plant. In SET, labor gives up its short-run power of job control in return for long-run power with employment security; conversely, management gives up its long-run power to lay off in exchange for more short-run power on the shopfloor. Within this structure the three elements of SET support each other and the macro and micro processes are mutually reinforcing.

In SET, employment security enhances employee involvement because employees are more willing to contribute to improvements in the work process when they are not in fear of losing jobs. Employment security contributes to training as both employer and employee have greater incentives to invest in training. At the same time, training reinforces employment security because more highly skilled workers will be more productive and adaptable to new conditions; training also strengthens employee involvement because better-trained workers have more ideas to offer. Employee involvement contributes to increased training by making the need for situated learning more evident and by increasing employees' interest in training. Finally, employee involvement also enhances employment security as higher productivity and quality make the company more competitive.

Employment Security and Income Security

In the U.S., annual income is emphasized more than long-term employment with a company. Income security is partly provided by government-mandated programs, since the right of the company to determine the size of its labor force and the right of the individual to change jobs have been considered basic rights. For these reasons unions historically have sought to improve unemployment pay or to

guarantee income rather than prevent layoffs, and seniority is used to equitably regulate layoffs as well as job assignments.

In a system of variable labor costs and a mobile labor force, companies have an incentive to pass general education costs on to the worker or government and to train workers only for job-related tasks. When variations in demand resulted only in temporary layoffs and not plant closings, a worker's security depended primarily on supplemental unemployment benefits and not on the overall health of the company, which was taken for granted. With increased international competition and with structural shifts in manufacturing, workers' security has come to depend on the overall number of jobs available, on the health of the company, and even the health of their own plant. Workers with professional skills such as managers or lawyers have more security than blue-collar workers since they have transferable skills both to other jobs within the company and to other companies.

Under a system of employment security in Japan, cost minimization favors the internal training of workers, seniority wages, and performance-related pay. Such a system takes advantage of a fixed labor force while providing individual motivation. Since seniority is embedded within a "lifetime" employment system, firms can implement a wage structure that does not strictly reflect productivity without the firm being penalized by turnover or the employees being penalized by unequal treatment. Since pay is connected to the worker on the basis of tenure, skills, and performance and pay is not connected to the job, workers can be transferred within and between plants without affecting their earnings. Seniority loses most of its importance since pay is not determined by job assignment and since workers are rarely laid off. Seniority might be used for job assignment, which in Japanese companies is usually a management task because it is part of the training process. Job rotation and team work help achieve equality among jobs, and great efforts are made to eliminate the worst jobs through automation.

The Japanese "family wage system," in which workers face a rising wage structure as their family obligations grow and a declining wage structure as their family obligations decline, both motivates younger workers and rewards experienced workers who serve as trainers. When they become middle-aged, today's younger workers can look forward in middle-age to a wage transfer from tomorrow's younger workers. Thus experienced workers do not feel threatened by their trainees. Since workers face job promotions and wages that rise with tenure, they do not rely upon the union to increase the wage structure above the inflation rate in order to have higher wages. This, coupled

with economic growth, allows the unions to support a system of wage restraint. Over time the system provides not only job security but also income security and skill enhancement. In return, the system demands loyalty from the worker in accepting the jobs assigned by management (including relocation and not quitting). In the past decade companies have been increasing performance-related pay, which provides motivation to the individual by rewarding effort and attitude with faster promotion or higher pay or both.

Although blue-collar workers face less secure jobs in the U.S. than in Japan, security systems for professional and managerial employees are not as different in the two countries. In Japan employment security and the demands it makes upon workers to be flexible in accepting training and job assignments are applied to both blue- and white-collar workers. Managers face less security after 50 years of age as they may be assigned to another company at a lower wage.

To provide security, a company's employment structure must allow variations in labor inputs to respond to variations in product demand. Such buffer stocks of labor are provided differently in the two countries. Japanese companies use temporary workers, part-time workers, and subcontracting of parts and certain tasks to provide flexibility in labor input. American companies rely heavily upon temporary layoffs as unions constrain the use of temporary and part-time workers and firms seldom have subcontractors performing production jobs within the plant. However, the practice of subcontracting production of parts outside the plant and some maintenance jobs within the plant has risen in recent years to reduce costs as well as to improve flexibility.

The buffer stocks needed to provide flexibility and the cost of providing security to core workers depend upon the amount of variation in demand. Japanese companies face much less variation in short-run and long-run product demand, and high growth rates in productivity and output reduce the costs of providing security. In contrast, companies in the U.S. that attempt to provide employment security are penalized by large cyclical demand variations, long-run structural shifts, and slack labor markets.

The focus on income security rather than employment (and skill) security in the U.S. has detrimental effects. Once workers have guaranteed incomes, changes made in work assignments or skill requirements are usually seen by workers as a decline in working conditions. Without an incentive to accept these changes, the connection between the economic welfare of the company and the earnings of the workers is broken. In addition, since companies pay

large sums of money into a fund to pay for layoffs (including U.I.), plant managers have an incentive to lay off workers when demand falls in order to reduce payroll costs. Management does not have an incentive to provide training programs during periods of slack demand, since this increases marginal costs and may increase a worker's employability elsewhere. Workers do not have an incentive to participate in training programs, which require effort on their part without improving their pay or security. For these reasons, income security sets up economic incentives that are less efficient than those provided by employment security, and income security provides less security in the long run than does employment security.

Employee Involvement

The theory behind employee involvement (EI) suggests that the mental involvement of workers improves efficiency. Blue-collar workers doing even quite routinized tasks can reduce costs by making suggestions for improvement, by thinking systematically about such improvements, and by gaining the ability to solve limited technical problems. Operators of robots and technicians have even greater opportunities for reducing costs if they are involved in their work and can address nonroutine problems. Performance pay creates incentives for these outcomes. Union involvement in these issues can facilitate employee involvement while protecting workers from arbitrary action by management. EI often takes the form of quality circles (QCs), individual suggestion programs, and skill-development paths (via skill ladders, job rotation, and job enlargement).

Both QC circles and individual suggestion programs are standard practices in large manufacturing companies in Japan. Typically a QC circle may produce one or two dozen solutions per year in addition to the 50 or more annual suggestions per worker. Immediate financial rewards for QC and suggestion activity are broad but shallow, and longer-term rewards are greater. Many of the examples of blue-collar EI in Japan involve minor improvements in product manufacture or assembly rather than basic changes in product or process design or technology. EI activity in Japan is explicitly directed to reducing costs; improvements in the employees' general working environment only occur as a by-product. EI activity often involves how to rebalance the line during one of the frequent product or process changes in Japanese manufacturing. These can be significant in holding down costs (perhaps by 10 percent), in keeping morale high, and in identifying better workers for advancement. Yet these activities may be reaching

diminishing returns among blue-collar workers as major product or process innovations come from technicians and engineers.

Contrary to our expectations, job rotation in Japan is not common within a shift or week. Job rotation is more important over a longer period as workers accumulate skills from different job assignments within a department as they face a longer and more connected job ladder over their careers. Job enlargement is greater than in the U.S. in one significant manner; namely, that Japanese workers are more involved in routine maintenance and repair functions.

Generally unions in Japan have not been involved in QC or suggestion activity, as compared with those in the U.S. Japanese unions are more involved, however, in consultations over business plans for staffing, automation, transfers, use of temporaries, and overtime.

Among the companies we studied, EI is practiced extensively in Japan and is reinforced by security and training. However, while EI in Japan contributes to productivity, enhances worker input in cost reduction, and provides tangible benefits to workers in improved wages and security, the effects upon worker satisfaction are less clear.

In the U.S., uncertain economic conditions and a general lack of both employment security and individual incentives often contribute to employee and union resistance to EI, and fewer participate. Another inhibiting factor arises from the structure of QC and individual suggestion programs. In the U.S., suggestions are proposals that are reviewed by engineers who tend to regard them as mainly increasing the burden of paperwork, and only a small percentage are approved and implemented. In Japan, individual suggestions typically emerge from QC programs and are reported as documentation of improvements that have already been implemented. This integration of individual suggestions with QC activity contributes to the greater effectiveness of EI programs in Japan.

Technical change, automation, and the general labor shortage are creating strains that should make EI even more important in Japan. As Japanese manufacturing becomes more highly automated, the importance of direct labor doing routinized tasks will diminish and the proportion of technicians conducting nonroutine tasks will increase. Continuing product changes and rising breakeven points that come with higher capital-labor ratios will make it even more important for companies to control their costs and improve productivity. For these reasons as well as the pressures generated by the labor shortage, EI is likely to continue to be an important component of Japanese management methods and to provide a continuing competitive advantage over traditional U.S. management practices.

Training

Observers of Japanese firms have been impressed by the greater commitment to continued learning by employees compared to U.S. firms. The learning agenda for employees in large Japanese manufacturing companies consists of technical information about how the production process operates; attitudes of cooperation, teamwork, and commitment to the company; and methods of problem solving and process innovation.

Technical information about the production process concerns existing knowledge that must be transmitted to employees from other employees, trainers, or written sources. Some of this knowledge is conveyed through formal courses provided by the company for new and existing employees; participation in outside correspondence courses is also widespread. Some courses offered by the firm or by outside agencies help workers qualify for national trade tests given by the ministry of labor or other ministries. But to learn the detailed, technical characteristics of a particular operation, structured on-the-job training by supervisors and coworkers is the most important process.

Large firms have explicit procedures for keeping track of what individual employees know. For example, skill charts may be posted in work areas. These charts indicate which technical procedures can be performed by each worker and at what level of proficiency. They may also indicate which workers have obtained technical qualifications by passing national tests or tests given by the company itself. In addition to technical information, Japanese workers must have certain attitudes that promote cooperative effort. Formal training for new employees emphasizes the value of collaboration and this is reinforced by later training and other formal communications. In addition, the practice of socializing with coworkers at the end of the day to talk about work reinforces commitment to group goals.

Japanese companies encourage the practice of continuous improvement or *kaizen*. This goes beyond transmission of technical information; it entails creative invention of new work methods. While formal training imparts some of the analytical skills necessary for *kaizen*, QC circles provide the most important vehicle for acquiring these skills. In a QC circle, members of a work group formulate new ideas for improving quality or productivity; the results include solutions proposed and implemented by the work group, as well as ideas

for individually submitted suggestions. Although most of these suggestions have only marginal value, the existence of these practices communicates the message that employees at all levels are paid to think.

Motivation for continual learning and problem solving is also nurtured by other features of Japanese firms. Although relations among employees are pervasively hierarchical, the distinction between managers and nonmanagers is relatively less important in some ways compared with most firms in the U.S. For given years of service the average difference in pay between managers and nonmanagers is smaller in Japan. Overall, production workers have a wider variation in pay in Japan than in the U.S. A well-developed system of promotion within the nonmanagement ranks as well as the previously mentioned life-cycle pay give rise to a steeper age-earnings profile for nonmanagers in Japan than in most other industrialized countries. High-school-educated workers who are diligent in improving their technical skills, contributing to the work group, and suggesting ideas for continuous improvement can eventually earn as much as a lower-level manager even if they are not formally promoted to a management position. Within large firms it still is possible for nonuniversity graduates to work their way up from production to management. In addition, all university graduates are members of the union until they reach management positions, which usually takes at least ten years. This helps prevent the "us against them" attitude that characterizes many U.S. workers' feelings about management.

Regular performance appraisals are extremely important in Japan, and they determine each employee's share of the semi-annual bonus, monthly salary, and rate of advancement up the pay scale. Most of what employees learn is not automatically linked to pay except for small supplements paid to those who pass certain national or company tests. However, performance appraisals explicitly take into account employees' technical proficiency, cooperative attitude, and ideas for improving the work process.

Pay schedules suggest, somewhat misleadingly, that female workers, male high school graduates, and male university graduates are on the same ladder and can advance equally and that the rate of pay advancement is mainly related to individual performance. However, segmentation among these three groups is extensive as job assignment and promotion opportunities are much more limited for females and high school graduates. Within each gender/education segment, a small percentage (perhaps 8 to 12 percent) are identified as fast-track workers; these advance more rapidly than the great majority (80 to 90 percent)

who are labeled as average workers. An even smaller percentage, perhaps between 5 and 10 percent, are labeled as below-average workers and advance more slowly.

Performance appraisal procedures reflect a delicate balancing of individual and group incentives. While it is individuals who are evaluated and rewarded, an important part of what is evaluated is contribution to the group. Within a department the distribution of appraisal scores for employees at each rank must conform to a predetermined pattern. This puts individuals in direct competition against others of the same rank within their department. But it does not put them in competition with more junior employees. To the contrary, the appraisal system explicitly encourages teaching of subordinates.

SET and the Japanese System of Wage Determination

A distinctive system of wage determination has helped to strengthen the various components of SET in Japan. This system has kept real wage growth from exceeding productivity growth while still permitting more rapid wage growth in Japan than elsewhere. The wage system itself is hybrid with wages freely determined by individual firms and autonomous, enterprise-based unions but with pattern bargaining and national coordination supplied by a highly centralized process known as *Shunto*. Whether the centralized or decentralized features of the system deserve credit for the relatively restrained wage performance is disputed. "Neocorporatists" regard *Shunto* as a highly effective form of incomes policy, while "structuralists" allege that enterprise unionism is sufficiently weak to account for the wage restraint and is too decentralized to permit the efficient operation of an incomes policy.

The relative wage restraint of the enterprise unions can be attributed to structural weakness and overidentification with the interests of the employing enterprise or rational protection of the economic interests of the enterprise union membership who cannot transfer outside of the company. These two hypotheses are not mutually exclusive, and we find each to be partially persuasive.

Critics of the structural-weakness hypothesis argue that Japanese enterprise-based unions have demonstrated their capacity to survive in the absence of strong national unions (industrial federations) or industry-wide bargaining. They may have done so, however, on the sufferance of large-scale paternalistic employers who believe in the efficacy of joint consultation with representatives of their employees, but whose oligopolistic and oligopsonistic power endows them with

greatly superior bargaining strength. Oligopolistic organization has resulted in de facto centralization on the employer side by facilitating interfirm cooperation. Oligopsonistic power has also contributed to the coexistence and persistence of labor shortages and large export surpluses, to the flattening of wage profiles within large unionized firms as wage growth of experienced employees has lagged behind the growth of entry-level wages (while promotion rates have slowed), and to satellite supplier firms' limited ability to raise their own wages.

Shunto's ability to restrain wages has been denied on the grounds that it has lacked some features characteristic of incomes policies in other countries such as the issuance of an official wage norm, participation by strongly centralized union and employer organizations, and participation by government in a process of "political exchange" with the union side. However, we are impressed by the ability of the larger firms to set the *Shunto* pattern and by the ability of both sides to disseminate to their respective constituencies information on the wage norms that will permit continued high rates of economic growth. *Shunto* thus enables a broad consensus to be reached and the pattern to be followed by all the decentralized actors.

Japan appears to be heading into a period characterized by long-run labor shortages, an aging work force, pronounced export surpluses, and a marked slowdown in the rate of economic growth. The proceedings may therefore become more adversarial in the future. Moreover, as labor and management both push for shorter hours, against the reluctance of many workers and their enterprise unions to reduce overtime, the task of the *Shunto* leaders becomes as much one of molding and changing individual preferences as of simply disseminating information.

Conclusion

Our fieldwork leads us to conclude that the transformation from JAM to SET is difficult. Because the components of each system are mutually reinforcing, the transformation cannot be done in a piecemeal manner. For example, companies with a JAM system may try to reap the benefits of employee involvement or broad job classifications without implementing the complete SET system. Such a system will not operate as intended because its component parts will not be mutually reinforcing. EI, which should improve productivity and reduce costs and defects, will increase the threat of layoff and job loss in a JAM system that does not provide employment security. In addition, if

workers give up detailed job classifications, they decrease the union's ability to protect workers from arbitrary and unfair treatment by the supervisor. Broad classifications and flexible use of workers therefore requires changes in the role of the supervisor and a new trust between workers and managers. The workers must trust that supervisors will not use their potential power to treat workers arbitrarily or unfairly. Fairness can be promoted by having teams assign workers to jobs and temporary transfers outside the team. Involving the union or workers in the selection of team and group leaders also increases acceptance of outcomes as fair.

Under SET, management must give up daily managerial prerogatives in order to benefit from active involvement of workers and the unions in decision making and problem solving, and unions must rethink the role of seniority and job classifications. Both sides require trust that the other side will perform as expected. Otherwise EI or broad job classifications will become only one more area of conflict in a JAM system.

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DISCUSSION

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This paper, like others by Fairris, is interesting, persuasive, and concerns an important topic: potential models of industrial relations that might be used in the U.S.

The paper's underlying argument is that the U.S. system of "shop-floor contractualism" has failed for both workers and employers, placing massive pressures on all parties to reach a new accommodation. In the search for a new system, Fairris reasonably looks at currently existing models—those of Japan and Germany. He argues that while both systems offer hope for a cure to our ills, the German system is more likely to succeed here because its focus on broad rights and formal representation provides a strong link with the earlier U.S. system of "shopfloor contractualism."

Fairris notes the less formal Japanese model requires conditions of trust and equity so that managerial discretion on the shopfloor functions to create a high-productivity environment. He rejects that model for the U.S. on the grounds that such discretion is likely to promote arbitrary supervisory behavior, so the system would fail here.

While the paper does not touch on issues of race and gender, Fairris might have added that the diversity of the U.S. work force is also more compatible with the German emphasis on rights and professionalism, since those mechanisms might successfully adjudicate the competing interests of different racial, ethnic, and gender groups.

My doubts about the paper started with a recent phone call when I attempted to alter some airline tickets. The airline's 800 number connected me with an operator in San Antonio. At the airline office in Milwaukee the next day, I found the old tickets would be sent to Barbados for processing, the computer handling the affair was located in Tulsa, Oklahoma, while the airline is headquartered in Dallas-Ft. Worth. The problem with the Fairris paper became clear: there is already a new U.S. system. (The arguments below are detailed in Drago [1992], though the system was largely foreshadowed by Peters and

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Waterman [1982].) If this observation is correct, then the pressures on existing U.S. firms are to adopt this model rather than to look abroad.

The new U.S. system has three distinguishing features: (1) the small, disposable workplace; (2) nonunion operations; and (3) employee involvement at various levels of the workplace to enhance productivity and quality. These features, like those of the Japanese and German systems, function together to create a high-performance workplace.

The first feature—the disposable workplace—lies at the heart of the system, since small, easily replaceable workplaces both inhibit worker militance through the threat of job loss and promote cooperation among workers in order to prevent plant shutdown. For the firm, the ability to cheaply close one plant and open another makes this strategy profitable and makes the threat of shutdown credible. While the strategy was discovered by manufacturing firms engaged in “downsizing” during the 1980s, it has now taken hold across a broader array of industries.

The second feature of the system—nonunion operations—is apparent in union membership trends over the last decade. What many researchers took to be a temporary eclipse of unions in the U.S. has shown no signs of reversing. Even the highly unionized auto industry found ways to tap into this source of profits through extensive subcontracting and foreign operations. Long ago McDonald’s restaurants discovered that high quality is not inconsistent with nonunion operations. More importantly, after more than a decade of plant closings in major industries, workers have finally accepted the “fact” of this system that union “avoidance” is required to hold on to a job.

The third feature of the system—employee involvement to enhance productivity and quality—again had its roots in what looked to be a temporary phenomenon of the 1980s (quality circles), which turned out to be integral to the success of the new workplace. While many of the initial attempts failed, the pressures to achieve high quality continued to mount and employers began to eagerly seek the ideas and commitment of their employees. The key here was the disposable workplace, which allows employers to hand down authority to workers safe in the knowledge that workers will use that power to make money for the firm.

The new system offers advantages for large firms which can weather and profit from the storms of competition, maintain a small managerial staff that can be protected through transfers as needed,

change product lines and technology at low cost, and meet any competitor in terms of low wages and high-quality levels. For employees the system functions because they are provided the opportunity to hold on to their jobs through their active, cooperative participation in the workplace. While there is little room for unions in the new system, there is even less room for justice or individual rights, given workers' and managers' joint interest in dismissing uncooperative or low-productivity workers. Nonetheless, one might even conjecture that the system is compatible with both autonomous teams and worker participation in strategic workplace-level decisions.

Much as we might admire the Japanese or German systems and particularly their benefits for workers, the major problem with studying those systems is their fundamental irrelevance for the U.S. At least for now the bad guys have won and workers have lost.

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DISCUSSION

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The paper by Edward Lorenz is distinct from the other two presentations in this session in that it highlights the *process* by which cooperative mechanisms are implemented rather than their content. U.S. producers contemplating the use of an employee involvement program should consider Lorenz's finding that laws mandating cooperative institutions and social norms that foster such relations do not guarantee cooperation will occur. His analysis of the fate of worker participation legislation in post-World War II Germany and France suggests that a successful cooperative system requires an incremental process of implementation which can help build a foundation of trust.

One gains a striking insight about the contemporary American situation from this study of the French and German attempts to establish worker participation despite their different historical experiences of labor-management relations. At the national level in post-World War II Germany, unions moderated their goals for social change. At least one employer peak association, the BDA, showed restraint in the exercise of management power, and the government mediated a compromise to enact two separate pieces of codetermination legislation. No party won the short-term legislative battle. Instead, all contributed to the incremental steps toward the current, relatively successful form of legislated employee involvement. These circumstances stand in contrast to those in post-war France where management, with the support of the government, smashed the CGT strike. They then rendered the new system of works councils powerless. Management won the short-run battle, but the chance for long-run gains from cooperation was lost.

U.S. labor relations in the 1980s bears a strong resemblance to the latter case. The government not only supported management but, in the PATCO strike, led its own successful attack on organized workers. After the decade's concessions—permanent striker replacements and

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the like—is it surprising that efforts to implement cooperative programs have faltered? That management, in many cases, is unwilling to move incrementally toward shared decision making with workers? That unions do not trust management's claims that it genuinely seeks worker input?

The other comments about this paper speak to the promising future research agenda it inspires. Specifically, an examination of how the interactions between the management, union, and government leaders at the national level discussed here translated into activities on the shopfloor may indicate the level at which incremental change and trust building is most necessary. Was the German legislative compromise struck by labor and management leaders immediately accepted and dutifully implemented by their counterparts in the plants? Or instead was it the case, as sometimes occurs in this country, that top corporate and national union officers reached a cooperative agreement in principle that supervisor and foremen and workers and stewards initially resisted implementing? If there was resistance, how was it overcome?

The presentations of the other panelists focus on other aspects of labor-management cooperation which, if incorporated into Lorenz's future studies, could improve our understanding of the process of instituting labor-management cooperation on the shopfloor. David Fairris's work points out that the legitimacy of German management's authority is based on their extensive knowledge. How were the supervisors with superior understanding convinced to share their decision-making functions with workers? Were there authoritarian (not authoritative) supervisors antagonistic to the new cooperation? How were they handled? Brown et al. argue that both employment security and job training are necessary for internal consistency of a system that uses employee involvement. Did the German system integrate these two components into workplaces when it established works councils? Did the French system fail to include some of the elements of a SET system?

Finally, a discussion of the economic environment in which labor and management initiate cooperative relations would enhance a further examination of worker participation in Germany and France, whether focusing on the national legislation or shopfloor measures. In the U.S. we frequently observe that an economic impetus, such as increasing local or foreign competition, facilitates the adoption of employee involvement. We might gain valuable insights into the possibilities for widespread adoption of worker participation here

with answers to the following questions: Were economic threats present in the successful German case and/or the unsuccessful French one? If an economic menace is a necessary condition for undertaking a cooperation system, do the historical experiences of France and Germany indicate participants need to maintain a crisis atmosphere to sustain it?

DISCUSSION

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A major contribution of the research by Brown, Reich, Stern, and Ulman is that it shows that, in the Japanese setting, employment security, employee involvement, and worker training are interrelated and mutually supportive elements of a coherent production system, termed a SET system by the authors. Labor-management cooperation works by being embedded in this SET system. The authors show that the elements of SET are further reinforced and supported by enterprise pay practices and national-level wage bargaining in Japan. The national pattern of wage bargaining permits real wages to grow while holding increases below productivity growth, thus exercising wage restraint. At the enterprise level, the combination of seniority and merit pay in a SET context provides incentives to workers, minimizes costs to firms, and treats workers fairly over the course of their careers.

Two implications for American companies that seek to overcome the limitations of traditional mass production, whose characteristics the authors term JAM, emerge from this analysis. First, piecemeal reforms at the plant level are not likely to be effective. Employee involvement programs without employment security, adequate training, and appropriate changes in compensation practices are not likely to yield improvements in firm performance. Firms need to adopt a coherent set of mutually supportive practices in order to be successful. Second, at least part of the reason for the slowness of changes from JAM to SET in the U.S. is that the American socioeconomic system does not provide the same incentives or supports for firms to move in this direction as do the Japanese.

But the supportive elements of the Japanese system which the authors identify are not likely to hold in the U.S. In addition to national and enterprise wage practices, the authors identify the following characteristics of the Japanese system that support SET at the enterprise level. Japanese firms have operated under conditions of labor shortage

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since the 1960s, which provides firms with strong incentives to retain workers. Pay and status differences between Japanese managers and Japanese workers tend to be relatively small. And Japanese unions permit the use of part-time and temporary workers and the subcontracting of shopfloor work in order to provide flexibility in labor input to firms while protecting the employment security of workers with "lifetime" tenure.

None of this is likely to be applicable in the U.S., and some is not even desirable. The last two decades have been a period of labor slack rather than labor shortage. Pattern bargaining weakened in the 1990s and seems to have collapsed entirely with the 1992 Caterpillar strike. Contingent employment has increased, but it has largely been resisted by unions. It is unlikely that tight labor markets, pattern bargaining, or acceptance of contingent contracts in unionized workplaces will develop in the U.S. in the foreseeable future.

I would find it useful, therefore, if the authors could suggest the kinds of changes that might reasonably be advocated in the American socioeconomic framework to support the development of SET at the enterprise level, and whether they see a role for public policy in bringing about these changes.

A related point is the authors' observation that Japanese firms have faced much less variation in short-run and long-run product demand than have U.S. companies. While the authors provide no explanation for this, I would suggest that it is due in part to strategic decisions by Japanese firms regarding market segment, number of models, and frequency of model changes; and to a significant extent is due also to Japanese trade and industrial policies. An unanswered question in this (and other research comparing U.S. and Japanese performance) is the extent to which the high Japanese growth rates in productivity are the result of Japanese firms operating close to full capacity utilization as a result of facing less variation in demand vs. the extent to which they are the result of SET and more cooperative labor-management relations in Japan. Finally, the research question is posed in this paper by positing the Japanese version of employee involvement and examining how unionized American firms measure up. This has provided very useful insights. However, one might reverse the question and ask whether a coherent model of employee involvement in unionized American firms may not be emerging and whether and in what ways it differs from the Japanese version (see, for example, Appelbaum and Batt [1993]). While QC activities are highly diffused among large Japanese companies, the authors raise several questions in my mind

about the nature of team-based work in Japan. The authors make the point that hierarchical relations remain important in Japanese firms. They find, contrary to their expectations, that job rotation is not common within a shift or week. And they report the increasing use of individual merit pay to motivate and reward individual effort and attitudes, including, however, attitudes toward their work group. In contrast, QC activities appear to be short-lived in the U.S. and to affect relatively few workers in companies that make use of them. Teams may prove to be only the latest fad adopted by American firms, but I think a comparison of the use of this form of employee involvement in unionized plants in the U.S. and Japan would be very informative.

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XVII. REFEREED PAPERS— EMPLOYEE RIGHTS

Grievance Procedures and Due Process in Nonunion Workplaces

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Formal grievance procedures exist in almost all unionized American workplaces, and almost all of these procedures culminate in binding arbitration by an outside arbitrator (U.S. Bureau of Labor Statistics 1984). In contrast, nonunion workplace grievance procedures are much more intermittent (Ichniowski and Lewin 1988). During the past few decades there appears to have been increased growth in these procedures, and during the past decade there definitely has been increased research devoted to grievance procedures for nonunion employees (Berenbeim 1980; Ewing 1989; Lewin 1987, 1990; McCabe 1988; Peterson and Lewin 1990). However there has been very little research that has systematically measured and compared the elements of nonunion grievance procedures across large numbers of workplaces.

Accordingly, we examine the existence and characteristics of formal grievance procedures that cover nonunion employees in a sample of American private firms. Our findings help us understand what kinds of due process mechanisms employers have established to resolve grievances when employees are not represented by a union.

Background

Research has documented the strong interest that employees and organizations have in fair treatment at work. From an employee perspective, research has shown that employees want to be treated

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fairly. Both the perceived fairness of workplace decisions (distributive justice) and the perceived fairness of organizational procedures used to make these decisions (procedural justice) have important influences on employee job satisfaction. Interestingly, some of this research indicates that procedural justice perceptions are more important (Folger and Greenberg 1985; Greenberg 1990; Sheppard 1984). From a managerial perspective, organizational fairness has tangible payoffs, including an increased employee willingness to accept managerial decisions and an improved organizational ability to retain desirable employees. Indeed, Greenberg (1990) persuasively argues that workplace fairness is sufficiently important that organizations have an incentive to provide both the appearance of fairness—looking fair—and the substance of fairness—being fair.

Grievance procedures are an example of what Sheppard, Lewicki, and Minton (1992) call a remedial voice mechanism designed to provide employees with an opportunity to express their concerns about the perceived unfairness of decisions that affect them and to seek redress from this alleged unfair treatment. In unionized workplaces, unions and employers have routinely established grievance procedures to serve as remedial voice mechanisms. These procedures provide a host of processing rules and generally ensure that employees and unions will play a prominent role in the handling and resolution of grievances. Almost all of these unionized procedures culminate in arbitration by an outside arbitrator, and the existence of arbitration heavily influences how grievances are resolved at all steps of the procedure. There has long been a consensus that grievance procedures in unionized workplaces provide a substantial amount of voice opportunity and due process protection to affected employees, regardless of whether these grievants win or lose their grievances (Aram and Salipante 1981; Freeman and Medoff 1984; Lewin and Peterson 1988; Slichter, Healy, and Livernash 1960).

In contrast, there appears to be much less consensus about how organizations deal with nonunion employee complaints (we use the terms “conflicts,” “complaints,” “grievances,” “appeals,” etc., interchangeably). First, although there appears to be an increasing willingness over time by employers to institutionalize grievance procedures for their nonunion employees (Delaney, Lewin, and Ichniowski 1989; Feuille and Delaney 1992), it is not clear how widespread these procedures have become, nor is it clear why some firms have adopted these voice mechanisms and others have not. Second, nonunion firms have adopted a large variety of complaint procedures (Ewing 1989;

McCabe 1988), yet there has been little systematic research comparing nonunion grievance procedure elements across organizations. Third, there is little evidence about how much due process these nonunion procedures provide to employees who file grievances. Indeed, conventional wisdom suggests that it is very difficult for nonunion firms to formulate and operate a grievance procedure in a fair and effective manner (Aaron 1992; Epstein 1975; Freeman and Medoff 1984; Slichter, Healy, and Livernash 1960).

The focus of this paper is on the second topic. Accordingly, we examine the characteristics of these nonunion procedures and compare them to generally accepted union procedures. Before we do that, we summarize our findings from a previous study (Chachere and Feuille 1992) about the determinants of nonunion grievance procedures.

In this analysis we use the terms "due process" and "procedural justice" interchangeably to refer to the extent to which grievance procedures provide employees with a fair opportunity to present to their employers work-related complaints that will be processed in accordance with established rules and standards. As this implies, our research focus is on grievance procedures rather than outcomes. Also, we are exclusively concerned with "formal" nonunion grievance procedures (NGPs). We define a formal NGP as one which (1) is written down, (2) guarantees employees the right to present complaints to management, and (3) has its existence communicated to employees. This definition deliberately avoids specifying particular substantive elements of such procedures. As such, this is a "bare-bones" definition that can encompass a large number of formal procedures with vastly differing degrees of due process protection for employees.

Data Collection

The data analyzed here were collected in a late 1991 survey of selected alumni of a master's degree program in industrial relations/human resources at a large public university who were working for private employers in the U.S. (primarily large corporations). We mailed a questionnaire that asked the recipient a series of questions about (1) whether or not their employer had a formal NGP as defined above, (2) the characteristics of any such procedures, and (3) several characteristics of their employing organization. We conducted a first mailing in October 1991, followed by a second mailing to nonrespondents in November 1991.

We received usable, nonduplicated replies from 195 of 435 recipients for a 45 percent response rate. We knew from prior research (Ewing 1989; McCabe 1988) that some large organizations have given their divisions and facilities considerable latitude in implementing grievance procedures, and we knew that our respondents worked at different organizational levels. As a result, some of our responses describe grievance procedures that are facility specific, while others describe corporate-wide procedures.

As this sample description implies, we did not draw our sample from a random selection of the universe of American private employers. Instead, we almost certainly oversampled large firms with formal grievance procedures (and more formal HR policies generally) compared to the median American firm. As a result, we make no claim that these results can be generalized to all of this country's private employers. We believe, nonetheless, that these results offer valuable insights into the population of private employers that have established formal NGPs.

Among our 195 responses, 111 respondents (57 percent) reported that their employers had a formal NGP (as defined above) and 84 reported that their employers did not. Among the 90 respondents who knew the year when their firms first adopted these procedures, the average year of adoption was 1978.

Before turning to the characteristics of these NGPs, we note that our findings about the determinants of these procedures (Chachere and Feuille 1992) confirm previous work regarding the likelihood of larger firms having these procedures (Bureau of National Affairs 1979; Delaney and Feuille 1992; Scott 1965). For instance, in our study the average size of the 92 firms that have an NGP and also report their size is 63,250 employees, compared with an average of 28,383 employees in the 73 firms that indicate they do not have an NGP—a statistically significant difference. Further, the reported percentage unionized of the firm's nonmanagerial employees is significantly negatively correlated with the presence of a formal NGP. Although this finding is inconsistent with the intuitively plausible positive correlation predicted by spillover effects, it is consistent with other research (Delaney and Feuille 1992), and it may mean that firms with lower percentages of unionized employees are more willing to adopt NGPs to keep their nonunion employees nonunion. In addition, we found a positive correlation between the existence of an NGP and the number of formal human resource management policies designed to enhance employee roles within the firm (e.g., performance appraisal, profit sharing, employee involvement programs, and so on).

Characteristics of Nonunion Grievance Procedures

Our respondents supplied considerable information about the shape of the NGPs in their firms. Among the 111 reported procedures, most are accessible to most employees regarding most work-related subjects: 96 respondents reported that all nonunion employees and managers are eligible to use the procedure, 103 reported that eligible employees are covered by the procedure from their date of hire, and 84 reported that all work-related subjects are covered by the procedure (the other 27 procedures contain some subject matter exclusions). Among the 87 firms that supplied the necessary data, these NGPs averaged 3.4 steps (within a range of one to five steps).

We are particularly interested in the extent to which these NGPs provide due process protection to grievants. As argued by Aram and Salipante (1981), there are two key components of procedural justice in organizational appeal systems. The first is the degree of formality in the procedure. This includes such factors as guaranteeing the right to grieve and be free of retaliation when doing so, providing time limits for filing and for managerial responses, allowing employees to present complaints personally and to confront accusers, allowing employees to be accompanied by a representative when presenting complaints, and so on. The second key procedural justice component is the extent to which the final decision maker is independent from management.

Accordingly, we asked a series of questions about the components of the NGPs in these organizations to measure the extent to which firms provide employees with various elements of due process. Specifically, we use these questions to construct a due process index (DPI) that records a host of specific characteristics about the NGPs in these firms. Cronbach's alpha for the index is 0.737, indicating that these items combine to form a reliable and internally consistent index.

Table 1 lists these DPI elements in summary fashion and also specifies the proportion of respondents who said their firm's NGP had such an element. There are 28 possible points if each element is present in the NGP. Among the various elements included in our DPI, we give the most weight to three characteristics: (1) the range of subjects that may be grieved, (2) the extent to which a grievant can be accompanied by someone else when presenting a complaint, and (3) the nature of the final step in the grievance procedure. These three elements are given extra weight due to their importance in the handling of grievances in unionized workplaces: The union contract usually defines grievable subjects; the presence of a union means that a grievant has the right to be accompanied by others when presenting complaints;

TABLE 1
Due Process Index Elements

	Mean (S.D.)	Sample Size
1. Subjects which may be grieved [1-3]	2.66 (0.65)	111
[1] Only subjects named		11
[2] Some exclusions		16
[3] All work-related		84
2. All employees eligible [0-1]	0.86 (0.34)	111
3. Right to file grievances [0-1]	0.91 (0.29)	110
4. Protect from retaliation [0-1]	0.86 (0.45)	110
5. Must file grievances in writing [0-1]	0.44 (0.50)	111
6. Employee time limits [0-1]	0.39 (0.49)	111
7. Instructs how to use procedure [0-1]	0.73 (0.45)	111
8. Series of steps [0-1]	0.85 (0.36)	111
9. Can bypass immediate supervisor [0-1]	0.86 (0.37)	111
10. Processing assistance provided [0-1]	0.84 (0.36)	109
11. Employee right to be present [0-1]	0.78 (0.41)	111
12. Employee right to representation [0-4]	1.08 (1.25)	110
[0] No representation		55
[1] Another employee		9
[2] HR staff		36
[3] Outsider—not attorney		2
[4] Attorney		8
13. Right to call witnesses [0-1]	0.50 (0.50)	108
14. Managers must respond in writing [0-1]	0.56 (0.50)	111
15. Employer time limits for response [0-1]	0.53 (0.50)	111
16. Final step options [1-8]	2.98 (1.68)	107
[1] Local facility manager		24
[2] Senior HR manager		14
[3] Senior line manager		42
[4] Panel-managers		13
[5] Panel-managers(majority)/		
employees		3
[6] Panel-managers/employees		
(majority)		7
[7] Panel-peers only		0
[8] Outside arbitration		4
DUE PROCESS INDEX [2-28]	16.05 (4.01)	103

Numbers in brackets [] represent range of possible response values.

and the customary final decision step in the union arena (arbitration) is quite independent from management.

Across the 103 firms that responded to all the DPI elements, the actual range of values is seven to 27 points, and the average index

value is 16.1 points. These results suggest that most of these organizations have included numerous due process elements that give employees substantial stated guarantees to file and process grievances. In particular, most firms allow all or almost all of their employees to use the procedure, and three-fourths of the firms allow all work-related subjects to be grieved.

However, there are definite limits regarding how far these firms are willing to go in granting employees these procedural protections. One such limit is the extent to which firms allow employees to be accompanied by others when presenting a complaint. Only 55 of 110 firms allow employees to be accompanied by others when presenting a complaint. Of these 55, only ten firms allow the employee to be represented by an outsider (including eight that permit the outsider to be an attorney), and the other 45 firms allow employees to be accompanied by an insider (most often someone on the HR staff). In other words, half of the responding firms—the remaining 55—require grievants to present their complaints by themselves. In contrast, in unionized firms the employee almost always can be accompanied by a union representative when processing a grievance.

The second limiting aspect that differs substantially from the union arena is the nature of the final decision step. As can be seen in Table 1 for the 107 responding firms: (1) 66 firms leave the final decision in the hands of line management, (2) 14 firms give this responsibility to a senior HR manager, (3) 23 firms allow a review panel/board to make the final decision (and only seven of these 23 provided for “peer review,” where a majority of the review panel is nonsupervisory employees), and (4) only four firms provide for a final decision by an outside arbitrator. If we adopt a reasonably tight definition of final decision maker independence from management, only 11 of 107 firms (seven with peer review and four with arbitration) allow the final decisions on grievances to be made by decision makers who are independent from management. Clearly, most firms want to keep the final grievance decision authority within the managerial hierarchy. This managerial decision control is perhaps the feature that most explicitly differentiates these NGPs from unionized grievance procedures.

Summary and Conclusions

Our findings support three due process conclusions. First, our findings suggest that many American firms take seriously the goal of providing an institutionalized voice mechanism for their nonunion

employees to seek redress when they believe they have been treated unfairly. Although the fact that 57 percent of our respondents reported the existence of a formal NGP almost certainly overstates the true incidence of these procedures throughout the American economy, this high percentage is generally consistent with prior research: (1) Delaney, Lewin, and Ichniowski (1989) found that about half of their sample of almost 500 large firms had established formal complaint procedures covering some or all of their nonunion employees; and (2) Berenbeim (1980) reported that 48 percent of almost 750 firms had a grievance procedure for their nonunion employees.

Second, the respondents to this study reported that these NGPs contain many due process elements designed to give employees and managers clear directions on how to process grievances. Given that these NGPs, by definition, are established without direct union pressure, the results indicate that this group of employers has tried to provide due process guidelines to employees who file grievances and to managers who respond to these complaints.

Third, our results indicate that most firms with NGPs strongly prefer to keep the processing and resolution of grievances completely within the organization. Both the widespread unwillingness to allow outsiders to accompany employees when presenting grievances and the widespread specification of higher levels of management as the final decision step clearly indicate that employers perceive these procedures as internal mechanisms designed to wash the grievants' complaint linen inside the organization. In other words, a substantial proportion of American firms is willing to provide their employees with formal remedial voice mechanisms, but few of these firms are willing to relinquish significant process or decision control over these voice appeals.

The results we report provide sustenance to both the supporters and the skeptics of the ability of nonunion employers to provide appeal mechanisms that deliver genuine organizational justice to employees who believe they have been treated unfairly. The supporters, using as their benchmark the fact that there is no union pressure on firms to adopt NGPs, would insist that the adoption and shape of these procedures provide genuine opportunities for employees to seek redress from unfair treatment. They would also argue that formal procedures are much more in the employees' interest than informal "open door" policies that provide essentially nothing in the way of an institutionalized mechanism to pursue unfair treatment appeals. Using Greenberg's (1990) framework, the supporters would

argue that this research indicates that many American employers take seriously the idea of actually being fair to their employees.

In contrast, the skeptics, using the incidence and characteristics of union grievance procedures as their benchmark, would insist that these same results indicate that many nonunion employees still have no effective remedial voice mechanism. These procedures are imposed by management and can be unilaterally changed by management. Further, those employees who are covered by these NGPs usually must process grievances on their own and must trust management to make a fair decision. The skeptics would argue that the presence of a formal NGP in which management controls the process and the outcomes hardly guarantees that employees will get a fair shake when they file grievances that challenge managerial decisions. The skeptics would rely upon another part of Greenberg's (1990) analysis to argue that these employers are more interested in looking fair than in being fair to their nonunion employees.

The debate over fair treatment in the nonunion workplace cannot be persuasively resolved with the data reported here, particularly in the absence of data about the actual processing and resolution of grievances. This debate underscores, however, the value of additional research into the existence, shape, use, and impacts of grievance procedures in nonunion workplaces. Given that the private-sector work force is now about 87 percent nonunion (U.S. Bureau of Labor Statistics 1992), this additional research is long overdue.

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Equal Employment Opportunity and Referral Unions: A Tale of Twin Cities

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Equal employment opportunity legislation is controversial and affirmative action even more so (Smith and Welch 1984). Additionally, alleged trade union discriminatory practices are equally contentious, especially in referral unions (Schutt 1987; Leonard 1985; Wolkinson 1973; and Gould 1977). Unionized construction contractors working on government projects, who are often dependent on referral unions for employees, usually have to contend with all of these elements when employing workers for the construction site. It is thus easy to conceive why the debate over employment legislation in this sector has been so intense (U.S. Congress 1986).

This paper examines equal employment opportunity legislation as it pertains to government contractors and referral union practices in the twin cities of Minneapolis and St. Paul, Minnesota, to better understand the debates about the effectiveness of this legislation. In spite of the historical domination of the construction referral unions by white males, the City of Minneapolis is still able to effectively increase minority and female employment on city-assisted construction projects. Contrasting the experience of Minneapolis with that of St. Paul and the State of Minnesota yield important insights into some determinants of the effectiveness of public policy.

Unions and Discrimination

Whether unions are effective in breaking discriminatory barriers or creating additional impediments is a longstanding and very contentious question. The union discrimination allegations are levied most

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frequently at referral unions, especially in the construction industry, because of the perception that referral unions are able to restrict jobs to members and are able to maintain control over membership. Table 1 illustrates the composition of the construction trades in Minnesota. In 1990 (1979), 95.3 percent (94.1 percent) of the members of local referral unions (with greater than 100 members) were white and 99.25 percent (98.8 percent) were male.

TABLE 1
Membership in Building Trades Referral Unions in Minnesota

	Percent White		Percent Minority		Percent Female	
	1979	1990	1979	1990	1979	1990
Bricklayers	97.1	98.6	2.9	1.4		0.3
Carpenters	97.8	98.9	2.2	1.1	0.4	0.3
Elec. Workers	97.4	96.4	2.6	3.6	0.8	0.4
Laborers	84.9	86.5	15.1	13.5	1.2	2.4
Plumbers	97.4	96.6	2.6	3.4	0.1	0.6
State Total ^a	94.1	95.3	5.9	4.7	1.2	0.8

Sources: U.S. Equal Employment Opportunity Commission (1982) and unpublished data. Computed from EEO-3 reports required of local unions with more than 100 members.

Note:

^a Includes 16 (1979) and 10 (1990) locals not reported separately by trade.

Furthermore, the traditional perception is that the way to enter a craft union is to be referred by one's father or via a tightly controlled apprenticeship program (Gould 1977). A survey of 180 construction site hourly workers who had been employed in the past year by three heavy construction contractors in the Minneapolis-St. Paul metropolitan area supports this traditional perception (Budd and Swift 1992). In fact, 96.67 percent of the respondents were white males and 46.67 percent were referred by a friend or a family member. Thirty-two percent of the respondents referred a relative, and of those referrals, 98 percent were referring male workers. Of the referrals of friends made by the survey respondents, only 4.35 percent of the most recent referrals were for female workers and only 1.45 percent for minorities.

These results strongly support the claim of referral union membership generated by familial or friendship connections and the continued historically white male composition of referral unions. It is against this background that public policies of equal employment

opportunity are attempting to be effective. In fact, the goals and timetables of the affirmative action plans described below were initially instituted for government contractors in the construction industry via imposed plans and hometown plans. To understand the effects of these policies, an understanding of the details of these policies are necessary.

Equal Employment Opportunity Legislation

Title VII of the Civil Rights Act of 1964 is well known: discrimination on the basis of "race, color, religion, sex, or national origin" is defined to be an "unlawful employment practice" not only for employers, but also for employment agencies, labor organizations, and for employer, union, or joint apprenticeship programs. The Civil Rights Act does not enact affirmative action, however. Executive Order 11246 (and amended by Executive Order 11375 to include sex discrimination) requires federal government contractors to agree to "take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin" (see Table 2). Executive Order 11246 also established the Office of Federal Contract Compliance Programs (OFCCP). In 1968, OFCCP determined that federal contractors for contracts greater than \$50,000 must develop a written affirmative action plan to satisfy the requirement "take affirmative action."

Current OFCCP regulations state that an affirmative action plan that does not include a work force analysis, utilization analysis, and goals for redressing underutilized areas will "automatically [be] considered unreasonable" (U.S. Department of Labor 1990, 2-11). Goals are required to be established separately for women and minorities and

... may not be rigid and inflexible quotas which must be met, but must be targets reasonably attainable by means of applying every good faith effort to make all aspects of the entire affirmative action program work (U.S. Department of Labor 1990, 2-28).

The current goal for construction sites for women is 6.9 percent of total hours worked by the contractor's aggregate work force on all construction work performed. Goals for the utilization of minorities vary by Standard Metropolitan Statistical Areas. In 1991 in Minnesota the minority utilization goals ranged from 2.9 percent in the

TABLE 2
Selected Equal Employment Opportunity Legislation

Title VII of the Civil Rights Act of 1964

It is unlawful for employers, employment agencies, and labor organizations "engaged in industries affecting commerce" (Section 701) "to discriminate against any individual because of race, color, religion, sex, or national origin" (Sections 703-704). Enacted by the U.S. Congress 1964 and amended 1968, 1972.

Executive Order 11246

Federal Government contractors must agree to "take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin" (Section 201). Enacted by President Johnson 1965 and amended by Executive Order 11375.

Minnesota Human Rights Act (Minnesota Statutes Chapter 363)

It is unlawful for employers, employment agencies, and labor organizations to discriminate "because of race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, or age" (Section 363.03). "No department or agency of the state shall accept any bid or proposal for a contract or agreement or execute any contract or agreement for goods or services in excess of \$50,000 . . . unless the firm or business has an affirmative action plan for the employment of minority persons, women, and the disabled that has been approved by the commissioner of human rights (Section 363.073). Enacted by the Minnesota State Legislature 1967 and amended.

Minneapolis (MN) Civil Rights Ordinance (Minneapolis Code of Ordinances Title 7)

Contractors having contracts with the City of Minneapolis agree to not discriminate "because of race, color, creed, religion, ancestry, national origin, sex, affectional preference, disability, age (forty to seventy), marital status or status with regard to public assistance" and will "take affirmative action to ensure that all employment practices are free of such discrimination." "The City of Minneapolis shall not enter into contracts or subcontracts in excess of fifty thousand dollars . . . with any bidder, prospective prime contractor or proposed subcontractor until a written affirmative action plan has been provided" (Section 139.50). Enacted by the Minneapolis City Council 1967 and amended.

St. Paul (MN) Human Rights Ordinance (St. Paul Legislative Code Title XVIII, Chapter 183)

Contractors having contracts with the City of St. Paul agree to not discriminate "because of race, creed, religion, color, sex, sexual or affectional orientation, national origin, ancestry, age, disability, marital status or status with regard to public assistance" and will "take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, creed, religion, color, sex, sexual or affectional orientation, national origin or ancestry, age, disability, marital status or status with regard to public assistance" (Section 183.04). Enacted by the St. Paul City Council 1967 and amended.

Minneapolis-St. Paul metropolitan area to 0.5 percent in some rural counties. In cases of noncompliance, the OFCCP has the authority to suspend, terminate, or cancel a contract and to debar a contractor from future federal contracts.

The development of equal employment opportunity legislation in Minnesota parallels the federal level. In 1967 the Minnesota State Legislature enacted the foundation of the current legislation similar to

Title VII of the Civil Rights Act of 1964. Analogous to the federal level, affirmative action is required for state contractors (see Table 2).

The development of civil rights legislation in Minneapolis and St. Paul has been similar to that at both the federal and state levels. In 1967 after the Minnesota state legislation, the Minneapolis City Council enacted the foundation of the current Civil Rights Ordinance. St. Paul enacted similar legislation a few weeks after Minneapolis. Table 2 shows the extent to which the current city ordinances have surpassed Title VII of the Civil Rights Act of 1964. For example, in St. Paul it is illegal to discriminate on the basis of sexual or affectional orientation.

Both municipalities have stringent regulations pertaining to city contracts. In both cities contractors cannot bid on a city contract in excess of \$50,000 unless an approved affirmative action plan is on file with the appropriate city department.¹ For construction contractors, the affirmative action requirements have two facets: the permanent work force and the construction site work force. For permanent employees a contractor must conduct (separately for women and minorities by "major job groups") work force, availability, and underutilization analyses and construct goals and timetables to correct deficiencies. For construction site workers the goals are mandated by the city departments: 15 percent and 8 percent of total construction hours for minority unskilled and skilled workers, respectively, in both Minneapolis and St. Paul; 4 percent and 6.9 percent for women for Minneapolis and St. Paul, respectively, in 1991 (Minneapolis 1991; St. Paul 1991). Each municipality reserves the right to terminate or suspend any contract and prevent acceptance of future contracts in the event of noncompliance.

The intent of such civil rights and human rights ordinances is clear: "to remedy the effects of underutilization and past discrimination" and "to enhance employment and business opportunities for minorities, women, and disabled persons" (Minneapolis 1991). Whether these intentions are achieved is a more difficult, yet very important, question to answer.

Effectiveness of Equal Employment Opportunity Legislation

The effectiveness of government policies in providing equal employment opportunities, union or nonunion, for women and minorities is an unsettled question. In the referral union case, Faley and Froggatt (1987) find no change in the composition of referral unions using EEO-3 data for 1969 to 1979. Wolkinson (1973) finds that

EEOC remedial efforts directed towards unions operating discriminatory hiring halls were ineffective. Hometown and imposed plans are generally regarded as minimally effective (Gould 1977; Glover and Marshall 1977). However, Hammerman (372, 1973) is quite optimistic about the effectiveness of federal legislation and policy in reducing discrimination. Furthermore, Schutt (1987) conducts a longitudinal analysis of entry into a joint labor-contractor apprenticeship program. A "dramatic" increase in the acceptance rates of blacks occurs in 1969, although human capital characteristics were unchanged. Schutt (1987) therefore concludes that the political protest surrounding discrimination in the construction industry in 1969 was quite effective in achieving opportunities for minorities.

Thus it is clear that there is little agreement on the efficacy of government programs aimed at breaking down barriers to minorities and women in referral unions in construction. Yet since this is such an important question, it is useful to examine what has happened in the Minneapolis-St. Paul metropolitan area. Note that, in general, very little change has occurred since 1979 in the demographic composition of construction referral unions in Minnesota (Table 1). Recall that the State of Minnesota and the City of Minneapolis and the City of St. Paul all have policies very similar to the provisions pertaining to federal contractors. Have these policies increased employment opportunities for women and minorities?

Table 3 presents the results of the municipal plans. While compliance data for the State of Minnesota are unavailable, the differences in Minneapolis and St. Paul are striking (as is the comparison with Table 1). Since Minneapolis and St. Paul are adjacent cities, there is clearly a single labor market, but the actual minority utilization rates for construction workers on city-assisted projects are very different. Note that for minorities, Minneapolis and St. Paul have the same utilization goals, but only Minneapolis, on average, achieves those goals. In fact, the utilization rate for unskilled minorities is nearly twice as great in Minneapolis relative to St. Paul. For female hours, Minneapolis again achieves its goal while St. Paul falls short, although the Minneapolis goal is below the level of Minnesota and St. Paul.

Thus the Minneapolis experience illustrates that a government policy to increase employment opportunities can be effective. However, there are additional lessons to be learned by comparing the experiences of the twin cities of Minneapolis and St. Paul. The requirements that contractors have to meet and the penalties in the ordinances are nearly identical in the two municipalities. So what

TABLE 3
Selected Equal Employment Opportunity Goals for
State and Municipal Contractors in Minnesota, 1990

	State of Minnesota	City of Minneapolis	City of St. Paul
Goals for Unskilled Minority Hours ^a	2.9% (Total)	15%	15%
Actual Unskilled Minority Hours ^b		17.09%	10.77%
Goals for Skilled Minority Hours ^a	2.9% (Total)	8%	8%
Actual Skilled Minority Hours ^b		9.94%	6.24%
Goals for Female Hours ^a	6.9%	4%	6.9%
Actual Female Hours ^b		4.06%	4.24%
Total Hours Worked (millions)		2.019	0.589
Compliance Staff (including supervisor)	4	8	4
Department Budget ^c (millions of dollars)	3.2	1.32	0.63
Projects Monitored		74	90

Sources: Minnesota Department of Human Rights, City of Minneapolis Department of Civil Rights, and St. Paul Human Rights Department.

Notes:

^a Goals for hours worked by each group at construction sites as a percentage of total construction site hours worked. The State of Minnesota has one goal for total minority hours. Goals are for state and federal contracts for more than \$10,000 and Minneapolis and St. Paul contracts for more than \$50,000.

^b Actual hours worked by each group at construction sites as a percentage of total construction site hours worked.

^c Human Rights or Civil Rights Department Budget for Fiscal Year 1992.

explains the difference in actual utilization? Local contractors and their equal employment opportunity officers know that if they do not meet their goals (though recall they are not quotas) for a Minneapolis project, the Minneapolis Department of Civil Rights will be quite responsive.² Most likely a meeting will be set up between the contractor and the Department of Civil Rights to assess whether the contractor has been making the required "good faith efforts" and to determine how the goals will be achieved in the future as the project progresses. In addition, contractors perceive the likelihood of an unannounced on-site inspection to be much greater in Minneapolis.

Contractors know they will not be pestered, certainly not to the same extent, by the City of St. Paul. Thus public policy can be effective, but it is clear that enforcement must be visible and pronounced.

However, this is not to say that St. Paul is lax. Compared to Minneapolis, the St. Paul Contract Compliance Division of the Human Rights Department has half the amount of compliance staff to monitor 20 percent more projects. While Minneapolis has a greater volume of construction activity measured in total hours, it seems reasonable to believe that there are fixed costs to monitoring a project regardless of the project's size. Hence Minneapolis has the resources to be able to make its enforcement visible and pronounced. Legislation can increase employment opportunities, but resources and their utilization are crucial.³

Conclusion

As recent events have illustrated, issues of civil rights, equal employment opportunity, and affirmative action are at the forefront of many public policy debates. A sector of industrial relations that has received much attention in these debates is the construction industry and its referral unions. In fact, the goals and timetables system now applicable to nearly all government contractors was first targeted at the construction industry. However, there is little agreement over the effectiveness of public policy attempts to increase minority and female opportunities in this sector. This paper illustrates two important points. First, referral unions still seem to be characterized by an entry system heavily dependent on family and friends, which clearly reinforces the historical demographic composition of the unionized contractor's labor supply. Second, in spite of the demographics of the referral unions, public policy *can* increase the employment opportunities of minorities and women as illustrated by the case of Minneapolis. However, the comparisons presented here illustrate that simply having a public policy is not sufficient—aggressive compliance monitoring is also necessary. Whether the resources are or should be made more widespread to make governmental efforts like that in Minneapolis successful is a crucial question for deciding the future course of public policy.

Endnotes

¹ For example, in Minneapolis the written affirmative action plan is a crucial, but not solitary, component of the "Preaward Review," which each contractor, subcontractor, and vendor must pass before bidding on any contract in excess of \$50,000 (Minneapolis 1991; see also St. Paul 1991).

² While obviously difficult to quantify perceptions, numerous interviews with equal employment opportunity officers affirmed the belief that Minneapolis is much more aggressive than St. Paul and Minnesota in enforcing the EEO goals.

³ The unavailability of actual utilization data for Minnesota state-assisted projects suggests continued underutilization. This is consistent with local contractor perceptions, and thus effort towards compliance, and the small amount of resources for enforcement available as indicated in Table 3.

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Individual vs. Collective Interests: Does the Duty to Accommodate Supercede Contractual Rights?

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The Americans with Disabilities Act (ADA) is the first comprehensive federal law to prohibit employment discrimination against disabled persons. The federal Rehabilitation Act, passed in 1973, applies only to the federal government and its contractors, and state fair employment practice (FEP) laws often provide weak protection and ineffective enforcement (Erf 1977). The ADA applies to all employers with 15 or more workers, labor unions, and employment agencies¹ and is enforced by the federal Equal Employment Opportunity Commission (EEOC). The EEOC predicts that 10,000 to 12,000 disability discrimination claims will be filed in the ADA's first year ("Ambiguities of . . ." 1992).

The new law requires employers to provide "reasonable accommodation" for a "qualified individual with a disability."² This requirement reinforces a growing employer practice of assigning disabled workers to light duty jobs as a method of reducing workers' compensation costs (Schwartz, Watson, Galvin, and Lipoff 1989, 14). It is likely that at least some of these claims will involve unionized employers and will require the EEOC and eventually the courts to address the issue of whether an employer, if it is a party to a collective bargaining agreement that reserves certain jobs for senior employees, will be able to assert the collective bargaining agreement as a defense to an alleged failure to accommodate a disabled worker. Under the federal Rehabilitation Act, which also requires accommodation, most state and federal courts found that language in the collective bargaining agreement restricting the employer's ability to reassign workers to "light duty" or other desirable jobs was an adequate defense to a discrimination claim. The ADA, however, defines "undue hardship" much more narrowly than previous judicial rulings under the Rehabilitation Act and contains no language that protects seniority.

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The conflict between the ADA and contractual provisions raises several potential legal problems for both employers and unions. Section 9 of the National Labor Relations Act (NLRA) prohibits the employer from "direct dealing" with individual workers if they are represented by a union, yet the ADA regulations require the employer to consult with the individual with a disability when creating an accommodation (29 C.F.R. Sec. 1630.9), and Sec. 102 (c)(3) of the ADA requires the employer to maintain the confidentiality of the individual's medical records. If the employer follows the ADA without involving the union, the employer may face unfair labor practice charges of refusal to bargain (Sec. 8[a][5] of the NLRA) and direct dealing (Sec. 9). If the union refuses to agree to the accommodation, it may have violated the ADA and may also face a duty of fair representation lawsuit by the disabled worker (*Vaca v. Sipes*). On the other hand, if the union agrees to waive the contractual seniority provisions, it may face a duty of fair representation lawsuit from other workers. The federal agencies that enforce the ADA (the EEOC) and that regulate labor-management relations in the private sector (the National Labor Relations Board) provide no guidance, for they sharply disagree on this issue ("Disabilities Act's . . ." 1992). No guidelines have been issued by either agency to clarify this situation.

Methodology

Because the ADA has not been in effect long enough to produce published court opinions, several related sources of information were consulted. All state and federal court and enforcement agency opinions in which a collective bargaining contract was raised as a defense to a refusal to accommodate a disabled worker (or applicant) were identified through a LEXIS search. The legal and social science literature were also reviewed for discussion of this issue. Although these opinions and their analysis in the literature refer to the Rehabilitation Act and/or to state laws, it is likely that judges interpreting the ADA will seek guidance, where appropriate, from these cases and analyses. The legislative history of the ADA, including relevant Senate and House of Representatives reports and EEOC regulations were reviewed.

Analysis of Case Law

The U.S. Supreme Court has not addressed the clash between an employer's accommodation requirement and contractual seniority provisions in the disability context, but it has in the context of religious

discrimination under Title VII of the Civil Rights Act of 1964, which requires an employer to accommodate an employee's religious exercise needs. Although the Court's interpretation of Title VII's reasonable accommodation requirement in *TWA v. Hardison* is not precedential for actions under other laws, this opinion has influenced subsequent interpretation of the Rehabilitation Act's accommodation requirement.

In *Hardison* the Supreme Court ruled that if assigning a low-seniority worker to a preferred schedule in order to permit him to observe his Sabbath violated the provisions of the collective bargaining contract, such accommodation posed an "undue hardship" for the employer and was not required. The Court also stated that accommodations that required more than a minimal expenditure or inconvenience were not necessary.

The Court based its ruling on section 703(h) of Title VII, which protects "bona fide seniority systems" from attack if their application results in the exclusion of a protected class member. Because both the reasonable accommodation and the seniority provisions occur in the same law, the Court reasoned that Congress meant for seniority provisions to be honored unless they could be shown to have been created with the intent to discriminate against certain protected classes.

No such language regarding seniority systems appears in the Rehabilitation Act. However, courts interpreting the Rehabilitation Act have borrowed the Supreme Court's deference to seniority systems from *Hardison* and, with few exceptions, have found an accommodation that would violate a collective bargaining agreement to be an undue hardship and, thus, not required under the law. In so doing, the courts have often used terminology appropriate to Title VII litigation to find that the agreement constitutes a sufficient defense to a failure to accommodate.

Federal Appellate Court Opinions

Although the U.S. Supreme Court has not ruled on the issue, four federal appellate courts have ruled that seniority provisions in the agreement provide an "undue hardship" defense for the employer. All of these cases involve claims that the U.S. Postal Service refused to reassign disabled workers to jobs that they could perform despite their disabilities.

In *Daubert v. U.S. Postal Service*, the collective bargaining agreement prohibited the Postal Service from assigning a mail handler whose

disability prevented him from lifting heavy mail bags to a light-duty job because he had less than five years' seniority. The Tenth Circuit noted that the employer's "contractual obligations to its employees and their union under the agreement clearly articulates a legitimate business reason" for the employee's discharge. The "legitimate business reason" standard is not the correct standard for Rehabilitation Act cases and is easier for an employer to meet than the "undue hardship" standard.

The U.S. Court of Appeals for the Sixth Circuit, in analyzing whether the Postal Service was required to transfer a mail sorter with crossed eyes to a different position, concluded that "an employer cannot be required to accommodate a handicapped employee by restructuring a job in a manner which would usurp the legitimate rights of other employees in a collective bargaining agreement" (*Jasany v. U.S. Postal Service*). The worker did not have the five years of seniority required to be eligible to transfer to another position.

The U.S. Court of Appeals for the Fourth Circuit, asked to evaluate whether the Postal Service was required to reassign a worker whose asthma prevented him from performing his regular custodial job, concluded first that the Rehabilitation Act did not include reassignment as a reasonable accommodation and then that, even if there were a duty to reassign in certain cases, "such a duty would not defeat the provisions of a collective bargaining agreement *unless it could be shown that the agreement had the effect or the intent of discrimination*" (*Carter v. Tisch*, emphasis added). The language protecting the agreement comes from Title VII, not the Rehabilitation Act. The U.S. Court of Appeals for the First Circuit, relying on *Carter*, concluded that requiring the Postal Service to create a new position that would accommodate the plaintiff's disability "would violate the collective bargaining rights of other employees" and refused the employee's requested accommodation (*Shea v. Tisch*).

Federal Trial Court Opinions

The four cases discussed above constitute the body of federal appellate case law which examines the interplay between collective rights and the employer's duty to accommodate. Federal district courts have, with two exceptions, followed these cases closely.

In two cases involving the U.S. Postal Service, federal trial judges in Pennsylvania and Georgia argued strongly that provisions of collective bargaining agreements outweighed the employer's duty to accommodate an employee by transferring him to a job for which he

was qualified but for which he lacked the requisite seniority. In *Hurst v. U.S. Postal Service* the judge refused to require the Postal Service to violate the seniority provisions of its collective bargaining agreement by transferring a letter carrier from a city to a rural route. The judge read into the Rehabilitation Act the language of Title VII's seniority protections stating that "failure to impute the Title VII exemption granted to bona fide seniority systems into the Rehabilitation Act would . . . expand the reach of the Rehabilitation Act beyond that of Title VII, which Congress did not intend" (p. 262). The judge added that "the accommodation [the worker] seeks would violate the seniority rights of the collective bargaining agreement entered into by the union to which he voluntarily belongs" (p. 263), implying that the worker waived his right to accommodation by joining the union.

In *Davis v. U.S. Postal Service* a Pennsylvania trial judge ruled that the collective bargaining agreement precluded the Postal Service from reassigning a mail sorter to a window service job, a position reserved for more senior workers. The judge interpreted the Rehabilitation Act as requiring accommodation in the worker's *present* position only, citing *Carty v. Carlin*. The influence of Title VII on the judge's reasoning in *Carty* is clear; he stated: "Preferential reassignment for handicapped employees was not intended by the Rehabilitation Act . . . The Supreme Court has cautioned against infringing the rights of innocent employees when fashioning *Title VII remedies*" (*Carty v. Carlin*, emphasis added).

Workers *have* prevailed, however, in two cases regarding whether the employer could be required to restructure the worker's present job, even if that job description had been negotiated with the union. In the single Rehabilitation Act case involving accommodation and a collectively bargained agreement in which the plaintiff prevailed, a Pennsylvania trial judge ruled that the Postal Service could accommodate the worker in his present job because only a few of his duties required heavy lifting, which another mail handler could do (*Trimble v. Carlin*). Determining that the worker could and did perform all other essential functions of the job, the court ruled in the worker's favor.

In a similar case tried in federal court, but applying California law, the trial judge ruled that an AT&T subsidiary must reassign some of the duties of an asthmatic telephone system installer to coworkers. The judge stated: "The mere fact that accommodation might involve the reassignment (even if preferential) of some duties to other employees does not alone establish undue hardship" (*Ackerman v. Western*

Electric Co., Inc.). The company apparently did not assert that restructuring the worker's job violated the collective bargaining agreement.

State Court Opinions

In the two state court cases that addressed the conflict between the agreement and a state nondiscrimination law, both found that the agreement provided the employer with an appropriate defense for failure to accommodate. In *Davenport v. City of Des Moines*, the Iowa Supreme Court upheld the city's refusal to transfer a disabled worker to a different job because he was ineligible under both civil service regulations and the collective bargaining agreement's bidding requirements. Similarly in *Gloss v. General Motors Corp.* a Michigan appellate court ruled that the collective bargaining agreement precluded GM from transferring a disabled worker to a different GM facility and that such a provision would enable GM to demonstrate that it could not accommodate the worker.

EEOC Interpretation

The federal agency that enforces the Rehabilitation Act (and will enforce the ADA as well) differs sharply from mainstream judicial thinking on the issue of reassignment and seniority provisions. In *Ignacio v. U.S. Postal Service*, a Special Panel of the Merit Systems Protection Board adopted an EEOC ruling that the Postal Service could be required to reassign a disabled worker to a vacant position for which he was qualified, despite language to the contrary in the collective bargaining agreement. The special panel rejected the clear weight of judicial precedent that the Rehabilitation Act regulations did not require reassignment, saying that reassignment might be the only accommodation possible. (This issue is irrelevant for purposes of the ADA, because the ADA specifically includes reassignment as an example of a reasonable accommodation.)

Treatment of Collectively Bargained Agreements under the ADA

Although the ADA does not specifically address whether restrictions on the assignment of workers in a collectively bargained agreement will exempt an employer from the duty to accommodate a disabled worker, evidence from the statute itself, the legislative history, and the regulations suggests that, although Congress did not address this issue squarely, judges will be able to interpret the new law as holding employers and unions to a much stricter standard in such cases.

First, the ADA specifically includes "reassignment to a vacant position" as an example of a reasonable accommodation. This language appears in neither the Rehabilitation Act nor its regulations. That inclusion alone may convince judges that contractual limitations on the reassignment of workers cannot preclude the accommodation of a disabled worker.

Secondly, the statutory definition of "undue hardship" in the ADA sets a standard of "significant difficulty or expense" (Sec. 101[10][A]) rather than inconvenience or the minimal cost standard first developed in *Hardison* and applied to cases under the Rehabilitation Act. The term "undue hardship" was neither included in the statutory language of the Rehabilitation Act, nor defined in that Act's regulations, which gave judges more latitude to fashion their own definitions than they now are permitted by the ADA.

Thirdly, the House of Representatives Report accompanying the ADA (U.S. Congress 1990, 350) specifically rejects the *Hardison* standard and states that in a case where an agreement contains preferences for senior workers, that agreement "may be considered as a factor in determining whether it is a reasonable accommodation to assign an employee with a disability without seniority to the job. However, the agreement would not be determinative" (p. 345). The report broadly hints that employers may be able to use a currently effective agreement to defend their failure to accommodate (Lavelle 1991), but that both the employer and the union, in negotiating subsequent agreements, have the duty to "ensur[e] that agreements negotiated after the effective date of this title contain a provision permitting the employer to take all actions necessary to comply with this legislation" (U.S. Congress 1990, 346).

And finally, if Congress had intended to elevate seniority rights over the disabled worker's right to a reasonable accommodation, it would have been a simple matter to incorporate Title VII's protective language in the ADA. This was not done, and Congressional silence on this issue may convince judges that the rights of a disabled worker to accommodation are superior to collective seniority rights. Furthermore, although Congress adopted Title VII's enforcement scheme and remedies for ADA claims, it did not simply add disability as a protected class to Title VII but crafted a separate law. That fact may also discourage judges from protecting seniority rights in the face of an alleged ADA violation.

The EEOC regulations interpreting the ADA are of little assistance, for they address the issue only generally. The regulation states, "The

terms of a collective bargaining agreement may be relevant to [the] determination" of whether "a particular accommodation would be unduly disruptive to its other employees or to the functioning of its business" (29 CFR 1630.15[d]).

Conclusion

It will take several years and dozens of disability discrimination claims to establish whether collectively negotiated work assignment protections can prevail over the employer's duty to accommodate a disabled worker. Although judicial precedent under the Rehabilitation Act and similar state laws is clearly in favor of seniority rights, the many differences between the Rehabilitation Act and the ADA suggest that the EEOC and judges will reevaluate that precedent.

Both employers and unions face potential legal liability under the ADA, the National Labor Relations Act, or both. Given the inability of the federal agencies that enforce these laws to agree, a wise course of action would include negotiating contractual language immediately (either in a new agreement or as an addendum to an existing agreement) such as "the collective bargaining agreement recognizes that the policies of management and the union shall be in strictest adherence to both the letter and the spirit of equal employment opportunity laws" (*Rhone v. U.S. Department of Army*). Such language may provide the union with protection against duty of fair representation claims. Secondly, the employer's willingness to negotiate the procedures for deciding when a disabled worker needs to be accommodated and the union's role in that process would provide a defense against unfair labor practice charges of a refusal to bargain and direct dealing. Thirdly, prior agreement on limiting the amount and nature of the medical information released to the union regarding the employee's restrictions and the functions he or she cannot perform should enable the employer to comply with the ADA's confidentiality requirements. And fourthly, a formal expression of the parties' determination to resolve such issues in a manner that is most likely to keep a disabled worker productively employed should minimize the legal liability of both parties.

The quality of the relationship between the parties will strongly influence whether conflict or litigation ensues should the collective agreement and the employer's accommodation duty clash. It is in the interest of both parties to protect themselves, not only from each other, but from the claims of a worker with a disability who believes the employer, the union, or both are violating his or her rights under

the ADA. The ADA has added a third party to the bargaining table—the worker with a disability—and a three-way decision-making process is critical to the integration of this new law into the web of labor relations regulation.

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Endnotes

¹ The Americans With Disabilities Act, P.L. 101-336, is phased in; for employers with 25 or more employees, it became effective July 26, 1992; for those with 15-24 employees, it goes into effect July 26, 1994.

² Sec. 101 (9) defines "reasonable accommodation"; Sec. 101 (8) defines a "qualified individual with a disability."

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Employee Rights, Unions, and the Implementation of Labor Policies

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Labor market policies explicitly or implicitly require that workers play a role in ensuring implementation of the relevant law. From a public policy perspective, the ability of government agencies to implement labor policies is therefore highly dependent on whether or not employees regularly exercise their rights in the workplace. This article argues that labor unions promote the exercise of rights and as a result lead to greater implementation of labor policies than found in comparable nonunion workplaces. It tests this hypothesis by evaluating empirical evidence on regulatory enforcement and implementation under a variety of labor policies.

Employee Rights and Implementation

Public policies affect almost every aspect of the labor market from regulating wages and benefits, hiring and promotion, and safety and health policies to creating a security net for injured or unemployed workers. While most of these laws create governmental agencies vested with the authority to enforce standards (e.g., the minimum wage, safety standards), they also vest employees with rights and/or responsibilities directly related to implementation. Several examples are illustrative.

The Occupational Safety and Health Act (OSHA) and the Mine Health and Safety Act (MSHA) establish employee rights related to all aspects of enforcement activities, including the right to initiate, participate in, and review the results of workplace inspections (see Bokart and Thompson 1988; McAteer 1985). Likewise, the Fair Labor Standards Act (FLSA) provides for employee-initiated claims concerning nonpayment of overtime or minimum wages.

Given the perennial problem of limited government inspection resources, these *de jure* rights have profound *de facto* importance. The

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Department of Labor relies upon a mere 800 inspectors for enforcing all actions under the FLSA. OSHA's total inspection force in 1991 numbered 1,186, although the agency's mandate covers millions of workplaces. The Equal Employment Opportunity Commission, the federal agency charged with enforcing Title VII of the Civil Rights Act of 1964, had a backlog of approximately 45,000 investigations in 1990. In that year the commission filed a mere 524 lawsuits (Holmes 1991). As a result, enforcement of job discrimination provisions of Title VII has become dependent upon employee-initiated claims.

Other labor policies implicitly require employee involvement for implementation. Workers' compensation systems rely upon injured employees filing claims with state workers' compensation boards. Similarly, unemployment insurance claims are filed by workers who must satisfy a set of eligibility requirements. Thus implementation of both programs depends on whether workers who are eligible for benefits actually apply for them.

The Role of Labor Unions

There is little reason to believe that workers uniformly exercise their rights granted them under various labor policies. Exercise of rights depends on a number of preconditions. First, workers must be aware of their rights or entitlements. Second, workers must be aware of the particular problem that instigated the labor policy (particularly in the case of safety and health laws where occupational risks might not be fully perceived). Third, workers must be aware of the specific details of administration, such as the procedures to initiate a complaint inspection or how to file disability claims. Finally, workers must be undeterred by potential employer retaliation arising from the exercise of rights.

Granting rights under labor market regulation is therefore not synonymous with worker exercise of those rights. Indicative of this problem, a study by the General Accounting Office (GAO) concludes that "... many OSHA inspectors believe workers' participation [in OSHA] is limited by their lack of knowledge about their rights and lack of protection from employer reprisal" (GAO 1989).

Different characteristics of a workplace affect its conduciveness to the exercise of employee rights. Unionization represents one of the most important factors in encouraging the exercise of rights because of the potential role unions can play in satisfying the preconditions listed above. First, unions provide workers with information on the existence of workplace laws and rights created by those laws (such as through

educational programs dealing with such issues as occupational safety and health or discrimination). Second, union staff offer individual workers assistance in filing unemployment or workers' compensation claims. Union staff also assist workers in exercising more collectively based rights by triggering OSHA inspections or overseeing the performance of pension fund investments, for example. Finally, and most importantly, unions offer workers protection against employer discrimination both through collective bargaining agreements and by helping workers use antidiscrimination provisions of the labor policies.

If workers play an important role in implementation and unions enable workers to undertake that role, government labor market policies should be more fully enforced in unionized workplaces than in comparable nonunion workplaces. The following section tests this hypothesis by reviewing empirical studies of the relationship between unionization and public policy implementation.

Unions and Implementation: Empirical Evidence

Table 1 presents the results of a number of empirical studies that directly or indirectly measure the impact of unions on implementation of a wide range of labor policies. For each area of labor policy the table presents the enforcement variables of concern, the measured impact of unions on those variables, and the author(s) of the study.

The table demonstrates that unions improve enforcement and implementation outcomes relative to comparable nonunion workplaces under the following labor policies: Fair Labor Standards Act (FLSA) overtime provisions, OSHA, MSHA, initiation of public-sector comparable worth claims, certain provisions of the Employee Retirement Income Security Act (ERISA), Workers' Compensation, and Unemployment Insurance. In several important instances, however, the empirical evidence suggests that unions have a negative impact on policy implementation: affirmative action under Executive Order 11271, the implementation of public-sector comparable worth settlements, and pension funding requirements under ERISA. Taken together, however, the following empirical evidence supports the notion that unions act as important agents under U.S. labor policy as currently structured.

Hours of work regulation. The Fair Labor Standards Act (FLSA) requires employers to pay workers time and one-half for all work beyond 40 hours per week. This overtime standard is also embodied in over 90 percent of private-sector collective bargaining agreements

TABLE 1
Union Impacts on Labor Policy Enforcement

Labor Market Policy	Enforcement Outcomes	Observed Impact of Unions	Empirical Studies
FLSA—Overtime Provisions	Compliance	Increase Compliance	Ehrenberg & Schumann 1982
OSHA, MSHA	Inspection Probability	Increase	Weil 1990, 1991, 1992
	Inspection Intensity	Increase	"
	Abatement Duration	Decrease	"
	Penalties	Increase	"
ERISA	Eligibility Financial Standards	More Strict More Strict	Freeman 1985 "
	Financial Management	Neutral	Dorsey & Turner 1989
		Increase Underfunding	Ippolito 1986
Affirmative Action (E.O. 11271)	Federal Contract Compliance Inspections	Neutral	Leonard 1985
Comparable Worth (Public Sector)	Initiation of Claims	Encourage	Smith 1988
	Implementation of Settlements	Decrease Size of Settlement	Orazem & Mattila 1990
Unemployment Insurance	Take-Up Rate	Increase Use	Blank & Card 1989
Workers Compensation	Filing Claims	Increase	Butler & Worrall 1983 Krueger & Burton 1990

(Bureau of National Affairs 1990). Contract enforcement therefore becomes synonymous with FLSA compliance. Empirical analysis demonstrates that unionized firms are far less likely to be out of compliance with FLSA overtime standards than *comparable* nonunion firms (Ehrenberg and Schumann 1982).

Safety and health regulation. Empirical analyses of OSHA enforcement in manufacturing and construction indicates that unionized

establishments are far more likely to receive inspections and that those inspections last significantly longer and detect a greater number of violations of health and safety standards than in comparable nonunion establishments. Unionized employers also pay higher penalties per violation than nonunion counterparts for violations of comparable severity (Weil 1991, 1992). Unions have a similar impact on inspection frequency and intensity and penalty levels under the Mine Safety and Health Act. In addition, unions significantly reduce the amount of time mine operators are given to correct health and safety violations (Weil 1990).

Pension protection. Private-sector pension benefits are protected under the Employee Retirement Income Security Act of 1976 (ERISA). Empirical studies indicate that unions have a mixed impact on ERISA compliance. Union employers are more likely to comply with the letter of the law than nonunion employers in regard to ERISA's eligibility requirements (Freeman 1985). However, union status appears to have minimal impact on the portfolio of investments held by pension funds or in the overall financial performance of those funds (Dorsey and Turner 1990).

A study by Ippolito (1986) suggests that pension plan underfunding is more common among union plans, thereby suggesting a negative union impact on ERISA funding requirements. However, the causal relations between underfunding and unionization are complex and require closer scrutiny (Bodie and Papke 1991).

Affirmative action. In contrast to other areas of labor policy surveyed here, significant conflicts potentially exist between unions and the government in the area of affirmative action. This problem is typified in the conflict between seniority systems and affirmative action hiring goals in construction and many public sector labor markets (Fallon and Weiler 1985).

Although there are very few studies of the enforcement of antidiscrimination policies, Leonard (1985) finds that unionized federal contractors are no more or less likely to receive contract compliance reviews (monitoring compliance with affirmative action hiring goals) by the government than do nonunion firms. While this limited evidence suggests a neutral impact of unions on affirmative action policies, the historic antagonism between labor unions and antidiscrimination policies in specific crafts—building trades, firefighters, police—is well documented (going back to Ashenfelter 1972).

Comparable worth. Legislation requiring comparable worth settlements as a means of redressing sex-based earnings disparities represents a growing trend among state and local governments. Unions have played an important role in *initiating* comparable worth settlements in the public sector (Smith 1988; Orazem and Matilla 1990). However, a study of comparable worth settlements among Iowa state employees finds that unions reduce the relative pay gains for women during final implementation of settlements. This negative union impact may arise in part from internal opposition to pay increases for female-dominated jobs being tied to pay reductions or freezes for male-dominated job groupings (Orazem and Matilla 1990).

Workers' compensation. Two studies demonstrate that union members are more likely to file and receive workers' compensation benefits than comparable nonunion workers. Butler and Worrall (1983) find that a 10 percent increase in the proportion of workers unionized in an industry leads to a 10 percent increase in the number of workers' compensation claims filed. Krueger and Burton (1990) detect a similar union effect and by taking differential injury levels into account, demonstrate that union/nonunion differences cannot be explained away by the relative danger faced by the two groups.

Unemployment insurance. Union workers eligible for unemployment benefits are more likely to actually collect those benefits than comparable nonunion workers similarly eligible for benefits (Blank and Card 1989). This difference presumably arises both from differences in knowledge about benefit availability and the assistance union workers receive from their unions during layoffs. Thus a contributing factor to the decline in utilization of unemployment benefits (Vroman 1991) may stem from declines in unionization in cyclically sensitive industries.

Conclusion

Recent labor policy initiatives continue to rely on employee rights for policy implementation. Active employee involvement at the workplace underlie right-to-know laws which require notification of workers concerning the presence of dangerous materials. The Workers Adjustment and Retraining Notification Act of 1988 (requiring advanced notification of workers in the event of plant shutdowns) relies on suits filed by employees, unions, or local governments for enforcement. The Americans with Disabilities Act of 1990 will be implemented by means of employee-initiated suits. Finally, current

legislation to reform OSHA creates a "right to act" which would provide workers or labor/management committees the right and responsibility to assure safety and health improvement on the shopfloor.

Despite the widespread reliance on this model of labor policy enforcement, unionization in the private sector continues its downward relative decline. One must therefore inquire as to whether the U.S. can continue to depend on the enforcement model implied by the majority of our labor laws if it hopes to achieve policy objectives in practice. Continued reliance on employee rights requires finding new methods of enhancing worker exercise of those rights in a workplace devoid of unions. Alternatively, policymakers will have to turn to other agents such as the plaintiff bar or provide vastly increased government inspection resources if they hope to implement labor market policies.

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DISCUSSION

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Throughout this conference there has been a tension in the air. I have heard concern over the future of the IRRA, learned that some of our graduate programs are being scrutinized for possible consolidation or elimination, and felt the hope pervading some sessions regarding changes that can occur under the Clinton administration. I believe that the tension is related to the subject of this session—employee rights—and more particularly, how employee rights should be provided.

In the 1930s our government decided to provide rights to employees by affording legal protection to workers who wished to form or join a union. Those unions then were able to negotiate contracts with employers that protected the rights of workers while meeting the specific needs of individual firms. Essentially our national approach was to protect the collective rights of workers who chose to unionize. Since then laws have been passed granting specific individual rights to workers and members of society generally. Although there was a clear need to provide these rights to individuals in most cases (for example, civil rights laws were intended to end overt racial discrimination), little attention was given to the rising conflict between individual and collective rights. The papers in this session illustrate dramatically how that conflict has torn at the fabric of industrial relations. The tension is especially clear in the Weil and Lee papers.

Professor Weil makes explicit a fact that scholars have long recognized but frequently overlooked. Basing his analysis on a review of empirical research, he argues that unionization enhances the ability of employees to exercise rights and seek protection guaranteed to them by law. As Weil notes, unions help workers understand their rights, recognize situations that violate their rights, file and pursue complaints of violations, and deter employer retaliation against those who exercise their rights. Essentially his paper suggests that absent union monitoring, legal rights granted to individual employees are potentially less meaningful. Providing and exercising rights are two

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different matters and unexercised rights lessen the value of laws designed to protect workers.

Professor Lee focuses on the potential impact of the Americans With Disabilities Act (ADA), which grants far-reaching protection and rights to individuals and workers who are disabled. She notes the wide scope and ambiguous language of the ADA, as well as the certainty that judges will be required to decide how to balance potential conflicts between collectively bargained arrangements and the need to accommodate individual disabled workers. Both employers and unions are potentially subject to legal sanctions if they follow or reject the ADA because of conflicting legal obligations (such as the National Labor Relations Act's prohibition on dealing with individual employees and the ADA's requirement to accommodate disabled workers). Ominously, Professor Lee's legal analysis suggests that workers' collective rights are likely to be subordinated to the individual rights of disabled workers.

These papers have great significance in a context far broader than the authors address. Indeed, the Weil and Lee papers illustrate a profound irony of American workplaces. Individual rights seem to be more effectively exercised and enforced when workers are unionized, though the emphasis on individual rights has lessened the likelihood that unionization will occur. Moreover, it stretches the imagination to believe that American firms will benefit from a legal emphasis on workers' individual rights at a time when teamwork and group-based performance are advocated by management. Nonetheless, employers have actively and successfully opposed unions and unionization for at least two decades.

The other papers presented in the session confirm the tension between individual and collective rights. The paper by Budd and Swift indicates that enforcement mechanisms have a substantial effect on the extent to which laws protecting individuals' rights achieve their statutory objectives. The paper by Chachere and Feuille shows that even when nonunionized employers seek to provide a means of organizational justice (through complaint resolution systems), they virtually always reserve final decision-making authority to management. This is amplified by results of a 1987 survey that I conducted with Casey Ichniowski and David Lewin, which showed that managers were less likely to be covered by a complaint system than professional, clerical, or manufacturing employees. Does this occur because managers do not have protected unionization rights and unions serve as enforcement mechanisms? Perhaps not, but it seems

surprising that firms deny complaint systems to their highest-ranking employees when they offer them to lower-ranking employees.

The tension surrounding employee rights and how to implement and exercise them is a national predicament today. The extent of the predicament is underscored by increasing efforts by firms to encourage teamwork among workers who, like economic man, are concerned only about themselves. Will a legal and economic philosophy encouraging individuals to be devoted solely to themselves allow the United States to survive as a great society? Although it is currently impossible to answer this question, it offers a fitting and difficult challenge to industrial relations scholars and practitioners, for our field's genesis was in the uncertainties, incongruities, and unfairness that arose in the American workplace and permeated American life at the start of this century.

DISCUSSION

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I want to begin by setting what I see as the broader context of these papers or how they all relate and thus set a theme for this session. I will then comment more specifically on the two jointly authored papers.

While these four papers were chosen for this session because they were the strongest, they also are related in a way that allows this session to have a theme that is more specific than simply "employee rights." Each deals with the relationship between rights in the workplace and unions, and as such, each ultimately raises more fundamental questions about the origins and guarantors of rights in the workplace.

The Weil paper addresses this issue most directly by arguing that unions appear to play a key role in realization of rights legislated by government. The Lee paper deals with a tension between rights legislated by the government and those bargained by unions and management. The Chachere and Feuille paper, by comparing union and nonunion grievance procedures, is asking to what extent due process rights are being afforded workers in nonunion workplaces—or perhaps even more broadly, can workers have rights that are guaranteed neither by government nor by a collective, independent representative? Finally, the Budd and Swift paper also touches on tensions between the traditional practices of craft or referral unions and the diversity goals of affirmative action programs as well as examining factors that affect the outcomes of these programs.

Let me turn to this last paper first. There appear to be essentially two findings in this paper. First, the authors briefly mention a survey of construction workers that indicates that many (almost half) got their jobs through the referral of a friend or relative, and many (32 percent) have referred relatives for jobs. This is an intriguing finding for a number of reasons. For one, it reminded me of how little research of any type is done on referral unions and how industrial relations as a field tends to ignore this model of union representation. On the other

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hand, it also serves as a reminder not to underestimate the exclusive character of these types of unions. Finally, it suggests that despite almost 30 years of Title VII, many of the practices that led to unequal representation in the labor force, particularly in this industry, are still prevalent. On the other hand, perhaps there are considerably fewer of these family and friend referrals than there were 30 years ago.

One of the problems with this paper, however, is that it fails to link this little survey result to its examination of the disparate outcomes of Minneapolis and St. Paul's affirmative action programs for government contractors. Rather, it explains those outcomes in terms of different enforcement resources. Are the two findings in any way linked or linkable? Further and more important, the authors stop too soon in explaining the different outcomes of the Twin Cities' programs. Assuming, as I do, a political analysis of the origins and guarantees of rights in the workplace, including those provided by affirmative action, I would want to know why the enforcement levels are different in the two cities. In particular, are the demands for equal opportunity different because of differences in the numbers as well as level of political organization and strength of minority groups? The authors' failure to extend their analysis make for a rather thin contribution to this research area. They are no doubt correct that "public policy can be effective, but . . . enforcement must be visible and pronounced"; the question is, what makes enforcement visible and pronounced?

I ask a similar question of the authors of the paper on nonunion grievance procedures: that is, Are the procedures described by Chachere and Feuille "visible and enforced"? What are the guarantees of that enforcement outside of the union context?

First, let me step back and say what I like about this paper. The paper seems to me to be a serious attempt to examine the degree to which nonunion procedures mirror the due process guarantees provided by the typical union procedure. Clearly this is an important question since these due process rights are perhaps the most significant difference between the union and nonunion workplace. The authors' requirement that the procedures be "formal" (e.g., written down) is particularly wise in this regard. I would also share the authors' view that workers' rights to representation and the use of neutrals in the final step are crucial to actual due process.

It seems interesting to note that the distinction between a formal and informal procedure might not be necessary if we were concerned with employees' subjective feelings of procedural justice as opposed

to measuring these procedures against some objective criteria as the authors attempt to do here. Typically, I find such objective criteria more appealing than measures of employees' perceptions of justice. Nonetheless, I also sometimes think that unions and their advocates shortchange the importance of those perceptions. That is, while as observers we conclude that most of these procedures do not provide genuine due process, they may still provide workers with a sufficient sense of justice. In this regard I am concerned about the authors using due process and procedural justice interchangeably because the former seems a legal or political construct while the latter is primarily a psychological one.

This said, I think there are also some elements of due process present in a union situation that are absent from the authors' index. For instance, while the majority of the respondents indicate that all work-related subjects may be grieved, what does this really mean? In a union workplace there is a contract by which the parties are bound. Further, there are decision-making rules that arbitrators traditionally use in adjudicating grievances and that thus bind the parties as well. Just cause and past practice both come to mind here. What are the comparable bases for rules and decision making in the nonunion context, especially in those rare cases where there is some "neutral" decision as a final step? Further, the vast majority of respondents report that workers have the right to file a grievance and be free from retaliation, but by whom is this right guaranteed? Occasionally by state courts in wrongful discharge cases but is this a sufficient guarantee? Indeed, the authors themselves indicate in other parts of the paper that management "allows" workers to present grievances. I would suggest that "having the right to" and "being allowed to" are two fundamentally different concepts.

This raises what seems the more fundamental difficulty with the paper. Should we rely on managers to report the characteristics of these procedures? I suggest not. In my own research on employee involvement programs, I have found management and union representatives give quite different answers regarding the nature and indeed the existence of those and other "progressive" workplace programs, with management systematically reporting a more optimistic view than labor. May not the same problem exist here? In fact, other research on nonunion grievance procedures indicate very low rates of use of these procedures. This outcome is explained in part by what workers call a fear of reprisal and managers call the "myth" of reprisal (see Westin and Feliu 1988; Foulkes 1980). How are we to reconcile

this with Chachere and Feuille's finding that 86 percent of the respondents report that workers are protected from retaliation?

Nevertheless, the authors' conclusions seem correct—there is fuel here for both supporters and skeptics. While I am a skeptic, it seems to me that the ultimate judges must be the workers who are subject to these procedures. Without a doubt the authors are correct that this is an area deserving of a great deal more research.

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XVIII. WORKPLACE JUSTICE: DISCHARGE AND DISCIPLINE IN TEN COUNTRIES

Discipline and Discharge for Poor Performance

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In all legal systems poor performance of an employee is a justified cause for either dismissal or a variety of other disciplinary measures. However, the traditional distinction between Anglo-Saxon and continental European countries is quite evident in certain aspects, creating a dividing line where the only common factor seems to be that the behavior may be penalized. The most important differences are related to the disciplinary *procedures* used. These are much more clearly defined in the Anglo-Saxon countries, which establish several successive phases through which the employee and employer must pass before dismissal may occur. Additionally, in Anglo-Saxon countries the distinction between union and nonunion sectors is of some importance, especially because collective labor agreements set performance standards and procedures for redress that are dealt with through other channels in nonunion companies. Nevertheless, this difference is becoming blurred. In some cases this is because the arbitrators who deal with the procedures for union complaints apply the same standards used by the courts in the nonunion sector (Adams and Adell 1990), perhaps due to the schizoid nature of arbitration, grounded on the one hand in the strong autonomy of the collective agreements, but on the other, "augmented and thus necessarily interfered with by public bodies" (Gould 1964, 467). In other cases it is because the courts, by posing the threat of high damage awards in

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cases of wrongful dismissal, force employers to take into account the concerns of employees in somewhat the same way as is done in the unionized sector (Gould 1987).

The Four Causes of Poor Performance

A classification of the types of poor performance can be established based on their root causes. This is useful because each category receives a different treatment in the legal system, which attributes differing consequences to each of them in practically all of the countries under study. This sometimes emanates from legislation and sometimes from arbitration or negotiation between the parties involved.

In one group of cases employee performance is inadequate, but it is not associated with a change in work conditions or performance standards. There are two types of these cases.

In some cases the poor performance is willful or voluntary or at least the employee is aware of it, and performance could be improved if a greater effort were made. Here we are dealing not only with long-simmering conflicts caused by an employee's dissatisfaction with work conditions but with others in which there is a lack of the required attention or intensity on the part of the employee due, perhaps, to working a second job (Spanish Supreme Court Ruling, March 28, 1985) or having family or emotional problems, etc. In practically all the countries examined, willful poor performance is considered to be cause for immediate dismissal without notice (Brussels Labor Court Ruling, March 19, 1971; Rojot 1990; Blenk and Viethen 1990), rendering the measures required prior to dismissal less important (or not applicable) in other kinds of cases that will be studied in the following pages.

In other cases the decrease in performance is involuntary due to some incapacity, illness, or simply advanced age. In general, legal systems are much more indulgent in those cases, requiring that the decrease in performance be large and not a foreseeable part of their normal work habits for dismissal to be permitted. In these cases the norm is dismissal *with* notice (Engels 1988; Rojot 1990), although some countries (within the framework of a policy supporting the handicapped) only permit a reduction in wages proportional to the disability, provided the disability is partial (Spanish Law, Article 49.5 of Law 8, 1980; Daubler 1990).

In other cases the inadequate performance is associated with a change in work conditions or performance standard. The new

requirements may stem from external circumstances not under the control of either employer or employee. For example, acts of God can affect on-the-job conditions and make it more difficult to meet established goals. The whims of nature and/or government are usually included in this category. New regulation of the activity in question may call for additional work requirements; for example, a periodic review or examination which the employee fails (Dubler 1990). In some countries this is considered a separate category. The cases being analyzed especially in Anglo-Saxon countries are either put under the heading of worker disability or left to the employer to decide whether or not to pass on the effects of the changes to employees by either maintaining standards or adapting them to the new situation. A question arises as to whether to include in this category the case of a company suffering *economic* difficulties that lead the company to raise employee performance standards in a fight for survival. The majority opinion would adopt the following reasoning: though the economic crisis may not be due to mismanagement but rather to external factors outside the employer's control (such as the crisis in the European monetary system), the decision to adopt one defensive strategy or another is the employer's responsibility and right.

The new standards may also result from an employer unilaterally modifying existing performance standards, either accompanying the introduction of new methods or technology or simply raising productivity. Employees may then fail to meet the new standards. This is the most interesting and least studied type of case, and the one which we will address in the following section.

Requirements for the Introduction of New Standards

All countries recognize two types of requirements for this operation. If they are not met, the resulting dismissal will be considered wrongful, leading to some type of compensation for the employee. First, there are general or objective requirements that vary from country to country. Second, there are specific or individual requirements.

1. With regard to the general or objective requirements, all countries agree in requiring that new standards be "reasonable"; that is, that standards should be able to be met without causing excessive fatigue or a significant rise in illnesses or accidents. Anglo-Saxon countries place special emphasis on this concept, while continental European countries, more tied to laws, are hesitant to introduce the concept of reasonableness, though they do not preclude its use in a

later stage of analysis by the courts through other concepts such as "abuse of law," "contractual good faith," and "contractual reciprocity." For example, the Spanish Supreme Court has ruled that performance agreements included in labor contracts are valid provided they are not abusive (Spanish Supreme Court Ruling, October 20, 1986; Italian Law, Article 2.104). As Liso and Pisani (1990, 21) state, "Such standards are not meant to be used as a way to transfer the risk concerning the profitability of the employee's work to the employee himself as such risk, by definition, belongs to the employer."

In some cases the unilateral introduction of new standards is not possible, either because there is a need for prior negotiations with unions or other employee representatives to reach agreement on the subject or because permission needs to be obtained from administrative authorities (Lyon-Caen and Pelissier 1988; Blenk and Viethen 1990; Brooks 1990; Spanish Law, Article 41, Law 8, 1980). These are clearly examples of control over the reasonableness of the new standards, though they do not impede the courts in doing subsequent reviews on the basis of the two legal principles previously cited. A worthwhile example of this is the 1983 Belgian National Collective Labor Agreement on the introduction of new technologies, which requires that employee representatives be informed in writing of the foreseeable labor-related consequences (organization of work, worker qualifications, training and retraining measures, etc.) three months before the introduction of new technologies is to take place (National Collective Labor Agreement No. 39, 1983). In the event of noncompliance, any dismissed worker is entitled to compensation of three months' wages.

2. With respect to specific or individual requirements, courts and arbitrators commonly consider discharge as an "ultima ratio," providing for the adoption of lesser disciplinary measures or even other nondisciplinary measures to help enable the employee to meet the new standards. Anglo-Saxon countries pay special attention to these, perhaps due to the important role played by private arbitrators who have the power to suggest alternative measures in these types of cases. In contrast, continental European judges are only permitted to rule on the legality of the decisions adopted. The concept of "incremental discipline" is founded on two convergent ideas: that the performance of individual employees can be affected by multiple factors independent of their own will, and that performance itself is a complex concept which does not depend simply on an evaluation by a foreman or supervisor.

The practice of using warnings (indicating to the employees that their performance is below the required level and that this can lead to dismissal) is widespread (*James v. Waltham Holy Cross UDC*, IRLR 202, NIRC, 1973), although Mackie warns that "they are more appropriate for situations where there is a suspected element of willful incapacity in the employee's performance" and not so appropriate in cases of involuntary employee incapacity (Mackie 1990, 34). In other countries this is a widely used practice that judges do not consider essential, since the important point is the repeated breach of contract on the part of an employee, of which he or she is always aware, at least in theory.

Sometimes a program of "incremental discipline" (increasingly severe sanctions accompanying the warnings) is considered necessary. In other cases individual performance goals are gradually imposed, with periodic checks of the results until the required level of performance is reached. In short, "the law also appears to require that the employee be warned that his job is in jeopardy and be given a reasonable chance to improve" (*Stewart v. Intercity Packers Ltd.*, 24 CCEL 135: 138; Adams and Adell 1990).

In some countries employers are even asked to consider the possibility of facilitating the retraining of employees or to go so far as to provide them with another available job (Mironi 1990; Mackie 1990). This is in countries where employers are allowed to make unilateral decisions and is an attempt to mitigate the consequences to the employee.

Categorization of the Decrease in Performance

We have previously stated that the breach of contract to which we have referred is not a black-or-white affair but presents many shades of gray. This necessitates an analysis of the factors that make it more or less serious, since poor performance fluctuates within a broad band. As Rodriguez De La Borobolla has pointed out (Sevilla 1975, 238), for a long time the practice of "reducing time allotments," (i.e., the amount of time allowed for a task is reduced by management in view of the economic results obtained by employees) has been considered normal, "which demonstrates the scarce scientific basis of the system, since if the times must be modified, it is because they were not correctly or accurately calculated." In addition, the legal systems of all the countries studied provide that the employer's previous attitude toward the employee must be considered, since it must be supposed that when employees are hired their strengths and weaknesses are

known and, consequently, their ability to adapt to new performance standards. As the Canadian courts stated in the case of *Stewart v. Intercity Packers Ltd.* (24 CCEL 135: 238), "In every hiring the employee is taken to some extent for better or for worse."

One basic problem is *how* to evaluate the decrease in performance. In other words, which elements of the employee's service is protected from that employee's own negligence, incompetence, or fraudulent behavior. In general, legal systems are clear and unanimous with regard to *how much*, as they require a "substantial impact," which is a way of saying that only serious, not slight, noncompliance with performance standards justifies the adoption of disciplinary measures. The employee must have initiated a grave and prolonged change in behavior, which means at least something like a 10 percent decrease compared to prior performance for a period of more than two weeks (Wheeler and Nolan 1990). Surprisingly, however, there are differences with regard to the elements to which these quantitative criteria are to be applied. Usually the decrease in the employee's personal performance, i.e., the result of his or her labor activity within the company, is ascertained by comparing it with the fixed standard or, if one does not exist, with the performance of that of workmates (Liso and Pisani 1990) or with the employee's own previous performance (Spanish Law, Article 54.e, Law 8, 1980; Central Labor Court Rulings, November 21, 1974 and February 27, 1975; Garate Castro 1984). However, some countries prefer a greater degree of ambiguity and focus on the abstract standard of a substantial breach of the contract and its conditions, which allows the employer to dismiss an employee for serious noncompliance with contractual elements other than performance, thus placing poor performance very close to other reasons for dismissal such as disloyalty or unpunctuality. In the words of Brooks, "The only test in Australia would be whether or not he had committed a breach of his employment contract" (Brooks 1990, 22).

In judging the seriousness of poor performance, Anglo-Saxon countries pay special attention to the employee's behavior as a basis for the decision on dismissal. Given that incremental discipline and supervision are commonly required, the employer knows the evolution of the behavior from the moment the first warning was given to the employee and/or goals were set for improved performance. Thus, the trend followed by the employee in the last few weeks or days is of more importance in these countries. Clearly if performance has slowly worsened, dismissal is more likely, but if performance has been

improving, dismissal is not permitted (Mironi 1990). In continental European countries, on the other hand, there is no objection to an employer dismissing an employee whose performance has significantly worsened. Showing signs of improvement over a few days or weeks will be of no avail; the employee simply does not meet minimum or normal performance standards, and this implies an "excessive burden" which justifies the termination of the contractual relationship by the employer.

One factor that makes noncompliance with performance standards more serious, pointed out by Wheeler and Nolan (1990) with regard to the United States but surely applicable all over the world, is the negative effect the behavior has on the organization of production in the factory. If individual poor performance is causing production bottlenecks and preventing full use being made of other employees in the group or section, the noncompliance need not be serious in itself to justify dismissal, as the effect of the drop in performance will be multiplied by its impact on the whole work force.

Mitigation

On the other hand, a certain level of seniority or prior good performance are considered to be extenuating circumstances with regard to poor performance in Anglo-Saxon countries and Israel. Arbitrators and Anglo-Saxon juries are willing to excuse an employee's drop in performance, up to a point, when the employee has been employed in the firm for a long time. The same is true if during the period prior to the drop the employee has done more than was required by the firm, so that one could argue that good and poor performance in some way cancel each other out. All this, of course, assumes that the noncompliance is not excessive and is not deliberate or willful on the part of the employee. In contrast, these factors are not taken into account by continental European judges, at least not to the extent observed in Anglo-Saxon countries. On the Continent the breach of contract normally will be considered objectively, although the odd court will absolve the employee whose drop in performance has not been excessive if some of the aforementioned extenuating factors come into play.

The extent of the decrease is of relevance in considering the possibility of dismissal. A large decrease will permit the period of observation to be shortened, while a noticeable but limited decrease of, for instance, 15 percent will have to continue for a longer period of time and probably be accompanied by some complicating factors in

order for the employer to resort to dismissal. In any case, the drop in performance must always be noticeable compared to the minimum or normal standard; otherwise the employer may only make use of disciplinary measures less severe than dismissal.

Enforceability

We now come to the final part of these reflections. Circumstances do exist that preclude dismissal (even when there is demonstrable poor performance) if the employee has powerful arguments to counterbalance those of the employer.

Although it often goes unnoticed in analyses, the behavior that concerns us here is frequently forgiven, especially when the employee pulls out of the "slump" before disciplinary measures are taken or when some of the other "merits" such as long service or good previous performance are present. The problem with pardoning an employee's behavior is always one of establishing limits, since a lack of employer action is easily confused with lack of knowledge on the part of the employer concerning the behavior or with doubts the employer may have that impede it from reaching a clear decision. As a result, an employer's willingness to pardon an employee must be clear and manifest and reflected in statements or acts to this end. Likewise, forgiveness may be revoked at any given moment when "the employees were clearly told that such failure would no longer be tolerated" (Adams and Adell 1990, 31; Blenk and Viethen 1990, 32). For this reason, in some countries the law specifically prohibits the dismissal of a worker who was known from the beginning to be incapable of meeting the company's standards (Spanish Law, Article 52.a, Law 8, 1980; Liso and Pisani 1990). With particular reference to new standards set by the employer but also applicable to the other cases of poor performance, the difficulties that other employees have in meeting the standards play a considerable role when it comes to disciplining any one of them. In fact, the best way to demonstrate the reasonableness of the standards is by showing that all or the vast majority of employees have met them without difficulty. If the opposite is true, the employer would not be able to impose sanctions, even though those standards had been agreed to in a collective agreement signed by employee representatives. It is always difficult to fix a standard, and the employer must make every effort to be logical when studying the data from reports on new standards or test trials with the "average employee" (Reynolds, Masters, and Moser 1982, 196).

The same can be said when the new standards are met by most or all employees but at the expense of more accidents or illnesses, which would be indicative of extreme strain that cannot be required even at maximum performance levels or in return for excellent wages. In the countries studied, few judges or arbitrators would approve an employee's dismissal for failure to meet standards having these characteristics (even if the employee were rewarded by very high wages) without the express consent of the employee (Liso and Pisani 1990). Additionally, the courts have been obliged to underscore something that would seem obvious: in deciding on dismissal, the evaluation of present performance must be done *under normal circumstances*, and the employer may not take into consideration periods during which the employee was ill (Spanish Supreme Court Ruling, July 15, 1987).

References

Supplied upon request to author.

Insubordination

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Insubordination may be, as far as its results are concerned, the most clear-cut of the ten cases of workplace discipline considered in our study. It may also be the most intriguing.

The ubiquity of subordination as the fundamental link in the employment relationship is striking in all of the ten countries studied. In Australia the core of the employment relationship is the employer's right to command and the employee's obligation to obey. In Belgium by law the employer gains authority over the employee. In Canada the duty to obey reasonable instructions is central. In France the condition of subordination is the very definition of the employment relationship. In Israel the duty to obey lawful and reasonable orders is an inherent and essential element of this relationship. In Italy the employee has the obligation to comply with orders issued by the employer, not only for the performance of work but also for the orderly functioning of the enterprise. In Spain the general principle of "comply and complain (afterwards)" applies. In the U.K. the duty to obey lawful and reasonable orders is inherent in the common law conception of the employment relationship.

The scenario studied by us was clear: "J.D., a janitor at a manufacturing company, is assigned the task of waxing office hallways. He completes one hallway. His supervisor, F.F., inspects the hallway and tells J.D. to do the floor again. J.D. refuses and walks away. As was the case in the scenarios on other subjects, various degrees of seriousness, mitigating factors, and enforceability of the instructions were considered. The results of the national analyses were evident: In all countries insubordination was considered a serious offense. Generally, it warranted dismissal (automatically in some cases) only if the behavior qualified as stubborn in others. In all cases dismissal was at least considered.

Interestingly, the actual solution in every country depended upon a three-step analysis. First, the institutional framework was considered. What were the objective factors that could be identified in the

situation. To some extent insubordination is a function of the nature of the order received. One can ask whether it equally concerns the execution of all instructions or whether a gradation should be established where the inexecution of some orders would not be considered insubordinate if the orders were illegal; legal but presenting a risk to health and safety; legal and safe but degrading to the employee; legal, safe, not humiliating but frivolous; legal, safe, not humiliating or frivolous but useless or unnecessary; or legal, safe, not humiliating or frivolous, necessary and useful but outside the job description or craft limits. Different countries drew the line at different steps on this scale.

Second, a "cultural framework," so named for lack of a better term, was applied. Here more subjective factors were considered in defining the situation. In this light, different countries held a different view of what constitutes a challenge to authority. What, for instance, constitutes *antagonism* if the employee's refusal to comply varies in terms of the vocabulary employed, gestures, etc. The presence of other employees could be held to be either a fundamental element or irrelevant. The existence of preexisting rules could or could not be important.

Third and finally, mitigating factors came into play. These included provocation, the repetitious nature of the offense, and the like.

As a result of analyses using this three-step process, the solution varied from a simple warning to immediate dismissal on the spot. Results were occasionally different in different countries, but the structure of analysis was invariable across countries.

In conclusion, an important question to be raised is what makes insubordination such an ubiquitous and important issue in the area of discipline in industrial relations? Clearly the link of subordination goes beyond simple contractual obligations. It is not only the correlate of a duty to perform work agreed upon in an appropriate way or even in the best possible way. It is also a duty to perform it in the manner indicated by the employer, even if it is an inferior or inappropriate way or even plainly wrong.

Obviously the subordination obligation also goes beyond the need for the orderly management of the workplace, for it concerns more the challenge to supposedly legitimate authority than simple behavior in the performance of work. Finally, it goes beyond what is required for the judicious use of the employer's property, which in any case would give rise only to rights of direction of property, not of individuals, at least beyond the bounds of contractual agreement. Besides, the

sanction of dismissal, often imposed and almost always considered in cases of insubordination, goes beyond the usual consequences of a mere breach of contract and affects the well-being of employees and their standard of living, particularly in the present condition of many national labor markets.

In its present condition, therefore, the right of the employer to sanction insubordination borders, in some respects, on a minor equivalent of a private justice system. What seems to be really at stake is more than the nonperformance or faulty performance of work or even the manner in which the refusal to perform work is carried out. It is the very issue of contesting the power of the employer, whether or not this power is used in an appropriate manner or towards the goals of the enterprise. An interesting subject of further inquiry is the foundation in theory for this power which is so deeply embedded in practice.

Discipline and Discharge for Theft in Ten Countries

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In all of the countries included in the Workplace Justice Project (Australia, Belgium, Canada, France, Germany, Israel, Italy, Spain, the United Kingdom, and the United States) theft is considered a very serious infringement of the "mutual trust" that is at the heart of the employment relationship.¹ As a result, theft always warrants a penalty, but as with other violations of employment obligations, the permissible penalty may vary depending on the circumstances as well as the regime under which the infraction is committed. There is variation from country to country, of course, but there are also different sets of rules for different segments of the labor force. In the U.S., for example, the workplace justice system for those covered by collective agreements is considerably different from the system in effect for the "unorganized." In most of the countries considered here, however, the large majority of employees are covered by a single, consistent set of workplace justice rules.

While there is variation within the sample of systems included in this study, the dominant theme emerging from the exercise is not that of diversity but one of continuity, at least with respect to the substantive rules of workplace justice. Although there is diversity in procedural requirements, in the institutions designed to settle disputes over the rules (e.g., labor courts in Belgium, industrial tribunals in Britain, arbitration in the North American "unionized" sector) and with respect to remedies for wrongful discharge resulting from a theft incident (reinstatement vs. compensation), the substantive rules for dealing with theft are very similar across all of the countries. A traveler going from one nation to another would be more impressed with the continuity of workplace justice standards rather than with their differences.

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The Exercise

The Workplace Justice Project required that a researcher or set of researchers in each country address the same scenario. The facts of the case were to be systematically subjected to a set of “factors and variations” concerning the seriousness of the act and circumstances that might give rise to variation in the permissible penalty.

The scenario concerning theft was the following: P.R., a clerk employed by C Gourmet Foods Company, is observed by two supervisors taking company products out of a packing box, concealing them on his person, and walking out the door with them. He is apprehended after he exits the store and admits taking the products.

As noted above in all of the countries in this study, P.R.’s behavior would be considered a serious infringement of the obligations of employment. Many employers might be tempted to dismiss P.R. instantly. Would the labor court judge or the North American arbitrator uphold a summary dismissal? The project exercise specified that the researcher in each country consider the likely impact of the following variations on the permissible penalty:

1. Value of the goods stolen: value of \$1.00 vs. value of \$1000.
2. The seriousness of the theft problem to the employer: no serious problems vs. serious losses from employee theft.
3. Knowledge of other employees: incident witnessed by no other employees vs. incident witnessed by five employees.
4. Whether goods abandoned: products taken from a trash bin, where they had been thrown by mistake vs. products taken off the shelf.
5. Needs of the employee: P.R. desperate for money for highly specialized medical treatment for his child vs. no additional facts.
6. Low probability of recurrence: no previous record of dishonesty vs. previous arrest and conviction for petty theft.
7. Kleptomania: proof of kleptomania induced by job-related stress vs. no additional facts.
8. Seniority: P.R. employed by company for 20 years vs. employed for six months.
9. Custom of free goods: employer customarily permitted employees to leave the premise with small amounts of goods vs. no additional facts.

10. Past tolerance of employee theft: in a previous incident of another employee stealing goods of the same value that employee was not disciplined vs. no additional facts.

The intent of the exercise was that each author consider first the base case and then the factors and variations. One would then be able to determine the impact of the variation on the decision of the judge or arbitrator from the resulting data set. However, not every author responded on every factor. Nevertheless, the exercise produced some interesting results. Each factor will be considered in turn.

Factors and Variations

Value of the Goods Stolen

Because the very act of theft is considered to be a serious infringement of the obligations of employment, in most of the countries under study the amount stolen is, in principle, irrelevant. An employee who steals anything is initially presumed to be subject to dismissal without notice. As jurisprudence has developed, however, judges and arbitrators have been dissuaded from upholding summary dismissal for several reasons. The value of the goods is one of them.

In most of the countries under study the rules with respect to cases like the one considered here have been changing. Twenty or 30 years ago adjudicative tribunals might have been easily convinced that even the most trivial theft fatally compromised the trust required for an effective employment relationship. Today, however, trivial theft—that is the taking by the employee of items of small or negligible value—is generally not considered to be permissible grounds for summary dismissal. All of the papers suggest that the value of the goods stolen would have an effect on the adjudicator's decision. Today adjudicators would be unlikely to uphold summary dismissal for minor incidents of theft unless additional circumstances warranted it.

Seriousness of the Theft

Summary dismissal might be warranted even for trivial theft if the employer operated in an industry where any theft might have a significant impact on operations. Banking and retail were explicitly mentioned as sensitive industries. In banking, theft of \$1 might very well warrant summary dismissal; in retail, theft of an item worth no more than \$1 might warrant the same penalty. In banking, the logic is that the honesty of every employee must be absolutely unquestioned

because of customer sensitivity to that issue; in retail, the widespread practice of minor theft by employees could be very detrimental to the profitability of the enterprise because of traditionally small margins. In fact, employee theft is considered a serious problem facing the retail industry.

Knowledge of Other Employees

Wheeler and Nolan write about arbitral practice in the U.S. and note that "arbitrators would be . . . more inclined to uphold termination if other employees knew of the theft, since a failure to punish it severely might tempt others to steal" (Wheeler and Rojot 1992, 345). In Belgium "knowledge of the theft by other employees is also an aggravating factor and would allow the employer to impose more severe sanctions" (p. 78). Employee knowledge of the theft would also be a factor in Australia, but in the other countries the authors either did not discuss the issue, which suggests that it may not be considered of vital importance, or they specifically argue that it is irrelevant. Writing about Britain, Karl Mackie tells us that "knowledge of the act by other employees is not relevant given that the issue is trust between the employees and the employer" (p. 316).

Goods Abandoned

In every country in this study except Italy and possibly France, taking goods abandoned as trash would warrant a lesser penalty than summary dismissal unless there was a clear rule or custom to the contrary.² In Italy, however, Liso and Pisani tell us that "it is . . . irrelevant if [the stolen] . . . assets were leftovers." They report a 1988 court case in which "the court decided that the dismissal of a hotel servant was lawful despite the fact that she had taken food that clients had left untouched" (pp. 253-254). In a somewhat similar 1986 case in Canada, the arbitrator reinstated the employee, but without compensation (*Coast Canadian Inn*, 1986).

Needs of the Employee

The papers in *Workplace Justice* suggest that the courts and arbitration tribunals in the countries considered here have a sense of humanity. In almost all of the countries adjudicators would consider relevant the personal predicaments of the employee. If P.R. was indeed taking goods to assist a child in need, that circumstance would be given some weight but perhaps not too much weight. For the Canadian case Adell and Adams wrote that "if the employee is

passing through a time of unusual financial hardship, the employer may be expected to show some tolerance for a minor instance of theft, but probably not for more than that" (Wheeler and Rojot 1992, 111). The discussion in the other essays suggests that this is roughly the general norm.

Probability of Recurrence

For those authors who considered this issue, the general situation seems to be that summary dismissal is currently regarded as too severe a penalty for the first instance of theft of a small amount. On the other hand, if the individual had a record of past thefts, that would make it much more likely that summary dismissal would be upheld. The facts of the case ask the authors specifically to consider a situation in which the individual had a criminal record for petty theft. Only one paper did that. Karl Mackie tells us that in the U.K. "criminal offenses as such are not usually relevant and in some cases are required by statute to be ignored" (p. 317). Brian Brooks in writing about Australia goes beyond the "facts" of the artificial case to indicate an issue of seemingly considerable general relevance. "A low probability of recurrence," he says, "would not affect the outcome because of the extreme difficulty in detecting such recurrence" (p. 45).

Job Stress Leading to Kleptomania

This issue was considered for only four of the countries—Belgium, Canada, Israel, and the U.K. In each of those countries behavior activated by significant job stress would make it less likely that summary dismissal would be permitted. In Canada "if P.R. can prove that he is a kleptomaniac, his conduct might be seen as essentially nonculpable. Thus, as with an alcoholic employee, the employer will have to keep him on, probably under suspension without pay or in a position where he has no access to easily stolen items while he undergoes psychiatric treatment" (p. 111). In addition, Canadian human rights statutes "prohibit dismissal or other discrimination against an employee because of a physical or mental handicap, unless the employer would suffer 'undue hardship' from retaining the employee" (p. 111). Similar considerations might very well hold for other countries with comparable human rights codes (see, e.g., Ben Israel 1990).

Seniority

This issue was not explicitly discussed in the papers on Belgium, France, Italy, and Spain. In all of the other countries, long service

would be a mitigating factor. It is unlikely that long-serving employees would be dismissed for engaging in trivial theft unless there was reason to believe that the employer's operations would be very seriously harmed if such action was not taken.

Custom of Free Goods

As noted in the Australian paper, "pilfering from business operations has in many instances become 'an accepted fact of life,' and many businesses budget for the theft of tools and equipment" (Wheeler and Rojot 1992, 45). Most of the papers in the Wheeler and Rojot volume recognize the existence of such a custom today. Where it exists it generally militates against casual summary dismissal. On the other hand, where an employer has a clear rule against free goods, that fact will generally make it more likely for summary dismissal to be upheld. Courts may not, however, defer automatically to employer-made rules, especially if they are considered inconsistent with legal standards (Savatier 1992).

Tolerance of Theft

All authors who considered condonation (Australia, Canada, Germany, Spain, Britain, and the U.S.) said that it would make a difference. As stated in the paper on Israel, "As in most other cases of misconduct, consistency in enforceability is vital" (Wheeler and Rojot 1992, 214). In the German case, "if the employer tolerated other employees taking away things of little value in the past, P.R. could reasonably assume that his conduct would also not be taken as grounds for dismissal" (p. 187).

Conclusion

One practical reason for undertaking this project, according to Wheeler and Rojot, was that "managers need to know what the law is in order to follow it" (p. 2). What then does the above review suggest for employers? The general advice flowing from this analysis seems to be the following:

Theft is a serious breach of the obligations of employment. Therefore if an employee steals even the smallest item, you are certainly within your rights to discipline her/him. Do not, however, summarily dismiss a long-service employee with a good record who pilfers something of trivial value unless you are prepared to argue convincingly that the continued

employment of the individual would substantially injure your enterprise. Especially do not dismiss an employee for minor theft if you have reason to believe that she is suffering from kleptomania or is undergoing a period of serious financial stress. Do not, moreover, dismiss an employee for engaging in behavior that you have previously condoned.

Some Other Issues

The Relationship between Criminal and Employment Law

Although it was not specifically required as part of the exercise, authors for five of the countries (Canada, Israel, Spain, U.K., and U.S.) discussed the relationship between criminal and employment law. Since theft is a crime for which an employee may be tried and either convicted or acquitted, do the events in the criminal arena have relevance for the employment relationship? For instance, if an employee is tried and acquitted for an alleged theft, does that mean that the employer may not discipline the employee for his behavior with respect to the same facts? The unanimous answer is no! In all countries that considered the issue, standards in the employment arena differed from those in the criminal arena. As Ojeda-Aviles (Wheeler and Rojot 1992) tells us for Spain, "The labor courts have repeatedly decreed that dismissal for theft is legitimate even when there has been no criminal conviction," and that "in the same case a presumed thief may be found innocent in a criminal court for lack of evidence and, nevertheless, be considered guilty by a labor court" (p. 277).

Under criminal law an individual generally must be found guilty "beyond a reasonable doubt." In the employment arena if the misconduct carries the sort of stigma that attaches to criminal behavior, the standard in Canada, the U.S., and Israel is "clear and convincing proof." This standard is higher than for other forms of employment misbehavior—"balance of probabilities"—but lower than that of the criminal courts. As a result, it is possible for an employer successfully to dismiss an employee summarily who has been acquitted in the criminal courts of theft. Nevertheless, the employer who would do so is held to relatively strict rules for proof that the employee did commit the act.

In Britain, on the other hand, the standards would appear to be very lax because the statute only requires that the decision to dismiss be reasonable, not that it be right. Karl Mackie (Wheeler and Rojot 1992) describes the common situation: "Most tribunal cases in this area concern situations where employees have denied the offense, and the

tribunal's role is to establish from the evidence whether the employer acted reasonably in dismissing for a suspected offense. An employer in a case of suspected theft would be expected to show that it genuinely believes the employee is guilty of misconduct, that it has conducted an investigation that is reasonable in the circumstances, and that it has then reasonable ground for believing that the employee is guilty" (p. 316). These standards may produce results that few would be willing to describe as just. In one recent case, for example, four employees were fired when the equivalent of \$10,000 was stolen from the safe of a liquor store. It was clear from the facts that one of the four employees committed the crime, but investigation could not establish which one. There was no evidence of collusion. The gross injustice of the case was that the industrial tribunal upheld summary dismissal for several employees even though it was "possible or indeed probable that not all were guilty of the act" (*Parr v. Whitbread*). More representative is the position taken by a Belgian court: "In criminal law, if one of the two accused must have been guilty but it is impossible to determine which one, both must be acquitted."³

The Sad State of the Unorganized in the U.S.

Although there is some internal variation as indicated in the opening remarks, in most countries in this sample the rules with respect to workplace justice are the same for the great majority of employees. Generally, the North American distinction between organized and unorganized is of little relevance elsewhere, either because the great majority of employees are covered by collective agreements or because the rules with respect to workplace justice apply universally regardless of collective agreement status. In the United States, however, most employees in the private sector are not entitled to the rights common throughout the democratic world. Because of the employment-at-will rule the advice to the employer presented above is of little relevance to the "unorganized" private-sector employer in the U.S. The general standard is that the employer may dismiss anyone at the time for any or no reason. The "unorganized" American employer could instantly dismiss P.R. with little fear that the decision would be overturned by third-party review.

The increase in wrongful dismissal cases during the past few decades has eroded the employment-at-will rule somewhat. It is now possible that some court in some state would find that the summary dismissal of P.R. was not legally permissible. On the other hand, recent

research has confirmed that in practice there is very little chance that a dismissed employee will actually obtain redress through those common law exceptions to the at-will doctrine (see Edelman et al. 1992). As in so many other aspects of employment relations, in this regard, too, the U.S. is "exceptional."

Endnotes

¹ The project culminated in *Workplace Justice: Employment Obligations in International Perspective*, eds. Hoyt N. Wheeler and Jacques Rojot, an analysis of the rules and procedures governing the obligations of employment—or acceptable and unacceptable behaviors—in ten countries.

² In France the proposition that even the smallest theft is reason for summary dismissal was the standard until recently. In the last few years, however, that harsh standard has been moderating (see Rotschild-Souriac 1992).

³ *Revue de Droit Social*, 1984, p. 173, at p. 177 (Brussels Labour Court, 4th Chamber, Feb. 14, 1984). The standard with respect to this issue is basically the same in both employment and criminal law in Belgium.

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DISCUSSION

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The papers in this session cover discharge and discipline for poor performance (Ojeda-Aviles), theft (Adell and Adams), off-duty conduct (Liso and Pisani), and insubordination (Rojot) in ten countries (Australia, Belgium, Canada, France, Germany, Israel, Italy, Spain, the U.K., and the U.S.). What is most striking about them, we believe, is that the rules across these countries are as similar as they are. Even considering that all of these countries are western or westernized industrial nations, one would expect to find somewhat more diversity as to the substantive rules of workplace justice. Perhaps employment has its own dynamic as to employee obligations and rights. Certainly subordination is part of this relationship. It may also be, as suggested by Professor Ojeda-Aviles in the discussions in the session, that the similarities result in part from the British-U.S. model being followed by the other countries in this group.

Even given the basic commonality of substantive rules, there appear to be some interesting differences. One of these appears in the Ojeda-Aviles paper on poor performance. He makes the very interesting point that in the Anglo-Saxon countries arbitrators or judges tend to take into account such matters as the use of progressive discipline and whether performance has improved lately, whereas on the Continent labor court judges tend to focus on the narrow question of whether the contract of employment has been violated. In terms commonly used in the U.S., this may reflect a more clinical approach in the Anglo-Saxon countries and a more legalistic, objective approach on the Continent.

Another interesting point in the Ojeda-Aviles paper is the question that he raises as to whether pressures created by economic conditions can be seen as forces outside the control of the employer that justify

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raising of performance standards. In U.S. terms, are performance standards unreasonable if they are increased because the firm needs greater quality or quantity of production? As he notes, a good case can be made for a negative answer to this question.

The Adell and Adams paper on theft is interesting for several reasons. First, they see a decline in the willingness of arbitrators/judges to approve the ultimate penalty of discharge for theft of goods of very small value. We are a bit less sure of this than they are, particularly in the U.S., but it is an interesting trend internationally. Second, we especially like their practical advice to managers and trade unionists as to how they might best act. Third, their description of the British rule as to burden of proof in theft cases seems shockingly biased toward the employer. If all the employer has to show is that it acted reasonably, not that the employee committed the act let alone prove this to a degree greater than a mere preponderance of the evidence, this is a very lax rule indeed. It is at the extreme limits of the view adopted by some U.S. arbitrators that they should merely review the procedures used by the employer and not overrule a managerial determination in the absence of a procedural flaw or an abuse of discretion. We view this as an abdication of arbitral responsibility, which is to judge whether just cause is or is not in fact present.

The Liso and Pisani paper deals with one of the most difficult areas of workplace justice—off-duty conduct. As they say, the rule is easy to state but difficult to apply. This is because it lies at the boundary between the liberty of human beings to behave as they please on their own time and the general obligation of employees to refrain from conduct that harms their employer. As they argue, this may indeed be an area where culture makes a difference, but it may also be one where individual differences across arbitrators/judges within a particular culture may also be important.

The Rojot paper raises the question of whether insubordination is an offense that is more fundamental than others. As he suggests, insubordination poses a threat to the authority of management, thereby attacking the very foundations of the work organization's hierarchical structure.

These were the papers presented at the session. There was some interesting discussion of the subject of insubordination. This is believed by us to be the central obligation of employment and therefore worthy of a good deal of attention by scholars. Considered as a whole, we believe that these papers and discussions add something valuable to our understanding of the substantive rules of workplace justice as they can be analyzed internationally.

DISCUSSION

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The Workplace Justice research project has ably drawn out common threads as well as divergent paths in the approaches taken to discipline and discharge in the ten countries selected. Before commenting on the papers, I would like to place the subject in a somewhat broader comparative and international perspective.

In 1982 the International Labor Conference—an annual event that brings together government, worker, and employer delegates from around the world—adopted the Termination of Employment Convention (No. 158) and Recommendation (No. 166). Of the countries in the Workplace Justice project, France and Spain have ratified this convention. It provides that a worker's employment shall not be terminated unless there is a "valid reason for such termination connected with the capacity or conduct of the worker or based on the operational requirements of the undertaking, establishment, or service" (Art. 4). Termination is excluded on certain grounds: these include union membership or union activity outside working hours (or during working hours with the employer's consent), seeking office as or acting as a workers' representative, filing a complaint or participating in proceedings, race, color, sex, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin, absence from work during maternity leave, and temporary absence from work because of illness or injury (Arts. 5 and 6). The convention also includes procedural guarantees including reasonable notice or compensation in place of notice unless the worker has committed misconduct "of such a nature that it would be unreasonable to request the employer to continue his or her employment during the notice period." (Art. 11). There are also other ILO conventions providing more specifically for protection against prejudicial action in certain contexts. These ILO standards are the product of debate in an international forum and should be taken into account.

The ILO has also commissioned some research on disciplinary rules and procedures, and work has been planned to look at the

practice relating to remedies in cases of unfair dismissal. A recent study in French of the position of commercial and office workers in seven countries showed that while these employees are subject to the same rules governing other workers, sometimes those in certain types of workplaces, such as banks, are held to a higher standard. This is corroborated by the Adell/Adams and Pisani papers. The monitoring of worker performance and some off-duty activity raises privacy issues that would merit further research. Another recent ILO study (unpublished) examined disciplinary rules and procedures short of dismissal in 22 countries, developing and developed. Given the recent signature of NAFTA, the information on Mexico may be of interest to complement the Workplace Justice project's examination of Canada and the United States (details omitted from discussion summary).

To turn to the papers presented, the Adell and Adams paper on theft furnishes a useful description of the methodology used in the Workplace Justice project. The brief discussion of the relationship between employment law and criminal law in conjunction with theft was interesting, but I would add another important issue: the effect that criminal investigation and prosecution has on the employment contract in different countries. The only significant criticism I would have of this paper concerns what it has omitted from the much longer version, which reported intriguing research on reinstatement in Canada and Italy. Two years after reinstatement, higher percentages of satisfactory performance were found in cases where dismissal had been based on dishonesty rather than on other grounds. This result deserves closer examination because it seems to undermine the conventional wisdom that theft involves a fundamental breach of trust which irrevocably ruptures the employment relationship.

The Ojeda-Avilés paper on poor performance outlines four causes of poor performance which I think in fact reduce to three. Whether changes in working conditions are caused by external factors such as regulations or by internal decisions to raise productivity, management still has to make decisions about how to confront new circumstances. The author correctly zeroes in on the problem of how to evaluate a decrease in performance and against which standards. Throughout the Workplace Justice project, discipline and dismissal are often spoken of in the same breath, but they do not always produce the same results. The project would also have done well to look at positive incentives in relation to improving performance as opposed to the more old-fashioned disciplinary approach.

The Pisani paper, still in draft form, tackles an area of great diversity in practice: the attitude toward off-duty conduct. I would thus suggest more tentative conclusions. I'm not convinced by the example of the inebriated airline pilot since this off-duty conduct could indeed affect job performance. Finally, in the fact situation chosen by the project for off-duty conduct, I think there was a missed opportunity to build in a gender aspect, since it is precisely in this area of labor relations that different expectations about "proper" behavior for men and women will be most clearly seen, both within and between societies.

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XIX. REFEREED PAPERS— LABOR MARKETS

Labor Market Segmentation and Mobility: The Case of Young Men

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The relative inability of disadvantaged groups to gain access to high-paying, stable employment is a major concern of researchers in the labor market segmentation (LMS) tradition. In the LMS literature this phenomenon is conceptualized as secondary-segment workers finding themselves “stuck” in their low-paying, unstable jobs with little access to higher-paying, more stable primary-segment employment.¹

Early work in this area concentrated on the labor market problems of young urban workers. Wial (1991), in a recent study in this tradition, continues this line of research by qualitatively investigating specific social processes underlying upward occupational mobility of young men in three ethnic neighborhoods in Boston. He finds that membership in a social group and the shared understandings generated from such membership lead to acquisition of general job-related skills, job search techniques, information about specific primary-segment jobs and personal ties to current primary-segment job holders. These worker attributes constitute customary social linkages, which enhance the probability of a successful transition from secondary- to primary-segment employment for young male workers. The implication is that the lack of such a social information network among members of disadvantaged groups may be a significant barrier to transitions from secondary- to primary-segment employment.

One interesting finding emerging from Wial's (1991) analysis suggests that traditional human capital variables are relatively unimportant

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in the explanation of upward mobility among young workers in his sample. For example, workers in his study believed that educational attainment is not necessary for movement from secondary- to primary-segment employment. According to these workers' perceptions, "luck" and "personal contacts" are more important determinants of obtaining a job in the primary sector. This result arises partly because the primary-segment occupations mentioned in the study are almost entirely composed of traditional subordinate primary jobs. Given this focus, it is expected that formal education may not be particularly important in explaining the observed secondary to primary mobility.² On the other hand, those who leave the neighborhoods (and thus are not included in the analysis) to acquire university or other post-high-school training most likely are planning to enter independent primary jobs. These workers would probably offer a more positive assessment of the effects of additional education on the likelihood of obtaining a good primary-sector job.

The purpose of this paper is to test whether insights derived qualitatively from Wial's (1991) case study are consistent with national labor market data. Specifically, we analyze structural differences governing mobility from the secondary segment to each of the two primary segments among young men with particular attention paid to 1) the effects of human capital accumulation on the probability of obtaining a primary-segment job, and 2) the existence of structural differences in the mobility prospects of black workers in comparison to their white counterparts.

In the remainder of the paper a human capital model of intersegment mobility is presented. Empirical results are then discussed, after which we conclude with implications for policy and theory.

Mobility and Human Capital

Previous work in the human capital framework suggests that part of the returns to human capital investments accrue in the form of an increased probability of occupational upgrading (Sicherman and Galor 1990). The same reasoning is applied to empirical work in the LMS tradition in which intersegment mobility is modelled as a function of human capital characteristics and other control variables (Rosenberg 1980; Rumberger and Carnoy 1980; Waddoups 1991). The probability, therefore, that an individual will move from secondary- to primary-segment employment during a particular interval can be expressed as

$$(1) \quad P_{sp} = f(H, C) = g(Z),$$

where P is the probability of making the secondary to primary transition, H is a vector of human capital characteristics including educational attainment, a measure of labor market experience, and a measure of tenure on the current job. The vector C consists of control variables that may also affect the probability of transition, while s is a subscript representing the secondary segment and p is a subscript representing either of the two primary segments.

At each period an individual in the secondary segment faces three alternatives represented by j : a transition to the subordinate primary ($j = 1$), a transition to the independent primary ($j = 2$), or no transition ($j = 0$). The underlying probability that an individual will experience the j th transition, P_j , is given by a multinomial logit model of the form

$$(2) \quad P_j = \exp(Z\beta_j) / \sum_{k=0}^2 \exp(Z\beta_k), j = 1, 2,$$

where β represents a row vector of parameters including a constant term to be estimated.

Empirical Results

Data and Variables

The statistical population relevant to this study corresponds to the age group of respondents in Wial's (1991) research. It thus consists of U.S. male labor force participants aged 18-35. A sample of black and white household heads from this population is obtained from the *Panel Study of Income Dynamics* (PSID) from the years 1981-87. One reason the 1981-87 time period is chosen is because the procedure used to classify occupations into segments requires three-digit occupation and industry codes for each respondent. This information became available in the 1981 wave of the PSID.

Using Gordon's (1986) procedure, occupations are divided into the tripartite segment structure composed of the independent primary, subordinate primary, and secondary segments, where the traditional segment definitions apply (see endnote 1).³ An individual is considered to have experienced a transition during a year if a move from the secondary to either of the two primary segments is observed during the interval $[t, t + 1]$, where the length of the interval is one year. The proportions of those making transitions to each of the two primary segments from the secondary segment are reported in Table 1. Table

TABLE 1
 Yearly Proportion of Young Male Workers (ages 18-35)
 Making a Transition from the Secondary to the Subordinate Primary
 and the Independent Primary

	Pooled	Black	White
Subordinate Primary	.134	.113	.154
Independent Primary	.263	.205	.319

Source: PSID 1981-87.

1 results indicate that among young workers there are significant levels of mobility out of the secondary segment. We also observe substantial differences in the probabilities of moving to the subordinate primary as opposed to the independent primary segment. In addition, obvious racial differences in mobility patterns exist, with whites more likely to make secondary to primary transitions than their black counterparts.

Human capital theory offers insights into expected impacts of human capital-enhancing investments on the probability of mobility. Years of formal education are predicted to have a positive impact on the probability of upward mobility, with the effect being more pronounced for transitions to the independent primary (see Piore 1975). The hypothesized effect of tenure is somewhat ambiguous. Theories of job matching (Jovanovic 1984) and state dependence (Vietorisz and Harrison 1973) suggest a negative correlation between mobility and tenure, while the theory of career mobility (Sicherman and Galor 1990) implies a positive correlation. The predicted impact of general labor market experience is also not clear. On the one hand, increased time in the labor market may increase the likelihood of obtaining the information necessary to experience secondary to primary transitions; however, state dependence effects may also be connected with this variable, leading experience to exert a negative impact on the transition probabilities.

Wial (1991) also asserts that African-American workers may not be socially connected in any meaningful way to primary-segment jobs. If this is indeed the case, it is expected that membership in this racial group will be negatively correlated to the probability of making secondary to primary transitions. Union membership and residence in a metropolitan area are also included as control variables. Table 2 contains means of the explanatory variables described above.

TABLE 2
Means of Independent Variables

	Pooled	Black	White
Education (years)	11.909	11.741	12.069
Tenure (months)	54.130	56.664	51.719
Experience (years)	7.293	7.563	7.035
Metropolitan Area	.550	.670	.435
Union	.306	.302	.310
Race (% black)	.488	—	—

Source: PSID data 1981-86.

Estimation Results

The mobility model is estimated once from a pooled sample of black and white workers and again for each race group separately. Results of these estimations are presented in Tables 3 and 4, respectively. Concentrating on the results from the pooled sample (Table 3), parameter estimates on the education variable support predictions of human capital theory suggesting that education enhances workers' prospects of mobility. The estimates, however, are only statistically significant in equations representing transitions to the independent primary. For transitions to the subordinate primary, education exhibited no statistically significant impact on mobility. The result is consistent with Wial's (1991) case study. Parameter estimates on other human capital variables, tenure and experience, were not significant at conventional levels.

Results emerging from the combined sample also show that even after controlling for human capital and other differences, blacks are significantly less likely to make either of the secondary to primary transitions. The effect is somewhat more pronounced in transitions to the independent primary segment. These findings are consistent with the contention that African-American workers tend not to be included in social networks connecting them to primary segment jobs.

Table 4 contains parameter estimates of mobility equations disaggregated by race. An interesting finding here suggests that educational attainment exerts no statistically significant effect on secondary to primary mobility for black secondary-segment workers. For white workers, on the other hand, the parameter estimate on the education variable is positive and statistically significant for mobility

TABLE 3
Maximum Likelihood Multinomial Logit Models of Mobility
from the Secondary Segment (pooled sample)

Variables	Subordinate Primary	Secondary to Primary	Independent Primary
Constant	-1.4164 (2.559)		-2.4685 (4.374)
Education (years)	.0221 (.496)		.0953 (2.126)
Tenure (months with present employer)	-.0074 (1.732)		-.0036 (.830)
Tenure Squared (10^{-3})	.0258 (1.003)		.0090 (.348)
Experience (years in labor market)	-.0138 (.554)		.0087 (.362)
Experience Squared (10^{-3})	-.1382 (.161)		-.2872 (.381)
Metropolitan Area (1 = residence in metropolitan area)	.2146 (1.471)		.3942 (2.659)
Union (1 = union member)	-.2668 (1.604)		-.9112 (4.815)
Black (1 = black)	-.4708 (3.249)		-.6381 (4.296)
log likelihood observations		-1397.2 1883	

Note: Estimates are logit coefficients. Asymptotic t statistics are in parentheses.

to the independent primary. The parameter estimates representing the effects of union membership and residence in a metropolitan area also exhibit statistically significant differences across racial categories.

Findings indicating racial differences in education and other parameter estimates point to the possibility that the structure of secondary to primary mobility may vary across racial groups. To test this hypothesis, a ratio of two estimated likelihoods is constructed, one from the pooled sample and the other from a fully interactive model. The fully interactive model includes interaction terms between a black dummy variable and all other explanatory variables. Negative two times the log of the likelihood ratio yields 24.9. The critical value of the chi-square distribution with ten degrees of freedom at the 5 percent level of significance is 18.31, suggesting that the hypothesis of similar mobility structures should be rejected. The potential lack of a social

TABLE 4
Maximum Likelihood Multinomial Logit Models of Mobility
from the Secondary Segment by Race

Variables	Black		White	
	Secondary to Sub. Pri.	Indep. Pr.	Secondary to Sub. Pri.	Indep. Pri.
Constant	-1.0982 (1.366)	-2.1464 (2.533)	-1.9620 (2.557)	-3.2113 (4.263)
Education	.0670 (1.028)	.0058 (.086)	.0966 (1.583)	.1670 (2.832)
Tenure	-.0064 (.994)	-.0028 (.423)	-.0091 (.994)	-.0085 (.423)
Tenure Squared (10 ⁻³)	.0221 (.617)	.0243 (.630)	.0328 (.884)	.0362 (.976)
Experience	.0198 (.441)	.0214 (.641)	-.0860 (1.059)	-.0075 (.091)
Exp. Squared (10 ⁻³)	-.7278 (.403)	-.4044 (.524)	3.4211 (.695)	-.0377 (.008)
Metropolitan Area	.0385 (.164)	.2527 (1.052)	.2781 (1.478)	.4743 (2.545)
Union	.1996 (.796)	-1.3309 (3.801)	-.5657 (2.464)	-.6941 (3.009)
log likelihood	-603.03		-784.13	
observations	918		965	

Note: Estimates are logit coefficients. Asymptotic t statistics are in parentheses.

information network for members in the black community as outlined above is also consistent with this finding.

Conclusions

The results of this study indicate the existence of differences in mobility behavior between secondary- to subordinate primary- and secondary- to independent primary-segment transitions. The major difference in this regard stems from the impact of formal education on mobility, where, as is evident from both the case study and results reported above, formal education is found to be unimportant in explaining upward mobility to the subordinate primary segment.

Results of this research also demonstrate the existence of structural differences across race groups, with black workers being less likely to make either of the secondary to primary transitions. Specifically, black workers do not enjoy similar returns to formal education (in terms of mobility to the independent primary) as their white counterparts. The

efficacy of using education alone as a policy instrument to enhance the mobility prospects of African-American workers, therefore, may not be sufficient.

One of the most interesting aspects of this study is that it makes use of national labor market data to generate results consistent with results found in a detailed case study analysis of a similar issue. This suggests that the two methodologies can be mutually supportive. The case study method enhances the meaning and interpretation of broader empirical analyses, while a broader empirical analysis offers legitimacy to attempts to project case study results beyond its narrow confines. A fruitful course for future labor market research, then, may be to more closely link these two research methodologies.

Acknowledgment

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Endnotes

¹ The LMS literature asserts that the labor market is composed of three distinct submarkets. The secondary segment is composed of "bad" jobs which are often low paying and unstable. The primary segment is composed of two sectors, the subordinate primary and the independent primary. The jobs in the subordinate primary are typically semiskilled, blue-collar occupations with relatively high pay and benefits, while the independent primary is composed of professional and managerial jobs, which also offer relatively high pay and benefits (see Piore [1975] and Gordon, Edwards, and Reich [1982] for more detailed explanations of the nature of the segment structure).

² This is an observation made by Piore (1975).

³ Gordon (1986) proposes that occupations be divided into three segments based on three conditions: first, segment categories reflect characteristics of jobs, not of workers in the jobs; second, segments are not defined using information concerning outcomes such as wages and turnover rates; and third, both industrial and occupational characteristics are taken into account to capture segmentation occurring within firms. Occupations in which workers control a relatively high level of their work activity, which are not characterized by detailed and repetitive instructions and which require relatively high levels of training, are allocated to the independent primary segment. Semiskilled and unskilled jobs in the "core" industries are allocated to the subordinate primary segment. Core industries are characterized by the following: high levels of concentration, technologically progressive and capital intensive production processes, and relatively high rates of unionization (Oster 1979). All other occupations are placed in the secondary segment.

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Wage Rigidity and Cyclical Unemployment

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While wage rigidity has long played a central role in both classical (Pigou 1913) and Keynesian (Keynes 1936) theories of unemployment, research in the last decade has extended this concept in two important ways. First, empirical studies largely motivated by the European unemployment problem of the 1980s have found that the degree of wage rigidity varies across countries (Coe 1985; Klau and Mittelstadt 1986) and regions (Hyclak and Jones 1989; Jones and Hyclak 1989) in a way that is correlated with trends in unemployment. This empirical evidence has contributed to a growing consensus in Europe that labor market policies should be changed in a way that increases labor market flexibility (Jackman, Pissarides, and Savouri 1990). Second, new theoretical models have been developed that attempt to explain how wage rigidity and the resulting labor market disequilibria could be derived from profit- and utility-maximizing behavior. Chief among these new theoretical models are efficiency wage theory and the insider-outsider theory (Lindbeck and Snower 1988; Weiss 1990).

Considerable effort has thus been expended in sharpening our understanding and measurement of wage rigidity. Implicit in most of this work are the hypotheses that greater real wage flexibility would soften the impact of a decline in labor demand on unemployment and that increasing wage flexibility is an appropriate target for labor market policy. This note adds some empirical evidence on this issue by examining the link between wage flexibility and cyclical unemployment across the 48 contiguous states. We find evidence of a negative correlation between a measure of wage flexibility derived from state-specific Phillips curves estimated over the 1964-1986 period and the state unemployment rates in the current U.S. recession.

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Measuring Wage Rigidity

We estimate the extent of wage rigidity as one of the parameters in a relatively simple model of the regional labor market that treats wage inflation and unemployment rates as jointly endogenous variables. In its most general form, this model can be written as equations (1) and (2) below. The reader is referred to Hyclak and Johnes (1992) for a detailed discussion of the derivation and estimation of this model.

$$(1) \quad w - pe = \alpha_0 + \alpha_1 (U),$$

$$(2) \quad \Delta U = \beta_0 + \beta_1 (y - w).$$

In equation (1) the difference between the rate of wage inflation, w , and the expected rate of price inflation, pe , is expressed as a function of the unemployment rate, U , in a typical Phillips curve relationship. We expect α_1 to be negative if expected real wage adjustments respond to excess supply in the regional labor market. In equation (2), which can be derived from a dynamic version of Okun's law and a cost-plus pricing relation, the change in unemployment is a function of the growth in nominal aggregate demand, y , minus the rate of change in money wages. We refer to equation (2) as the Fisher curve since its logic is akin to that in Fisher (1926). Our model is closely related to the "simple two-equation structural model of the economy" used by Hall (1975, 303) and resembles the approach of Layard et al. (1991).

Our concern here is with the parameter α_1 , which measures the responsiveness of expected real wages to the level of unemployment. Following Grubb, Jackman, and Layard (1983) and Coe (1985) we use estimates of this parameter as an index of the degree of wage flexibility in the regional labor market. Alternatively, the inverse of α_1 would be a measure of wage rigidity. Table 1 reports the estimates of this wage flexibility parameter for the 48 contiguous states on annual data for the time period from 1964 to 1986 derived from three-stage least squares estimation of the system represented by equations (1) and (2). There is a very strong correlation between OLS, 2SLS, and 3SLS estimates of α_1 . For ease of discussion, Table 1 gives the estimated values of $-\alpha_1$ for each of the states. A larger number indicates greater expected real wage responsiveness to labor market disequilibrium, hence less wage rigidity.

It is clear that the estimates of wage responsiveness reported in Table 1 exhibit considerable variation across the states. Wage flexibility is lowest among the New England and Mideast states, where

TABLE 1
Estimates of Wage Flexibility

New England		Plains			
CT	-.0987	IA	1.1596	VA	.8015
ME	.3731	KS	1.0148	WV	.5266
MA	.1199	MN	.7902	Southwest	
NH	.3813	MO	.5922	AZ	.6924
RI	.3698	NE	1.5057	NM	-.1212
VT	.7277	ND	2.9014	OK	.9339
Mideast		SD	2.5447	TX	1.0152
DE	.0611	Southeast		Rocky Mountain	
MD	1.4564	AL	.4251	CO	.8491
NJ	.0788	AR	.9556	ID	.8741
NY	.0907	FL	.9146	MT	1.1704
PA	.6699	GA	.4769	UT	1.4578
Great Lakes		KY	.5733	WY	.7400
IL	.5893	LA	.5174	Far West	
IN	.9089	MS	.3694	CA	.8158
MI	.5402	NC	.9691	NV	.7139
OH	.5334	SC	.8213	OR	1.2040
WI	.8615	TN	.4719	WA	1.0962

The wage flexibility parameter is the negative of the coefficient on unemployment in 3SLS estimates of state Phillips curves on annual data from 1964 to 1986. Source: Hyclak and Johnes (1992).

the estimate of α_1 is often not significantly different from zero, and highest among the Plains and other western states. Our estimates match well with those obtained by Blackley (1989) for a sample of 26 states. The null hypothesis that α_1 equals zero can be rejected at the 10 percent significance level or better for all the states except Massachusetts, Connecticut, New York, New Jersey, Delaware, and New Mexico. These results suggest that expected real wages generally do respond in the anticipated manner to unemployment. However, the extent of this response varies considerably across regional labor markets.

Our analysis of the determinants of interstate differences in wage flexibility reported in Hyclak and Johnes (1992) reaches four main conclusions: (1) real wage flexibility is higher in states with a larger fraction of small businesses and with an industry mix tilted away from those industries that Krueger and Summers (1988) identify as employing efficiency wage mechanisms, (2) real wage flexibility is higher in less unionized states and in those states which have right-to-work laws, (3) real wage flexibility is higher in states with a larger fraction of the jobless on layoff and a smaller fraction of the unemployed with long durations of joblessness, and (4) real wage flexibility is higher in states where the minimum wage is low relative to the average hourly earnings in manufacturing. These results give at

least indirect evidence in support of the efficiency wage and insider-outsider theories of wage rigidity.

The Effect on Cyclical Unemployment

Here we examine the extent to which the interstate differences in wage flexibility noted in Table 1 contributed to interstate differences in the severity of the 1990-91 economic contraction. While the jury is still out on the precise dating of the trough of our most recent recession, there are some analysts, including those at the Federal Reserve Bank of St. Louis, who depict the recession as occurring from mid-1990 to mid-1991. The uncertainty about the trough reflects the very weak recovery from that downturn.

The unemployment rate for the nation reflects a serious decline in business activity from June 1990 to June 1991. The unemployment rate reached its most recent low value of 5.3 percent in June 1990 after which the rate rose steadily to 6.9 percent in June 1991. The national unemployment rate stayed at about 6.9 percent until the end of 1991 but began to rise again during 1992.

As measures of the severity of the 1990-91 downturn in each state, we use the civilian unemployment rate in June 1991 and the change in the civilian unemployment rate from June 1990 to June 1991 as dependent variables in the regression analysis discussed below. The data on these variables are from various issues of *Employment and Earnings*.

We use the estimates of wage flexibility reported in Table 1 as an independent variable to test the hypothesis that wage rigidity worsens the unemployment effect of a downturn. To control for the effect of output changes on the demand for labor, we use the percent change in personal income from 1990-91 in the census region to which the state is assigned as an instrument for unobserved changes in local aggregate demand. The data for this variable are from the August 1992 issue of the *Survey of Current Business*. Finally, in those regressions with the June 1991 level of the unemployment rate as the dependent variable we include the June 1990 rate as an independent variable to control for noncyclical factors.

The regression estimates are reported in Table 2. Since the wage flexibility estimates are not statistically different from zero for six states, we report the results for all of the 48 "lower" states and for a sample of 42 states, which excludes Massachusetts, Connecticut, New York, New Jersey, Delaware, and New Mexico. The results are essentially the same for both samples.

TABLE 2
Wage Flexibility and Unemployment in the 1990-1991 Recession

	Dependent Variables:			
	% Unemployed June 1991		Change in % Unemployed June 1991 to June 1992	
Constant	3.52 (0.68)	3.43 (0.87)	3.14 (0.40)	2.95 (0.46)
Wage Flexibility	-.76 (0.17)	-.80 (0.23)	-.67 (0.16)	-.68 (0.19)
Regional Income Growth	-.34 (0.10)	-.30 (0.11)	-.36 (0.10)	-.31 (0.12)
% Unemployed June 1990	.92 (0.12)	.92 (0.13)		
R ²	.72	.72	.34	.25
RESET	.17	.25	.04	.12
Observations	48	42	48	42

Heteroskedasticity consistent standard errors are reported in parentheses.

The wage flexibility variable has a statistically significant negative relationship with both the level of unemployment in June 1991 and the change in the June unemployment rate from 1990 to 1991. Wage flexibility has a fairly strong quantitative effect on cyclical unemployment during this recession. For the full sample, the wage flexibility measure has a mean of .78 and a standard deviation of .56. The full sample results for both the level and change regressions indicate that a one standard deviation increase in wage flexibility would result in a predicted decrease in the cyclical change in unemployment of .40 points. This is about a third of the mean unemployment change from June 1990 to June 1991 across the 48 states.

Summary

This note presents some empirical evidence on the relationship between wage rigidity and cyclical unemployment across regional labor markets in the U.S. The responsiveness of wage inflation to the unemployment rate in time series estimates of Phillips curves for each of the lower 48 states over the 1964 to 1986 period is our measure of wage flexibility. This then is used as an independent variable along with the rate of growth in regional income in cross-state regressions explaining changes in the unemployment rate during the cyclical downturn from June 1990 to June 1991. The results indicate that the severity of this recession, as measured by the change in the

unemployment rate, was less pronounced in states with more flexible wages.

This finding is of interest in that it is consistent with the typical textbook treatment of the aggregate labor market in a recession and with Kniesner and Goldsmith's (1987) stylized facts about U.S. recessions, as long as we modify those facts to include the observation that wage flexibility varies significantly across regional labor markets within the U.S. Given the theoretical and policy significance attached to wage rigidity in macro models, it is somewhat surprising that so few attempts have been made to examine systematically the empirical evidence on the causes and consequences of rigid real wages. Perhaps this is because estimates of wage rigidity at the national level yield relatively small samples for international or intertemporal comparisons. Our strategy has been to focus on the regional level, which in this case yields a fairly large sample of labor markets, all with the same general legal and institutional environment that can be used to examine a widely held macroeconomic proposition. Our results cannot reject the hypothesis that cyclical unemployment is worsened by rigid wages.

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Gender Differences in Employer Size Effects in Japan and the United States

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Studies of the effects of employer size on wages and tenure in both Japan and the United States have tended to restrict their analyses to male employees (e.g., Hashimoto and Raisian 1985; Brown and Medoff 1989). As a result, little is known to date concerning whether or not employer size significantly affects wages and tenure for female employees, and if so, how the magnitude of these effects compare to those for men. The intent of this paper is a modest one, namely (1) to document whether employer size exerts a significantly positive effect on wages and tenure for women, (2) to compare the magnitude of any employer size effects for women with those for men, and (3) to compare the differential effects of employer size on wage growth for women and men. In each case we look at Japan in addition to the U.S. in order to discern whether or not our results are specific to the U.S. labor market. Finally, some preliminary inferences will be drawn concerning the implications of our findings.

Employer Size Effects on Hiring Selectivity

A wide range of theories have been advanced to explain the effects of employer size on the employment relationship. Two of the leading explanations—monitoring and labor quality models—both predict that large employers will place a premium on workers who exhibit a capacity for on-the-job training (OJT) and who will be likely to remain with the firm for a protracted period.

Thus there is good reason to believe that the effects of employer size for women differs from that for men given the weaker labor force attachments exhibited, on average, by women in both countries (and especially so in Japan—see Mincer [1985]). Thus two possible responses by large firms to female employees are (1) relegating females to jobs

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requiring less training (say to jobs that are not part of a career path with attendant training) so that wage level and growth differentials will be greater between men and women in larger firms; and (2) using greater selectivity with respect to female employees when hiring, with resulting smaller differences between men and women in wage levels and growth in large firms.

Employer Size Effects on Wages and Tenure

Our data for the United States come from the May 1988 *Current Population Survey* (CPS) and for Japan from published government tables for private industries titled the *Chingin Kozo Kihon Tokei Chosa* or the *Basic Survey on the Wage Structure* (BSWS). Unlike the CPS which reports observations on individuals, the BSWS is composed of cell means cross-classified by gender, age, education, firm size, tenure, occupation, and industry. Since these data are reported as cell means, regression estimates have to be corrected for potential resulting heteroscedasticity by weighting each variable by the square root of the cell frequency. One important point to recognize is that the BSWS covers only the class of workers called "regular workers," who are defined as those employed for an indefinite period or who have worked for more than one month or more than a specified probation period. If, as we suspect, larger firms make greater use of regular workers relative to other classes of workers (unfortunately data are not available on this question), then employer size effects in a sample of regular workers will underestimate the size effect for all Japanese women, since nonregular workers tend to receive lower pay and a higher proportion of nonregular female workers may be found at the smaller firms. Nevertheless, in 1988 approximately 56 percent of female labor force participants were regular workers (for men the corresponding figure was 76 percent [*Japan Statistical Yearbook, 1988*]), so that our results do indicate the effects of employer size on a substantial segment of the labor force. The samples analyzed below for both countries are restricted to private-sector, full-time, nonagricultural workers between the ages of 16 and 55. Due to space constraints we report results only for 1988, but these patterns largely generalize to other years (results for 1979 and 1983 are available on request).

Table 1 reports wage and tenure patterns separately by gender for the U.S. and Japan. We see that average wages and tenure are monotonically increasing with employer size for men and women in both countries, indicating that these size patterns do in fact hold for

TABLE 1
Wage, Tenure and Educational Patterns

	Japan			United States		
	10-99	100-999	1,000+	10-99	100-999	1,000+
<i>Women</i>						
Wages	925.80 (240.72)	1105.04 (333.87)	1553.98 (505.01)	7.384 (3.85)	8.604 (4.13)	9.322 (4.45)
Tenure	6.319 (3.31)	6.367 (3.75)	7.183 (5.45)	3.971 (4.73)	5.367 (5.53)	6.935 (6.51)
Education	11.709 (1.75)	12.015 (1.81)	12.421 (1.61)	12.970 (2.18)	13.093 (2.26)	13.145 (2.16)
<i>Men</i>						
Wages	1493.25 (431.72)	1866.54 (683.01)	2520.73 (998.93)	9.929 (5.14)	11.638 (5.51)	13.038 (5.44)
Tenure	8.958 (4.57)	11.460 (6.57)	15.321 (8.23)	4.890 (5.69)	6.587 (6.74)	9.711 (8.49)
Education	11.830 (2.21)	12.746 (2.36)	12.898 (2.34)	12.781 (2.75)	13.255 (2.61)	13.460 (2.46)

Means are reported with standard deviations in parentheses. For Japan, wages include regular pay and bonuses and are calculated by dividing monthly values by regular total monthly hours (includes overtime hours); reported values are in 1988 yen. U.S. values are straight-time wages in 1988 dollars. Japanese values are weighted by cell frequencies.

women as well as men. We also see that larger establishments are selective on education for both male and female employees. These patterns are also seen in a regression context in Table 2, which reports both raw and standardized employer size effects on (log) wages and tenure, using two establishment size dummies (medium-size firms of 100-999 employees and large firms with 1,000 or more employees). Looking first at wages, while the raw results indicate similar size effects on wages for men and women in both countries, the standardized effects are substantially stronger for women (with a greater differential effect in Japan). Hence introducing controls acts to reduce the estimated size effect on wages more for men than for women (the large size effect falls by 64.6 percent and 59.3 percent for Japanese and U.S. men respectively, while for Japanese and U.S. women the effect declines by 35.5 percent and 44.6 percent respectively). Apparently higher levels of measured productivity-related attributes for large establishment male employees goes a longer way toward explaining size differentials in male wages than is the case for large establishment female employees. In other words, unmeasured (unobservable) factors

play a more important role in generating the size effect for women than for men in Japan; similar conclusions hold in the U.S., though the effect is less dramatic. Finally, we see that both the raw and standardized size effects on wages are stronger in Japan than in the U.S. for both men and women.

Table 2 also reveals that employer size exerts a significantly positive effect on tenure for females in addition to males in both countries, yet there is a significantly weaker effect for women in both Japan and the U.S. relative to the effect for men. Interestingly, introducing controls for the U.S. acts to reduce the residual size effect, indicating that the characteristics of employees (and the industrial composition of the sample) in larger establishments are associated with higher average tenure regardless of employer size. Yet in Japan the introduction of controls yields a larger residual size effect for both men and women, a surprising finding that clearly requires further investigation. Raw size effects on tenure are seen to be larger for U.S. women relative to Japanese women, although the pattern reverses when controls are introduced, while both raw and standardized size effects are stronger for Japanese than for U.S. males.

TABLE 2
Employer Size Effects on Wages and Tenure

	Japan				United States			
	Medium Size		Large Size		Medium Size		Large Size	
<i>Wage Regressions</i>								
Women	0.165 (0.021)	0.134 (0.008)	0.498 (0.022)	0.321 (0.011)	0.166 (0.017)	0.098 (0.014)	0.242 (0.015)	0.134 (0.013)
Men	0.201 (0.027)	0.033 (0.007)	0.489 (0.027)	0.173 (0.010)	0.169 (0.155)	0.072 (0.013)	0.297 (0.013)	0.121 (0.012)
<i>Tenure Regressions</i>								
Women	0.047* (0.325)	1.367 (0.206)	0.864 (0.351)	3.793 (0.255)	1.396 (0.212)	0.955 (0.204)	2.964 (0.185)	2.055 (0.189)
Men	2.502 (0.525)	5.698 (0.374)	6.363 (0.525)	12.915 (0.435)	1.697 (0.236)	0.886 (0.226)	4.820 (0.194)	2.686 (0.202)

Parameter estimates are listed with standard errors in parentheses; unless otherwise indicated, all parameters are significant at .01. The medium and large size effects are the coefficients on dummies for size 100-999 and 1,000+, respectively. The first entry in each cell is the raw effect, while the second is the standardized effect from a regression that controls for education, tenure (in the wage regressions), potential labor market experience, 2-digit industry, and white-collar occupation (the U.S. regressions additionally include dummies for union status and race); full results available on request.

* Not significant at the .10 level

Table 3 investigates the behavior of gross and standardized gender wage differentials in different size establishments. We are immediately struck by the fact that while gross gender wage differentials are greater in Japan than in the U.S. (although the differences are not as great as might be supposed, especially in the largest-size firms), residual wage differentials are larger in the U.S. than in Japan—a finding distinctly contrary to common perceptions of the labor market treatment of women in Japan. Focusing now on establishment size patterns in the gender differentials, in Japan we see that the gross differential weakly declines (nonmonotonically) with size, yet the residual wage gap strongly declines (monotonically) with size. Furthermore, the percentage of the gross gap explained by the covariates increase with size, indicating a smaller role for unobservables in accounting for gender differentials in wages in large relative to small establishments. In the U.S. the gross gap is greater in larger establishments, yet similar to Japan, the residual gap declines (monotonically) with size. As in Japan, the percentage of the gap explained by the covariates increases with size. We also see that the covariates explain a much greater percentage of the gender gap in wages in Japan, indicating a generally larger role played by unobserved factors in causing the gender wage gap in the U.S. than in Japan.

TABLE 3
Unstandardized and Standardized Gender Wage Differentials

Size	Japan			United States		
10-99	-0.4668 (0.023)	-0.2520 (0.010)	46.02%	-0.2914 (0.015)	-0.3238 (0.015)	-11.12%
100-999	-0.4978 (0.028)	-0.1460 (0.009)	70.67%	-0.2948 (0.018)	-0.2758 (0.016)	6.45%
1,000+	-0.4581 (0.034)	-0.1326 (0.012)	71.05%	-0.3458 (0.013)	-0.2701 (0.011)	21.89%

Parameter estimates for a dummy = 1 if the respondent is female are reported with standard errors in parentheses. The first column gives the unstandardized wage differential, the second column reports the standardized differential, and the last column the percentage decrease between the first two columns.

Table 4 reports wage growth patterns in different size establishments including differences in the length of the period during which wages continue to grow (calculated as the level of tenure at which the wage-tenure profile peaks). We report two alternative wage growth

TABLE 4
Wage Growth and Tenure at Peak Wages

	Japan			United States		
	10-99	100-999	1,000+	10-99	100-999	1,000+
Wage Growth 1 (W)	5.40	4.44	3.58	1.13	2.72	2.21
Wage Growth 1 (M)	4.16	3.73	4.11	1.93	1.83	2.25
Ratio	1.30	1.19	0.87	0.59	1.49	0.98
Wage Growth 2 (W)	7.50	7.24	5.65	1.95	1.93	3.43
Wage Growth 2 (M)	6.58	6.48	6.96	3.03	2.93	3.58
Ratio	1.14	1.12	0.81	0.64	0.66	0.96
Tenure at Peak (W)	16.37	26.94	23.66	36.36	17.22	22.18
Tenure at Peak (M)	23.84	38.52	32.80	23.37	25.19	24.69

Wage growth 1 (W = women, M = men) is calculated as the difference between peak and starting log wages divided by tenure at peak. Wage growth 2 is similarly computed but at ten years of tenure. Tenure at peak is calculated from a quadratic tenure specification in wage regressions run separately by gender and employer size (available on request).

measures—WAGE GROWTH 1 calculates average annual growth over the entire period during which wages rise, while WAGE GROWTH 2 calculates growth over a common period of ten years of tenure. Looking at the U.S. we see that average wage growth (per year) increases with size (though nonmonotonically) for men and women. This result is consistent with either higher on-the-job investments in workers per year in larger establishments or a greater reliance on incentive wage profiles in larger establishments. Furthermore, differentials in wage growth between women and men tend to decline with size, indicating once again smaller distinctions between women and men in their treatment and/or attributes in larger establishments.

In Japan average yearly wage growth for men is essentially the same across different size establishments when we take an average over the entire period of wage growth, yet rises with size when calculations are done for the first ten years of tenure. For women we surprisingly see that average yearly wage growth declines with size of establishment. We also see that wage growth for Japanese women in small establishments is greater than that for men but that the pattern reverses in large establishments. These results indicate that small establishments may be the main source of OJT for women in Japan, possibly leading many talented women to join smaller firms.

It is striking to recognize that wage growth for Japanese women relative to Japanese men does not exhibit a pattern of greater inequality than in the United States. This finding is clearly at variance with the image of Japanese women as tending to more likely be put in

menial jobs with little prospects for wage growth than is the case for U.S. women (once again these findings only hold for regular workers and hence only apply to approximately 55 percent of the female labor force). Furthermore, while the ratio of female to male wage growth does decline with establishment size in Japan (though the opposite pattern holds in the U.S.), on average, women experience annual wage growth that is over 80 percent of that occurring for men—a result also at variance with the commonly held belief that in large Japanese companies women are generally relegated to trivial assignments with little prospects for training and wage growth.

Finally, we see that wage growth is greater in Japan than in the U.S. for both men and women in all size establishments. Apparently the Japanese have a higher rate of OJT for all employees, both men and women, than in the United States. It is also interesting to see that wage growth for Japanese women also exceeds wage growth for U.S. men, further highlighting the differential OJT investment patterns in the U.S. and Japan.

Wage Decompositions

Table 5 reports Blinder/Oaxaca wage decompositions of the employer size effect (for the 1,000 or larger-size category). Looking first at Japan we see that for men a higher proportion of the wage differential between large (l) and small (s) establishments is due to the attributes (X) of employees in large and small establishments, as opposed to being due to differential treatment or valuation of those attributes (β). For women, though, the opposite is true; 70 percent of the wage differential for women between large and small establishments can be traced to different valuation of attributes (note that these attributes include industry employment patterns). The strong relative

TABLE 5
Decomposition of Employer Size Effect on Wages

	Attribute Effects ^a (%)	Treatment Effects ^b (%)
Japanese Males	62.86	37.14
Japanese Females	29.75	70.26
U.S. Males	59.03	40.97
U.S. Females	46.80	53.21

Entries report the percentage of the hourly (log) wage gap between men and women that is accounted for by mean attributes and parameter estimates, respectively.

^a Attribute Effects: $0.5\Sigma(\beta_1 + \beta_2)(\bar{X}_1 - \bar{X}_2)$

^b Treatment Effects: $0.5\Sigma(\bar{X}_1 + \bar{X}_2)(\beta_1 - \beta_2)$

effect of differential treatment between different size establishments for women (but not for men) once again points in the direction of unobserved differential attributes for women in large and small establishments. In the United States the pattern is similar for both women and men as in Japan, though relative contributions to the gross wage gap are more similar.

Concluding Remarks

This study has attempted to extend the large and growing discussion of the Japanese labor market, in general, and comparisons to the U.S. labor market, in particular, by focusing the differential effect of employer size on the wages and tenure of female employees in the U.S. and Japan. In this regard, we believe that this study sheds additional light on the literature that addresses the effects of employer size per se on the nature of the employment relationship and on the factors accounting for differential labor market outcomes for women and men.

We find that employer size effects on wage and tenure are, in fact, evident for women in both the U.S. and Japan. Furthermore, while raw size differentials in wages are similar for men and women in both countries, residual size effects are stronger for women than men in both countries (with a greater differential found in Japan). When combined with the greater reduction in the size effect on wages for men than women due to the introduction of covariates and the dominant role played by treatment (or parameter) effects in accounting for size differentials in wages for women, these findings suggest that large employers may be more selective (than smaller firms) when hiring women, though many of the factors that they consider when making these decisions, such as educational quality, performance in interviews, and so forth, are unobservable to the econometrician. (See Idson and Feaster [1990] for an analysis of size differentials in wages for U.S. men that explicitly accounts for selectivity bias.)

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XX. POSTER SESSION I

Collective Bargaining in the Trucking Industry: The Effects of Institutional and Economic Restructuring

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Deregulation and competition restructured the trucking industry. General freight is more concentrated and segmented into two markets: less-than-truckload (LTL) and truckload (TL). The four-firm concentration ratio in LTL has doubled while remaining stable in TL.

Driver wages increased during the 1960s and 1970s but declined after 1978 to 1962 levels. The Teamsters' wage effect on mileage-driver wages quadrupled between 1977 and 1990. The negative TL effect increased. Higher wages are paid by carriers that bargain centrally. Market share has no effect.

Unionization does not affect profitability, controlling for mileage-driver wages. Profitable companies pay higher compensation but not to mileage drivers. The most consistent determinant of profit margin was market share.

Decertification as Organizational Process: Insights and Applications

FRANK BORGERS
Ohio State University

This paper introduces a new conceptualization of decertification as an organizational process. This approach broadens and expands the traditional individual-level, utility-maximizing/cost benefit (UM/CB) paradigm used to model decertification as well as other industrial relations (IR) processes.

The paper presents concrete insights into decertification as an organizational process. The paper's goal is to deepen IR scholars'

understanding of the decertification process and convince IR scholars that broadening our theoretical paradigms in the manner proposed is useful, as it will allow the generation of knowledge of interest to *both* academics and practitioners.

The Determinants of the Effectiveness of a Union Grievance Procedure

KAREN E. BOROFF
Seton Hall University

Using a unique data set from the perspectives of different employee populations, the author investigates the component factors that are associated with an effective grievance process. She finds that individuals who have experienced unfair treatment and have opted not to file a grievance are differentiated from their filing counterparts by the former's concern about reprisal. The factor that is the best predictor of grievance process effectiveness among grievance filers is whether the filers won their grievances. These findings combine to suggest that outcomes (distributive justice), not processes (procedural due process), are the more important correlates of grievance process effectiveness.

Economic Impediments to Trainee Cooperation: Institutionalist and Neoclassical Views

PHYLLIS CAMPBELL
Ohio State University

Trainees' refusal to cooperate in training programs may stem from economic sources such as productivity-enhancement training not accompanied by expected wage increases. Building from neoclassical human capital and institutional-segmented labor market theories, the paper suggests a model predictive of the type of training offered and level of voluntary participation which may be expected from trainees. The model indicates primary-sector employees will receive both general and specific training and be highly cooperative. Secondary-sector employees will be offered limited specific training and the level of participation will depend upon trainees' analysis of expected economic return.

Public Employee Union Political Activity and Bargaining Outcomes*

TIMOTHY D. CHANDLER
Louisiana State University

RAFAEL GELY
Texas A&M University

We examined the impact of electoral political activities by police and firefighter unions on police and firefighter wages and employment. Two principal findings emerged. First, union involvement in electoral politics increases already positive union/nonunion wage differentials. Second, union involvement in electoral politics is a primary determinant of positive union/nonunion employment differentials.

* Selected Working Paper

Collective Bargaining Among University Professors: An Empirical Study

SAHAB DAYAL
California State University, Northridge

This paper addresses the question whether university professors consciously distinguish between economic and professional bargaining goals and whether they regard one set of goals as more important, commanding a higher priority. In the 1980s we did three separate surveys of professors in a major midwestern public university to study perceptions and priorities. We found that while pocketbook economic issues have widespread appeal, the crux of faculty bargaining concerns is represented in strong correlations involving academic freedom and procedures for initial hiring, fairness in personnel actions once a faculty member is on board, and mechanisms for resolving perceived unreasonable or arbitrary decisions.

Implications of Quality Movement for Workplace Changes: A Cross-Cultural Perspective

ANNEMARIE DEVRIES AND MONIQUE WOLTERS
University of Groningen (Netherlands)

JERALD F. ROBINSON
Virginia Tech

Organizations have been investigating total quality management (TQM) both in the U.S. and in Europe. Significant differences were identified in the program emphases between the U.S. and the Netherlands. Data were collected from junior union leaders and graduating MBA students to anticipate future workplace issues. Dutch students had greater knowledge of TQM in practice due to faculty involvement with firms. Dutch labor leaders were more knowledgeable about quality issues. U.S. labor leaders generally viewed TQM as antiunion and were resistant to thinking positively about TQM practices. Few students and no labor leaders had experienced formal TQM training.

Private-Sector Job Training: For Whom and For What

PATRICE FLYNN
The Urban Institute

Drawing from the *Survey of Income and Program Participation*, this paper examines the contents of training events and who receives employer-provided job training in the United States. The findings suggest that training is prevalent and profitable for workers and firms; training significantly increases wages only in the firm providing the training; and when training received from a previous employer is coupled with in-house training, returns increase to more than double the returns to current employer training alone. There appears to be a high degree of interdependence between the acquisition and utilization of general and firm-specific training in the workplace.

The Ideologies of U.S. and Canadian IR Scholars: A Comparative Analysis

JOHN GODARD
University of Manitoba

This paper reports the findings of a 1991 survey of the ideologies of U.S. IR scholars ($n = 281$) and compares these to the findings of a 1990 survey of their Canadian counterparts ($n = 151$). In both samples the majority of scholars appear to accept the promises of the "new cooperativism" associated with the progressive human resource management paradigm while at the same time advocating reforms that strengthen the rights of workers and unions. However, U.S. scholars are somewhat *less* likely than their Canadian counterparts to advocate specific worker rights and protections, and they are somewhat more sympathetic to the new cooperativism.

The Potential Contribution of Sociology to the Field of IR

JOHN GODARD
University of Manitoba

The purpose of this paper is to help "bring sociology in" to the mainstream of the field. It begins by briefly considering the sociological literature on work and the employment relation in general, exploring the number of articles in three major sociology journals of relevance to the field of IR published over the past decade. Then it discusses the areas of sociological analysis capable of making a distinctive contribution to the future development of the field, including social theory, the structural inequality (labor markets) literature, the literature on management strategy and the labor process, the literature on the sociology of work and conflict, the political sociology literature, and the economic sociology literature. The paper concludes by arguing that the IRRA meetings would benefit substantially if they were held in conjunction with those of the American Sociological Association.

The Effects of Procedural Justice and Distributive Justice on Employee Commitment, Satisfaction, and Customer Orientation

DANIEL J. KOYS
DePaul University

Multiple regression analyses of survey data from 9,000 hourly employees at a service organization show that procedural justice accounts for more unique variance in TQM-related HRM outcomes (customer focus, organizational commitment, job satisfaction) than does distributive justice. The implication is that fair employee relations procedures are consistent with good customer relations.

Litigation of Employer Control of Off-the-Job Behavior

HELEN LAVAN
DePaul University

MARSHA KATZ
Governors State University

This study analyzes 225 cases that have been litigated in the federal district courts or courts of appeals related to employer control of off-the-job behavior. In the literature the common behaviors regulated were smoking, use of alcohol, use of illegal drugs, automobile accidents in company vehicles on own time, and personal consensual relations. A frequency distribution of issues in cases was reported as well as their legal basis. Questions to be analyzed: Was the union involved in representing the individual? Was there arbitration prior to the litigation? Were public employees regulated in a different way than if they had been private-sector employees? Prescriptions for managerial actions were suggested.

Strike Activity in Korea: Asymmetric Information and Determinants of Strikes

YOUNG-MYON LEE
University of Minnesota

This paper examines the effects of both industrial relations and asymmetric information structure on strikes in Korea using 1989 data. The union's wage strike duration curve is negative as implied by the one-sided information asymmetry hypothesis, but the wage strike incidence relationship curve is positive. This result suggests that both parties may possess private information with the firm being relatively more uncertain initially and, thus, using the strike as a tactic to screen for union risk aversion. Industrial relations characteristics also significantly affects strikes. Specifically, intrafirm union rivalries and the involvement of extra-firm interventionists are important determinants of Korean strike activity.

From Regulation to Deregulation in New Zealand Labor Relations: New Models of Bargaining Under the Employment Contracts Act of 1991

IAN MCANDREW
University of Otago

This paper reports research that documented the emergence of four primary models of employee contracting in the newly deregulated labor market environment ushered in by New Zealand's Employment Contracts Act of 1991: individual contracting and the development of collective contracts via management interaction with either groups of employees, individual employees, or employee representatives. At a time of widespread employee concessions, only the unionized representative collective bargaining model exhibited conventional bargaining behavior. Under each of the other three models initial management proposals tended to be accepted with little debate or modification. The extent of employee concessions under the models varied correspondingly.

Screening and Training in Graduate Education

CHERYL L. MARANTO AND CAROLYN STREULY
Marquette University

ROBERT RODGERS
University of Kentucky

While it is widely accepted that ability and education increase productivity, their precise routes of influence remain unknown. Human capital theory and the screening hypothesis provide conflicting answers. Human capital theory posits that education and ability directly increase productivity. The screening hypothesis asserts that education influences productivity only indirectly by signaling individual ability.

Using data on journal publications and citations by a national sample of academic accountants, these conflicting hypotheses are tested using LISREL. The results strongly support the screening hypothesis: ability and quality of graduate training influence productivity only indirectly, providing access to top graduate programs and first appointments.

What Happens After Decertification?

DAVID MEYER
University of Akron

The survival of 593 companies in Colorado, Michigan, Ohio, and Pennsylvania that held decertification elections between 1977 and 1981 is studied by examining industry and company survival patterns and by empirically testing factors affecting survival. These companies made strategic policy choices to become nonunion, and 68 percent survived. The propositions that companies decertified unions because they provided greater than average labor and product market wages and that companies failed because they were not competitive in their product markets received support. Product market size and wages affected business survival more significantly than labor market conditions and union characteristics. Whether or not the union won the election did not impact survival.

Structural Change and Union Survival

STEVEN L. POPEJOY AND CHOCKALINGAM VISWESVARAN
University of Iowa

SATISH P. DESHPANDE
Western Michigan University

This study represents an attempt to analyze the decline of unionism through the application of structural contingency theory in an historical survey format. The three distinct time periods of preindustrial, industrial, and postindustrial society are surveyed in terms of generally accepted environmental components such as the economy, technology, work force demographics, and governmental regulation. It is proposed that past disruptions in the environment have led to dramatic changes in union structure, and a radically different union structure may in the future be inevitable, leading to new growth in the union movement.

The Relative Importance of Procedural and Distributive Justice and the Universality of Procedural Justice Criteria in Workers' Compensation*

KAREN ROBERTS, SANDRA E. GLEASON, AND WILLARD YOUNG
Michigan State University

This study investigates the relative importance of procedural and distributive justice concerns and how this relationship varies across settings. We also examine the universality of the dimensions of procedural justice. The context is the workers' compensation claims process which involves multiple actors making varied decisions about injured employees. This multiplicity of actors permits the analysis of the same individual's perceptions of fairness across decisions. The results indicate that procedural justice concerns dominate distributive justice concerns for all actors and that the importance of the different procedural justice criteria is not universal but rather varies across settings.

* Selected Working Paper

The Role of Board Independence in the Firm's Adoption of Takeover Defenses

SUSAN C. SASSALOS

University of California, Riverside

This study examines the relationship between the independence of the board of directors and the probability that a firm has antitakeover provisions. Several proxies are used to measure board independence including management influence in the board selection process, the percentage of unaffiliated directors, the use of consultants, director compensation, and director indemnification. The results indicate that the more independent the board the less likely the firm is to have takeover defenses. This supports the entrenchment hypothesis which implies that managers who dominate the board can also protect themselves from the market for corporate control.

Estimating the Standard Deviation of Performance: The Impact of Organizational Characteristics and an International Comparison

CHOCKALINGAM VISWESVARAN AND STEVEN L. POPEJOY

University of Iowa

SATISH P. DESHPANDE

Western Michigan University

We compared the standard deviation in performance across managers in India and the U.S. The hypothesis that standard deviation will be greater in individualistic societies was supported (.43 in the U.S.; .23 in India). We also examined the impact of organizational characteristics on the estimated standard deviation of performance. Collectivism (in decision making) and the degree to which pay was linked to performance were negatively correlated with the estimated standard deviation in performance, while the extent to which task characteristics were structured (formalization, standardization, and routinization) had no consistent relation with the estimated standard deviation in performance.

Factors Affecting the Probability of Union Concessions in Collective Bargaining

TERRY H. WAGAR
St. Mary's University

KENT F. MURRMANN
Virginia Tech

Using data from a regional and national survey, we examined the incidence of concession bargaining for 248 U.S. firms. Over 20 percent of the participants reported obtaining wage concessions, a reduced emphasis on seniority occurred in 14 percent of the firms, 45 percent of the respondents secured concessions involving greater flexibility in job classifications, and 54 percent obtained concessions relating to increased flexibility in job assignments. Several variables addressing aspects of the collective bargaining relationship (in particular, work force reduction, the presence of a strike, and a more cooperative bargaining relationship) were associated with a greater likelihood of union concessions.

The Relationship Between Union Status and Labor-Management Relations

TERRY H. WAGAR AND RUSSELL WILKINS
St. Mary's University

This study investigated the relationship between union status and the labor-management relationship. Based on data from business owners/managers in Nova Scotia manufacturing firms, the results indicated that unionized firms were more likely to have promotion and layoff policies based on seniority. Concerning the attitudes of managers toward collective bargaining, nonunion respondents were more likely to support limitations on union power, tended to have less favorable attitudes concerning the function of unions, possessed a less favorable overall attitude toward unions, and were more supportive of the position that operating in a union environment is more difficult. Overall, managers in nonunion firms had more negative attitudes toward unions than respondents from unionized organizations.

A Logistic Analysis of Determinants of HRM Policies in Japanese Firms in the U.S.

JOHN ZHUANG YANG
Fordham University

The purpose of this paper is to focus on major internal and external determinants of “Japanese-style” HRM policies in Japanese service and manufacturing firms in the U.S. Using logistic regression analysis on a sample of 107 Japanese-owned firms in the U.S., the survey finds that Japanese manufacturing plants are likely to adopt more team-based HRM policies than Japanese service firms. Contextual factors like firm size, firm location, union status, and parent control patterns all influence the use of HRM policies in Japanese firms in the U.S.

XXI. POSTER SESSION II

Determinants of the Use of Part-time Workers: The Case of Bank Tellers

JEFFREY B. ARTHUR
Purdue University

This study provides a preliminary look at the determinants of the use of part-time bank tellers in a national sample of commercial banks in the U.S. Several potential explanations for the variation in the percentage of part-time tellers are explored, including the existence of high "quasi-fixed" costs for full-time bank tellers and the possibility that part-timers provide a "buffer" for "core" full-time tellers. Contrary to these hypotheses, preliminary data analysis indicates that the strongest predictors of the percentage of part-time tellers in banks are the variation in unemployment rate in the area and the number of other banks in the county.

Employer Search

JOHN M. BARRON
Purdue University

MARK C. BERGER AND DAN A. BLACK
University of Kentucky

In this paper we construct a matching model where firms may learn about a worker's match-specific productivity either through searching more intensively prior to the beginning of the match or by learning after the match has begun. Because bad matches result in costly turnover, we show that firms with jobs that offer relatively more firm-specific, on-the-job training should search more intensively before the match begins in order to ascertain the quality of the match before training the worker. To test this model we use new data sponsored by the Small Business Administration. We find that employers spend more time searching per worker when hiring for jobs with a longer

workweek, when filling jobs with more educated workers, when hiring workers with previous experience, and when filling a position with more training.

Occupational Stress, Strain, and Coping of Blue-Collar Workers: Gender Differences

JANICE BLACK
University of Toledo

JERALD F. ROBINSON AND PAUL S. TRIVETTE
Virginia Tech

Research on occupational stress among blue-collar workers is sparse. This study analyzed differences in stress, strain, and coping of blue-collar men and women. The subjects were 225 union members and leaders attending a week-long leadership school; data collection methods included questionnaires, interviews, and focus groups. The instrument utilized was the *Occupational Stress Inventory* by Osipow and Spokane (1987). A significant gender difference in stress was found with men experiencing greater stress. There was also a significant difference in the coping strategies with women better able to cope. Proposed proactive human resource development strategies to confront these differences are being developed.

The Effects of Merging a Multitiered Pay System on Pay Satisfaction

CHARLES K. BRAUN
University of Kentucky

This study utilized equity theory in a quasi-experimental research design to investigate changes in pay satisfaction due to a merger of multiple pay tiers. Between-tier pay satisfaction differentials remained constant (and statistically insignificant) throughout the study as the low-tier group exhibited lower pay satisfaction levels at both time 1 and time 2. There was a universal improvement in pay satisfaction across all pay dimensions for both tier groups. A "recession effect" was hypothesized as a possible contributor to the general increase in pay satisfaction between time 1 and time 2.

Perspective Taking by Management and Union Representatives: A Preliminary Field Study

STEVEN C. CURRALL AND VENKAT R. KRISHNAN
Temple University

Perspective taking (PT) refers to the capacity of union and management representatives to see the world from their counterpart's point of view. Hypothesized relationships among PT, collaborative problem solving, and hostility were tested using data from union-management dyads in 153 public school districts. Regression analyses found that PT was positively related to collaborative problem solving and negatively related to hostility. We also found that dyads high on hostility took longer to reach collective bargaining contract settlements. The length of time necessary to reach a contract settlement was unrelated to collaborative problem solving. We discuss the connection between PT and "role reversal" as a conflict resolution technique.

Manufacturing Efficiency and Industrial Accidents: A Total Loss Control Perspective

STEVEN J. HAVLOVIC AND LAWRENCE T. PINFIELD
Simon Fraser University

GLS regression procedures were utilized to test the following hypothesis: OSHA-recordable accidents are lower when manufacturing efficiency is high. Control variables for staff change, change in hours worked, capital labor ratio, and organizational size were included in the analysis. The results from a midwestern metal fabricating plant show that over an eleven-year period ($n = 128$) manufacturing efficiency was negatively associated ($p < .05$) with OSHA-recordable accidents, whereas organization size was positively related ($p < .01$) to the accident rate. Neither staff change, change in hours worked, nor the capital labor ratio impacted the OSHA-recordable accident rate.

Why Do Women Earn Less Than Men in Self-Employment?

GREG HUNDLEY
University of Oregon

CAROL K. JACOBSON
Arizona State University

This study estimates the components that make up the overall earnings difference between 750 male and female self-employed individuals using a data set that provides information on a wide array of individual characteristics as well as family business interests. The analysis confirms that a substantial portion of the differential is due to the male/female differences in the capital value of the family business and in the industrial distribution of the self-employed. The estimates suggest that much of the extant earnings gap could be closed if the female self-employed had more capital, a greater rate of sole ownership of these assets, and if their activities were distributed across industries in a manner more like those of males. In particular, self-employed women would gain by moving away from personal services toward construction activities.

The Effects of Unionism on Recruitment and Selection Practices*

GREG HUNDLEY AND MARIANNE J. KOCH
University of Oregon

Implications of the extent of collective bargaining coverage and union status of jobs for recruitment and selection practices are developed. The extent of unionism is found to be positively related to investments in formal selection methods, consistent with arguments that greater labor costs and greater difficulties of rectifying hiring mistakes make it essential that the organization select the most capable and reliable among job applicants. Increasing unionization is found to be associated with decreased use of recruitment devices, consonant with evidence that unionism increases wages and reduces turnover, thus making a greater supply of applicants less necessary. Further, in highly unionized organizations the recruitment and selection practices associated with a unionized workplace are also found to be applied to nonunion workers.

* Selected Working Paper

Economic Regulation, Work Relations, and Accident Rates in the U.S. Motor Carrier Industry

NATALIE J. HUNTER
Ohio State University

This study investigated the relationship between firm solvency and preventable accident rates in the motor carrier industry. In 1980 the industry was deregulated producing highly competitive market conditions. These conditions threatened the survival of many firms. In response, some motor carriers attempted to alter workplace organization to improve profitability. Such changes potentially threatened safety because they frequently relied on cost-cutting which reduced maintenance and increased work hours. Regression models for union, nonunion, and owner-operator carriers are presented. A comparison of models demonstrates the importance that variations in work relations have on preventable accident rates at financially weakened firms.

What's the Difference? A Comparison and Analysis of U.S. National Unions

PAUL JARLEY AND JOHN THOMAS DELANEY
University of Iowa

JACK FIORITO
Florida State University

Analyses of U.S. national unions have been limited by a lack of information on unions' strategies, structures, and internal operations. This study addresses this gap by conceptualizing and identifying differences in national unions. Relevant literature in industrial relations and organizational science is used as the basis for conceptualizing key characteristics and differences. National union strategies, structures, and practices are then assessed empirically via responses to the 1990 *National Union Survey* and union constitutions. Thus the paper provides a contemporary broad-based description of national union characteristics and insights into the functioning of national unions as organizations.

The Decline of American Unionism— An Ecological Perspective

WILLIAM Y. JIANG
San Jose State University

This research applies an ecological perspective to examine and analyze the decline of American unionism. Based on organization ecology theory, the paper develops an ecological model to interpret union decline. It attempts to answer a series of important questions: What are the types of union decline and the real reasons behind the decline? Does the decline represent a temporary phenomenon or a permanent transformation of American workplace relations? With the changing business environment, can society still afford unionism or collective bargaining a legitimate and efficient social niche? What strategic choices do unions have in order to reinvigorate its vitality and hold its niche in a changing business ecology? The paper suggests a set of strategic alternatives for union survival and social efficiency.

Executive Compensation and Firm Strategic Variables

WILLIAM Y. JIANG
San Jose State University

This study investigates the relationships between executive compensation and a number of firm strategic variables such as product diversification, growth rate, research and development (R&D) intensity, board composition, and director ownership. It is argued that these firm strategic variables, most of which have not been studied systematically in connection with executive compensation, play an important role in determining the level of executive compensation. Empirical findings indicate that after controlling for firm performance, firm sales, and executive age and tenure, diversification, R&D spending, firm growth rate, and outside board members all have a positive influence on the level of total executive compensation, while board outsiders' ownership has a negative impact on the level of total executive compensation. The paper discusses the implications of these findings.

The Effect of Employment Declines on Mining Production

NANCY BROWN JOHNSON AND LAWRENCE DERENGE
University of Kentucky

This paper uses data from 150 mines for the years 1985 to 1990 to examine the effect of lower employment levels on production. A growing literature suggests that employees surviving layoffs or facing organizational decline become more productive. Our results instead indicate that increased production levels following employment declines is transitory. After accounting for time and union coverage, we estimate that the marginal productivity of labor is lower for mines that had employment decreases than those with employment increases.

Work/Family Benefits and Earnings: A Test of Competing Predictions

NANCY BROWN JOHNSON AND KEITH G. PROVAN
University of Kentucky

This study examines the relationship between four specific types of work/family benefits (child care, flextime, and two types of flexible leaves) and employee earnings. Two competing theoretical perspectives guide this research. One perspective, compensating wage differential theory, is based on the presumed cost of the benefit, while the other is based on potential productivity-enhancing effects. The results suggest that earnings relate more closely to work/family benefits that positively affect productivity but only among those groups that stand to gain the most. Building on the findings we suggest further examination of this important new class of benefits.

Determinants of Effectiveness in Gainsharing Programs

DONG-ONE KIM
University of Wisconsin-Madison

To identify the determinants of effectiveness in gainsharing programs, a model built on the framework of the expectancy theory was proposed and tested. Multiple regression analyses were performed

using the data from 269 companies in North America. Major findings are: (1) the employee involvement component of gainsharing programs has stronger positive effects in motivating employees than the bonus component; (2) while union participation positively affects gainsharing performance, unionization negatively influences performance; and (3) small gainsharing group size, large plant size, firms' good financial conditions, level of employee seniority and education, and degree of labor intensity all have positive relationships with gainsharing performance.

Job Search Method and Finding: Analysis by Occupation Types

JONG-IN KIM
Ohio State University

This paper examines relationships between individual searchers' occupation types and the use of search methods and analyzes determinants of job offer success and acceptance using data from youth cohorts (1982 and 1987) of the *National Longitudinal Survey*. Results from logistic regressions show that the use of job search methods by employed and unemployed differs among their occupation groups. The probability of receiving a job offer is significantly affected by search intensity which is measured by number of weeks looking for work. The findings also indicate that unemployed searchers tend to accept job offers with a wage below their reservation wage.

Human Capital and CEO Compensation in Private Nonprofit Organizations

MICHAEL BYUNG NAM LEE
Georgia State University

DENNIS A. AHLBURG
University of Minnesota

Human capital factors are important determinants of the compensation of executive directors of nonprofit organizations. Experience as executive director was found to be fully transferable across organizations. This is in sharp contrast to the situation for CEOs in the for-profit sector. Experience at lower levels of the organization is less transferable and experience gained in the for-profit sector receives no

compensation. Mobility of executive directors of nonprofits is therefore likely to be greater than that of CEOs in the for-profit sector. Gender differences similar to those in the for-profit sector were found.

Perceived Reasons for the Negotiation of Tiers as Correlates of Pay-Related Attitudes and Commitment

RAYMOND T. LEE
University of Manitoba

JAMES E. MARTIN
Wayne State University

This study examined attributions of the negotiation of wage tiers and its benefits in comparison to pay-related attitudes and commitment among retail food employees in a two-tier setting. Attributions of meeting management goals and ratifying contracts were negatively associated with pay-related attitudes, while attributions of competing with other firms and protecting employee jobs were positively associated with the outcome variables. Perceptions that the union and employer benefited from tiers were negatively associated with union and employer commitment, but in general, perceptions that the employees benefited were positively associated with the outcome variables.

Liver Cirrhosis Deaths Within Occupations and Industries in the California Occupational Mortality Study

J. PAUL LEIGH AND WILLIAM Y. JIANG
San Jose State University

Mortality rates were drawn from the *California Occupational Mortality Study* (COMS) to analyze liver cirrhosis deaths within occupations and industries from 1979 to 1981. Within occupations the highest female standardized mortality rates (SMRs) were for waitresses, telephone operators, cosmetologists, dressmakers, hospital orderlies, textile workers, and laborers. High male-mortality occupations included water transportation workers, bartenders, loggers, laborers, roofers, construction workers, farm workers, iron workers, and painters. High female-mortality industries included eating and drinking places. Low

female-mortality industries included wholesale trades and education. High male-mortality industries included water transportation, military, guard services, and eating and drinking places.

Perceived Employment Opportunity and Pay Satisfaction: An Auto Workers' Study

MILAN D. LINT
Ohio State University

Using behavioral and labor economics arguments a study was conducted of 548 automotive workers to assess the relationship between beliefs concerning alternative employment opportunity and pay judgments. Unlike previous research examining this issue, multi-item measures of perceived employment opportunity and pay satisfaction were used. As hypothesized, the results indicated a negative relationship between perceived employment opportunity and pay satisfaction even after the effects of salary level, education, seniority, job satisfaction, and negative affectivity were controlled. The importance of considering alternative employment opportunity perceptions when examining pay judgments is discussed.

Externalization of Employment as a Response to Labor Market Constraints: The Case of Japanese Food Service Establishments

MOTOHIRO MORISHIMA
Keio University

Using a data set obtained from the Japanese food service sector, this paper examines a hypothesis that the stronger the internalization of human resources in Japanese firms, the higher their proportion of contingent (part-time and temporary) employees. This, in turn, is based on an argument that one reason for Japanese employers' recent emphasis on contingent employment is that they wish to preserve the benefits of internalized human resources. The results indicate that some human resource policies which firms use to internalize their human resources—namely, rewarding employees for long service, emphasizing internal training relative to external experience and training, and paying above-market compensation to retain permanent

employees—were related to having a higher proportion of contingent employees. These results point to the importance of research on the interdependence among employment subsystems within a firm.

Job Classification Consolidation and Work Rules Flexibility in Southern Paper Plants

JIM SIMPSON
University of Alabama

This study examines the outcomes of union concessionary bargaining over work practices from 1979 through 1989 involving 23 local unions at 12 plants and representing ten companies in the paper industry. Resulting work structures were of three types (consolidation of classifications, flexibility of work rules, and combination consolidation and flexibility) and exhibited a pattern of selection based on existing work organization. Negotiations were noncrisis with traditional bargaining roles, a "buy-out" approach to work practices, and wage and employment guarantees. Resulting agreements featured the abolishment of past sources of potential conflict with managerial discretion granted in the concessionary agreement and engendered union member resentment. Statistical analysis of the general conceptual model revealed that union resistance increased with degree of belief among union members that resistance could be achieved with successful results and with increased area wage rates. Union resistance decreased with increases in the wage improvement offered in the concessionary agreement.

The Impact of the Demise of Federal-Sector Pay Comparability

PHILIP K. WAY AND LINDA S. GRAVETT
University of Cincinnati

Comparability in federal-sector pay determination was justified at its inception in terms of equity, recruitment, and retention. However, this form of institutionalized distributive justice has been overridden on a regular basis by efforts to control inflation and public expenditure. This paper shows through statistical analyses of employee reactions that perceived pay disparity does not significantly affect equity,

measured by pay satisfaction, or retention, as indicated by the intent to quit. Other compensation and workplace factors are more significant and deserve primary attention.

Employee-Employer Relations In Telework: A Study of Organizations in Ontario

IŞIK URLA ZEYİNOĞLU
McMaster University

By surveying private- and public-sector organizations in southern Ontario, this study examines employee-employer relations in a telework environment. Telework refers to work done at a location away from the central office/production facilities of the employer. The work is primarily conducted by using telecommunication technology. Of the 1040 organizations surveyed, only ten were found to employ teleworkers. The survey examines advantages and disadvantages of telework for the employer, the process of planning and implementing telework, and human resources policies on telework.

The Impact of Mergers and Acquisitions on Union-Management Bargaining Outcomes*

STEPHEN B. BLUMENFELD
Simon Fraser University

Over the past decade, mergers and acquisitions have become the primary means of corporate growth in the United States. Growing bodies of research in strategic management, organizational behavior, and industrial organization economics examine the effects of mergers and acquisitions on firms and industries. This research focuses almost exclusively on changes in the market value and performance of firms affected—either directly or indirectly—by corporate takeovers. What is often ignored in empirical analysis of the effects of mergers and takeovers is how the acquisition or sale of a company's assets impacts employees of that company.

By employing wage data obtained directly from collective bargaining agreements on file with the U.S. Bureau of Labor Statistics for 298 bargaining pairs combined with information reported to the

U.S. Securities and Exchange Commission regarding corporate mergers and acquisitions, this paper offers evidence of the relationship between different types of merger transactions and outcomes of union-management bargaining.

Results of this study suggest that conglomerate merger, that category of merger activity which predominated U.S. corporate strategy until the early 1980s, is more likely to place downward pressure on negotiated wages than either horizontal or vertical merger. Vertical merger is found to have a somewhat *positive* effect on collectively bargained wages.

• Selected Working Paper

XXII. ANNUAL REPORTS

IRRA EXECUTIVE BOARD MEETING

January 4, 1993

Disneyland Hotel—Anaheim, CA

The meeting was called to order at 7:10 p.m. by President Ernie Savoie. Present were President-Elect George Strauss and board members: Richard N. Block, Mark C. Endresen, Sheldon Friedman, Walter J. Gershenfeld, Randolph M. Hale, Maggie Jacobsen, Harry C. Katz, Benton F. Kunnecke, Philip E. Ray, and Donna Sockell; 1993 board members-elect John Fossum, Daniel D. Gallagher, Marlene Heyser, and John Stepp. Also present were: IRRA Administrator Kay B. Hutchison, Secretary-Treasurer David R. Zimmerman, Editor-in-Chief John F. Burton, Jr., Newsletter Editor Rachel Grenier, Chapter Advisory Chair F. Donal O'Brien, and Vice Chair James F. Power, and Lynn Case of the national office. Absent were board members: Francis X. Burkhardt, Thomas N. Colosi, Michele Hoyman, Lamont Stallworth; Past President James Stern; and board member-elect Jack Golodner.

Guests at the meeting were Leon F. Lunden, chair of the Nominating Committee, and Paul Weinstein, chair of the Statistics Committee, for the purpose of giving special reports; and Paula Voos, University of Wisconsin.

President Savoie welcomed the newly elected board members and reminded them that since their terms had not yet begun, they were not eligible to vote at this meeting. Savoie thanked retiring board members Block, Friedman, Hoyman, Kunnecke, and Ray for their three years of service to IRRA.

Approval of minutes. Minutes of the May 1992 Executive Board Meeting in Denver were approved as distributed.

Report of the Nominating Committee. Chair Leon Lunden announced that Walter J. Gershenfeld, arbitrator from Flourtown, PA,

had been recommended as candidate for 1994 president-elect. Candidates for the executive board will be listed in the May *Newsletter*. A motion by Mark Endresen to accept the Nominating Committee report was seconded and passed.

Report of the Program Committee. George Strauss, Program Committee chair, reported on the next annual meeting in Boston, January 3-5, 1994. For the first time the committee has received two session proposals from sociologists and one from a labor historian. Ten symposia proposals have tentatively been accepted with suggestions made for additional papers or discussants and the inclusion of practitioners. A final vote on acceptance will be taken by mail following the incorporation of committee suggestions. The committee has also identified five public policy areas it would like to include on the program in workshop format: labor law reform, health care, training, workers' compensation, and union organizing. The sessions would address timely policy topics of interest to practitioners and academics alike.

The Program Committee has redesignated "contributed papers" as "refereed papers" to emphasize the competitive selection of these papers. Invited papers will now be called "symposia." Strauss indicated that the 1989 board recommendation that participants be limited to one appearance on the program will be actively enforced. Exceptions include selected refereed paper presenters and poster session participants. The committee recommended the deadline for submission of program proposals be changed from October 1 to December 1, or 13 months prior to the meeting. The changes were moved, seconded, and adopted by the board.

Strauss reported that the Program Committee has reviewed the Seattle spring program (1993) and has begun work with the Philadelphia Chapter on the 1994 spring program. The committee discussed the future of IRRA spring meetings, particularly in view of the fact that both ASSA and the IIRA Meeting will be in Washington, D.C. during 1995. A committee chaired by Walt Gershenfeld will look at the future of IRRA spring meetings after 1994.

Mark Endresen reported on arrangements for the Seattle Spring Meeting, April 29-May 1, 1993. The registration fee will be \$95 for the two-and-one-half day program. The meetings will be held at the Seattle Center and accommodations will be available at the Seattle Executive Inn. Information about the Seattle area will be made available to attendees in the February *Newsletter*.

Report on IIRA 10th World Congress. David Zimmerman reported for Tom Kochan, IIRA President, on the 10th World Congress to be held in Washington, D.C., May 31-June 4, 1995. A separate nonprofit organization may be established to handle administration of the Congress and the anticipated budget of \$400,000. Kochan will request contributions from the Department of Labor and other labor-management groups. Past Congress registration fees have been \$400-\$600, but Kochan hopes to keep 1995 fees below that level. Expected attendance should reach 800-1,000. Preliminary hotel agreements have been signed with the Hyatt Regency (headquarter hotel), the Quality Inn, and the Washington Court.

Kochan has recommended that the IIRA World Congress be held in conjunction with the IRRA 1995 Spring Meeting. Following lengthy discussion concerning the logistics of separate or dual meetings, President Savoie asked for chapter input and for Gershenfeld's committee to discuss these issues and report back to the national office. A recommendation will be made to the board and a response will then be given to Kochan.

Report of the Chapter Advisory Committee. Chair Don O'Brien reported that Mark Endresen (Northwest/Seattle Chapter) and Steve Rynecki (Wisconsin) have been appointed to committee vacancies. O'Brien stated that committee members and chapter representatives present at the Denver meeting opposed both a name change for the Association and mandatory national dues. He noted the generous contributions from several chapters to the recent financial appeal of the National Association. The committee continues to examine the value of the National Association to the local chapters and individual members and ways in which it might be improved.

A round of applause was given to Chair O'Brien for his years of service to the Chapter Advisory Committee and the board. James Power will assume the chair of the Chapter Advisory Committee in Seattle.

Report of the Finance and Membership Committees. Ben Kunnecke, chair of the Finance Committee, reported on the joint meeting of the Finance and Membership Committees. It was recommended that 1994 dues be increased by \$2, from \$50 to \$52 for regular members (Canadian and foreign members pay an additional \$8 postage charge). The increase is within the cost of living index. (The IRRA constitution requires that a dues increase not exceed the cost of living increase.) It was moved, seconded, and approved to increase 1994 dues to \$52.

Reports of the administrator and secretary-treasurer. Kay Hutchison, IRRA Administrator, reported that President Savoie's appeal for financial support of the National Association had raised a total of \$10,805 from 56 individual contributors, 13 local chapters, and four organizations. The contributions had a significant impact on the Association's financial condition in 1992. Hutchison further expressed appreciation for a \$15,000 two-year grant for membership development from Ford Motor Company. The grant will be split between 1992 and 1993 on expenditures for membership promotions and to redesign the membership brochure.

The Board thanked President Savoie for his work to improve the financial status of IRRA. Under Savoie's direction, IRRA organizational memberships have been instituted. Eleven organizations have joined the Association to date and have contributed over \$18,000 in dues. (See attached list.) It is anticipated that revenues from organizational dues will not only supplement operating revenue but will also be used to establish an endowment fund. Hutchison indicated that efforts are underway to recruit organizational members from all areas within the Association, including government agencies, universities, employers, and unions.

Income for 1992 is projected to be approximately \$262,500, while expenses are anticipated in the area of \$251,000, a net income of about \$11,500. Invoices for several major expenditures (i.e., publication of the *Proceedings* and research volume and fourth-quarter staff compensation) have not yet been received. Membership for 1992 was down by approximately 250, compared to a decrease of 350 for 1991. Due at least in part to an active membership solicitation this fall, new members for 1993 appear to be up, nearly double the rate a year ago. While income from *Newsletter* ads was down in 1992, income from mailing list rental was up considerably.

Hutchison presented a proposed 1993 operating budget of \$267,014. She indicated that expenses have been cut as far as possible, and that for the IRRA to maintain its current offering of publications and meetings, expenditures will not decrease. One additional budget item for 1993 is \$5,000 for upgrading the office computer and software. The board adopted the budget as presented.

At the May 1992 board meeting, George Strauss asked the office to compile a compendium of board policies adopted over the years. An *Executive Board Handbook* was developed over the summer and distributed to the members present.

Hutchison conveyed the request of the Greater Oklahoma IRRA chapter for affiliation. Having been advised that the chapter's bylaws conform with Association requirements, the board approved affiliation of Greater Oklahoma as the Association's 61st chapter. Affiliation inquiries have also been received from two Canadian groups. One group is already organized, and the other wishes to start a new chapter. Following discussion of the relationship of local Canadian chapters to the Canadian IRA and the IRRA, the board authorized the national office to continue a dialogue with the Canadian IRA and the Canadian groups.

Board members were asked to complete a speaker's list of topics on which they would be willing to speak to local chapters if invited. The office will attempt to develop a calendar of regular chapter meeting dates and locations for board members.

David Zimmerman discussed the practice of changing legal counsel for the Association every 5-6 years. The board authorized the national office to take appropriate action.

Report of the Editorial Committee. John Burton, editor-in-chief and chair of the Editorial Committee, reported on the status of the various research volumes. The 1992 volume, *Research Frontiers in Industrial Relations and Human Resources*, has been mailed by the printer and should reach members soon. The 1993 volume, *Employee Representation: Alternatives and Future Directions*, edited by Bruce Kaufman and Morris Kleiner, is proceeding on schedule. The 1994 volume, *Contemporary Collective Bargaining in the Private Sector*, edited by Paula Voos, is also on schedule. Authors of the latter volume will be participating in a conference February 8-10, 1993 at the Westin Hotel in Detroit. The conference is cosponsored by Michigan State University, FMCS, and IRRA. Burton reported that three proposals have been received for the 1995 research volume. The committee is interested in one of the proposals but intends to pursue modifications with the proposer. The committee will make a recommendation to the board at the 1993 spring meeting in Seattle.

Burton indicated that the 1992 *Annual Meeting Proceedings* have also been mailed. Efforts will be made to expedite publication of the *Annual Meeting Proceedings* next year. The Editorial Committee has decided to continue publishing the *Spring Proceedings* and to include discussions in the *Annual Meeting Proceedings*, but no longer send reprints to the authors. The Editorial Committee continues to review the quality, cost, effectiveness of, and alternatives to the various IRRA publications, including the *Spring Proceedings*, *Annual Meeting*

Proceedings, and *Newsletter*. It was reported that the *Membership Directory* will be printed in 1994. Questionnaires will be sent out this fall.

Having been advised by Burton of his intention to step down in 1993 after three years as IRRA editor-in-chief, the board accepted Burton's recommendation of Paula Voos, professor of Industrial Relations and Economics, University of Wisconsin-Madison, to succeed Burton as editor-in-chief. She will assume full responsibility for the editorial functions upon completion of the 1994 IRRA research volume which she is editing.

Rachel Grenier, *Newsletter* editor, discussed a new, trial IRRA publication. The publication will supplement the *Newsletter* and will contain synopses of papers presented at IRRA meetings and brief articles on topics of current interest. It is hoped that the supplement will be of particular interest to practitioners due to its condensed format. Grenier reported that the first edition of the supplement is anticipated to be mailed with the May 1993 *Newsletter*. Chapters will be able to obtain additional copies of the supplement to distribute to local chapter members.

Report of the Statistics Committee. Paul Weinstein, Statistics Committee chair, outlined IRRA past involvement with COPFAS and indicated that 1992 dues had not been approved or paid. The board approved payment of 1992 dues (\$1,216) and directed that COPFAS be advised that the Association may not continue its membership in the future.

Old business. President Savoie led a discussion on the issue of a name change for the Association as suggested by James Stern in his presidential address. The board reviewed the results of the president's survey on the issue and the input from the Chapter Advisory Committee. Following lengthy discussion, a motion to table the matter was made, seconded, and passed by the board.

New business. A request to establish a committee on diversity has been received by the board. President-Elect George Strauss, with due consultation, will appoint such committee. The committee should be encouraged to consult with other associations on how they are addressing issues of diversity within their membership.

President Savoie reminded board members that 1997 will be the 50th anniversary of the Association. He suggested that an anniversary committee be appointed to consider appropriate observance of the event.

Presentations of plaques of appreciation for service to the IRRA were made to Secretary-Treasurer David Zimmerman and President Ernie Savoie.

Adjournment. The meeting was adjourned at 10:45 p.m.

IRRA Organizational Members*

Ford Motor Company
UAW-Ford National Education,
Development and Training Center
American Productivity and
Quality Center
UAW-GM Human Resource Center
Healthy Companies
UAW-Chrysler National Training
Center
Work in America Institute
National Planning Association
MIT-Industrial Relations Section
McDonnell Douglas Aerospace
National Association of
Manufacturers

Federal Mediation and
Conciliation Service
Amalgamated Clothing and Textile
Workers Union (ACTWU)
Metropolitan Water Reclamation
District of Greater Chicago
The Alliance for Employee Growth
and Development, Inc.
United Steelworkers of America
Organizational Resources Counselors
(ORC), Inc.
International Brotherhood of
Teamsters
AFL-CIO
Weyerhaeuser

* As of June 15, 1993

IRRA GENERAL MEMBERSHIP MEETING

January 6, 1993

Anaheim, California

President Ernest J. Savoie called the meeting to order at 4:45 p.m. and thanked those in attendance.

IRRA Administrator Kay Hutchison reported on membership and finances. [Dues for 1994 were raised \$2 by the Executive Board.] Hutchison indicated that while membership decline is of continuing concern, an aggressive fund-raising campaign by President Savoie, coupled with a recent influx of new members and the establishment of organization memberships, has improved the Association's financial position. She expressed appreciation to President Savoie for his leadership and to the individual members, local chapters, and organizations that responded to the fund drive.

Hutchison reported on behalf of Editor-in-Chief John Burton, Jr. and the Editorial Committee. Burton has advised the board that commitments preclude him from serving another term as editor. Paula Voos, University of Wisconsin, has been selected to succeed Burton when his term expires this year. Voos will assume the duties of editor-in-chief upon completion of her work as editor of the 1994 IRRA research volume.

Attention was called to a conference the IRRA will cosponsor with the Michigan State PIERS project and FMCS, February 8-10, 1993, in Detroit. The conference will include presentations by authors of the 1994 IRRA research volume, *Contemporary Collective Bargaining in the Private Sector*.

Hutchison reported that copies of the 1992 *Annual Proceedings* and research volume were mailed to members in December.

The following meeting dates were announced: April 29-May 1, 1993, Seattle (Spring Meeting); January 3-5, 1994, Boston (Annual Meeting); April 20-23, 1994, Philadelphia (Spring Meeting); January 6-8, 1995, Washington, D.C. (Annual Meeting); May 31-June 4, 1995, IIRA 10th World Congress, Washington, D.C.; 1996 Annual Meeting, San Francisco; 1997 Annual Meeting, New Orleans; and 1998 Annual Meeting, Chicago.

Savoie encouraged all members to take an active role in the IRRA. He then introduced incoming President George Strauss. Strauss thanked Savoie for his extensive work on behalf of the Association during his term. It was announced that Walter Gershenfeld is the 1995 nominee for president. Lynn Williams will serve as 1993 president-elect.

The meeting was adjourned at 5:30 p.m.

AUDITED FINANCIAL STATEMENTS
December 31, 1992 and 1991

We have audited the balance sheets of the Industrial Relations Research Association, as of December 31, 1992 and 1991, and the related statements of support and revenue and expenses, statements of changes in fund balances, statements of changes in financial position, and supporting schedules 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, 1992 and 1991, 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 23, 1993

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

Balance Sheets
December 31,

	1992	1991
ASSETS		
Current assets:		
Petty cash	\$ 50	\$ 50
Cash—checking	105,438	81,022
Cash—certificates of deposit	60,473	0
Other investments	66,871	64,489
Accounts receivable (Less allowance for doubtful accounts)	3,701	5,082
Accrued interest receivable	401	0
Prepaid expenses	17,798	15,599
Inventory	<u>23,619</u>	<u>20,330</u>
Total current assets	<u>\$278,351</u>	<u>\$186,572</u>
Property, plant and equipment:		
Equipment	\$ 21,934	\$ 21,649
Accumulated depreciation	<u>15,653</u>	<u>13,526</u>
Net property, plant and equipment	\$ 6,281	\$ 8,123
Total Assets	<u>\$284,632</u>	<u>\$194,695</u>
LIABILITIES AND FUND BALANCE		
Current liabilities:		
Accounts payable	\$ 91,404	\$ 62,885
Payroll taxes payable	4	4
Dues collected in advance	99,850	94,157
Subscriptions collected in advance	10,262	13,721
Deferred grant income	27,500	0
Payable to IRRA	<u>10,000</u>	<u>0</u>
Total Liabilities	\$239,020	\$170,767
Endowment fund	\$ 15,000	\$ 0
Unrestricted fund balance	<u>30,612</u>	<u>23,928</u>
Total fund balances	\$ 45,612	\$ 23,929
Total Liabilities and Fund Balance	<u>\$284,632</u>	<u>\$194,695</u>

(The accompanying notes are an integral part of the statements)

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

Income Statements
For the Years Ended December 31,

	1992	1991
Income		
Income from operations		
Membership dues	\$153,035	\$157,631
Subscriptions	18,707	19,475
Chapter fees	7,561	5,535
Book sales, net of refunds	9,307	13,798
Royalties	1,199	1,105
Newsletter advertising	1,884	3,084
Mailing list rental	10,190	6,759
Meetings	28,033	21,065
ASSA refunds	9,198	9,508
Grant income	7,491	0
Contributions	<u>10,805</u>	<u>0</u>
Total operating income	\$255,410	\$237,958
Expenses		
Compensation		
Salaries, fringes & taxes	\$ 96,289	\$ 78,238
Contract services	3,584	7,933
Officer honorariums	0	7,500
Editor	<u>0</u>	<u>14,169</u>
Total compensation expense	\$ 99,873	\$105,840
Publications		
Proceedings	\$ 38,372	\$ 32,548
Spring proceedings	6,044	9,969
Research volume	24,970	17,825
Newsletter	9,412	13,623
Directory	<u>8,469</u>	<u>10,397</u>
Total publication expense	\$ 87,267	\$ 84,362
Meetings		
General expenses		
Spring		
Meals	\$ 10,714	\$ 11,081
Travel	880	872
Miscellaneous	8,335	5,078
Profit reimbursement	<u>995</u>	<u>2,180</u>
Total spring meeting	\$ 20,904	\$ 19,211
Annual		
Meals	\$ 3,498	\$ 0
Travel	733	0
Miscellaneous	<u>1,432</u>	<u>410</u>
Total annual meeting	\$ 5,663	\$ 410
Total general expenses	\$ 26,567	\$ 19,621
National expenses		
Spring		
General	\$ 1,793	\$ 2,389
Hospitality	<u>777</u>	<u>2,251</u>
Total spring meeting	\$ 2,570	\$ 4,640
Annual		
General	\$ 3,130	\$ 1,637
Hospitality	<u>3,913</u>	<u>1,292</u>
Total annual meeting	\$ 7,043	\$ 2,929
Total national expenses	\$ 9,613	\$ 7,569
Total meetings expense	\$ 36,180	\$ 27,190
Administrative review	\$ 0	\$ 3,674
Administrative search	\$ 0	\$ 3,891
Membership promotions	\$ 8,195	\$ 3,507
Chapter expenses	\$ 2,215	\$ 1,055
Editorial committee	\$ 0	\$ 946
Committee expenses	\$ 0	\$ 536

Office and general expenses		
Computer and label costs	\$ 410	\$ 1,631
Office supplies	1,439	1,827
Postage and freight	3,568	5,495
Telephone	820	768
Accounting and auditing	2,683	2,433
Bank charges	(5)	216
Insurance	772	949
Depreciation	2,127	1,788
Duplicating	5,089	4,741
Miscellaneous	527	1,279
Storage	300	300
Donations	1,010	1,000
Dues	1,401	1,368
Equipment leasing	1,498	0
Total office and general expense	\$ 21,639	\$ 23,595
Total expenses	\$255,369	\$254,596
Profit/Loss from operations	\$ 41	\$ (16,638)
Other income		
Other income	\$ 457	\$ 0
Interest income	\$ 4,743	\$ 5,425
Gain on securities	0	165
Business taxes	(25)	0
Other expenses	(63)	0
Total other income	5,112	5,590
Net income (loss)	\$ 5,153	\$ (11,048)

(The accompanying notes are an integral part of the statements)

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

Statements of Changes in Fund Balance
For the Years Ended December 31,

	1992	1991
Unrestricted fund balance, beginning balance	\$ 23,928	\$ 34,976
Prior period adjustment	1,531	0
Net income (loss)	<u>5,153</u>	<u>(11,048)</u>
Unrestricted fund balance, ending balance	<u>\$ 30,612</u>	<u>\$ 23,928</u>

(The accompanying notes are an integral part of the statements)

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
Madison, Wisconsin

Statements of Changes in Financial Position
For the Years Ended December 31,

	1992	1991
Financial resources provided by:		
Operations:		
Net income	\$ 5,153	\$ 0
Item not affecting cash and short term investments: Depreciation	2,127	1,788
Decrease in prepaid expenses	0	4,263
Increase in dues paid in advance	5,693	3,189
Increase in accounts payable	40,050	24,335
Decrease in accounts receivable	980	5,236
Increase in deferred grant income	27,500	0
Increase in endowment fund	<u>15,000</u>	<u>0</u>
Total funds provided	\$ 96,503	\$ 38,811

Uses of Funds:		
Net loss	\$ 0	\$ 11,048
Increase in prepaid expenses	2,199	0
Increase in inventory	3,289	2,671
Purchase of equipment	285	607
Decrease in subscriptions collected in advance	<u>3,459</u>	<u>742</u>
Total uses of funds	\$ 9,232	\$ 15,068
Increase (decrease) in cash and short term investments	\$ 87,271	\$ 23,743
Cash and short term investments		
Beginning of year	\$ 145,561	\$121,818
End of year	<u>\$ 232,832</u>	<u>\$145,561</u>

(The accompanying notes are an integral part of the statements)

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 in the Kemper Government Securities Fund and the Kemper Money Market account. Shares in the Government Securities Fund were traded at 9.28 per share at year end. Funds are stated at lower of cost or market value.

Inventory

The Association's inventory of 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 1993 and 1992 calendar years are reflected as deferred income on the balance sheet.

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