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American Labor Unions: Structure, Conduct, Performance

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AMERICAN LABOR UNIONS: STRUCTURE, CONDUCT, PERFORMANCE

BY

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This research paper is approved as a creditable and independent investigation by a candidate for the degree, Master of Science, and is acceptable as meeting the thesis requirements for this degree, but without implying that the conclusions reached by the candidate are necessarily the conclusions of the major department.

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CHAPTER I

INTRODUCTION

Many industries and markets have been evaluated by economists using industrial organization models and principles, but a similar effort has not been completed for labor unions. This research paper intends to examine and analyze labor unions by using the framework of industrial organization theory. Industrial organization theory describes industries in terms of the market which does apply to labor unions. Both unions and industries operate in a market where "buyers and sellers of a particular product engage in setting the terms of sale of that product."[1] Most people would prefer not depicting human effort or labor as a product for sale, but as a service. Nevertheless, labor services are "not immune to economic laws that affect commodities."[2] One can therefore view labor in terms of being a market.

Price theory is also used in industrial organization analysis to establish "price policies" of enterprises in determining market conduct. This pricing theory is also applicable in studying labor unions. Unions provide a system whereby labor services are offered for various wages. Unions act as sellers and firms act as buyers in negotiations for wage determination. These procedures, such as collective bargaining, are

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1/ Richard Caves, American Industry: Structure, Conduct, Performance (New Jersey, 1967), p. 2.

2/ Don Paarlberg, Great Myths of Economics (New York, 1971), p. 4.

subject to economic law associated with price theory. This common foundation of price theory used in studying unions and firms provides for some common basis in analyzing labor organizations within the industrial organization framework. However, there is need of demonstrating how such an analysis of labor unions would provide some benefit.

Unions have become identified with industrial firms. For example, automobile companies are almost synonymous with the United Auto Workers' Union. Unions are thought of in terms of their nature of business. In fact, labor union growth is somewhat predetermined by industrial development. Nevertheless, labor unions are separate organizations involved in various market activities.

A study of union organizations would reveal how extensive or how powerful unions are in this market. For instance, twenty-four million workers organized in particular patterns or concentrations provide for various market results. Such an analysis leads to a basis for developing general policy aspects similar to those arrived at in other industrial organization studies.

OBJECTIVES

Given some specific assumptions, theories have provided specific conclusions concerning unions. This type of theoretical framework, however, provides for a "narrow" discussion of union activities. General textbooks written about labor unions supply an opposite approach by providing much material dealing with union relationships. A more comprehensive approach, however, may be developed through an analysis

of labor unions with industrial organization theories. This type of analysis allows one to see both the forest and the trees.

The specific objectives of this research paper are to study:

1. union organizations and their operations
2. antitrust policy toward union structure
3. strike costs
4. union political activity
5. strike alternatives
6. wage settlements
7. union effects on inflation
8. predictive aspects of union "concentrations"

METHODOLOGY

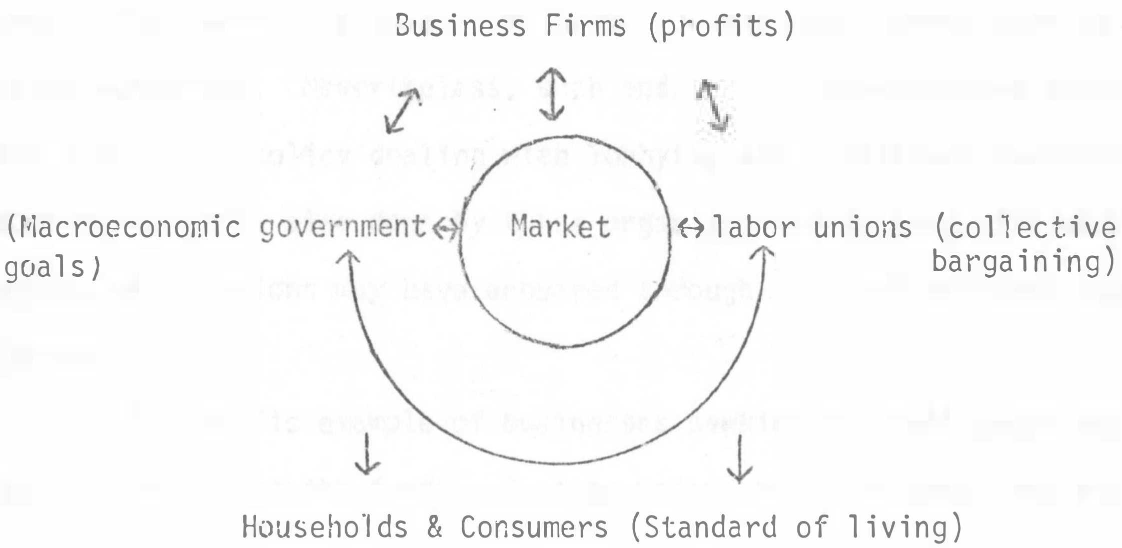
A basic framework was provided to study organizations by evaluating two outstanding books on Industrial Organization: Bain's Industrial Organization and Cave's book, American Industry: Structure, Conduct, Performance. Furthermore, Bain's preface to his book was a guiding approach used in organizing this material in order to gain a better grasp on how an organization may be studied.

The methodology is divided into two parts: (1) theory and (2) procedure.

Theory

In attempting to describe labor organizations the pieces seem to fit together by focusing on the market. This model would look like the following diagram. It indicates interrelationships between major

segments of our economy.



Government exerts pressure on labor unions through legislative acts, such as, Wagner and Landrum-Griffen. Also, enforcement of these acts by a National Relations Board serves as an effective tool in controlling union organizations.

The Federal government's interests in labor unions stem from its main macroeconomic goals, such as: high employment, controlled inflation, growth, et cetera. Government has these vital interests in collective bargaining procedures because unions' conduct of wage determination, strikes, and other activities affect how well our market does operate. Therefore, through legislation and regulatory boards, administrations seek to create a certain type of market environment varying with changes in its participants.

Business firms also serve as countervailing powers seeking to eliminate union power as much as possible. For instance, formulation of the American Chamber of Commerce and National Association of Manufacturers

illustrate industrial organizations formed to deal with business problems. One cannot say that these organizations were formed just to limit union authority. Nevertheless, such industrial organizations provide for a national policy dealing with lobbying and anti-labor legislation. Much research is also done by these organizations dealing with abusive powers which unions may have acquired through ineffective labor legislation.

A specific example of businesses seeking to limit union authority is through strike funds. Just as unions build finances for strikes, firms also create mutual aid packs. Recently during a C.B.S. news broadcast a mutual aid pack between airlines was reported. Northwest Orient received millions of dollars from two other airlines during a pilot's strike. This type of agreement indicates cooperation among firms in dealing with labor unions. Such a program may result from necessity or a desire by firms to gain more control over their market.

Most firms seek to limit union authority in order to maximize profits. This goal may not be a primary objective of all firms, but this principle does have general application. Management wants control over its production process in order to achieve such an objective. This control extends to labor's wages and conditions of employment. Such objectives are in conflict with labor union goals; consequently, one has a natural situation of conflict between two powerful organizations.

A third aspect in analysis of labor union organizations is the internal operations of unions themselves. The breakdown of unions into locals, nationals, and federations creates a situation in which a

certain type of control is possible. How government operates in these major subdivisions determines, to some extent, the possible organizational activities.

"Concentrated" labor unions may have a wide variation in their behavior toward their members and toward business firms. Large financial resources may allow unions different alternatives when discussing wages. For instance, union power is strengthened in industries that have a larger percentage of entire employment under union contract. This coverage provides additional leverage in wage discussions. Local unions can rely on national union support financially and technically. Thus, many options become available if given "concentrated" union organizations.

Our final market component is consumers who will be either members of labor organizations or non-union members. Consumers and households have been labeled as having minor or subordinate roles. The purpose of the paper is not to deny consumer relationships, but to establish a role played by unions and to evaluate that situation; consumers and households are members of unions but much of the routine administrative work is done by paid union officials who govern and direct much of union policy. This situation is much like a political office with individuals having voting power but with elected officials making important decisions on their own judgments.

When one looks at consumers and households, there is a lack of organization directing their influence on the market or specific unions. Many decisions are made for consumers by government, labor unions, and

business firms. In fact, some experts see these organizations as the main contenders for rule-making authority.[3] In broad terms, these three dominant powers determine how well the market system can and does perform.

Clearly a focus of this model is to analyze economic forces that determine union's structure, conduct and performance in the American economy. This involves an examination of two external factors: (1) government regulation and (2) business firms' managerial rights, A third factor is the environment of unions themselves as a determinant of union organizations.

Procedure

This research paper will study principal sectors of labor union enterprises. The discussion will be threefold dealing with union's structure, conduct, and performance.

1. Union Structure

Our method is to view labor organizations by analysis of union, industry, and legal structure. Such results can be reached by looking at:

a. Union structure concerning union's concentration, finances, membership competition, government, and growth trends.

b. Industrial concentration, labor demand, and industry assets which determine in part union organization.

3/Lloyd Reynolds, Labor Economics and Labor Relations (New Jersey, 1970), p. 15.

c. The legal environment of labor union organization dealing with torts, contracts, restraint of trade, and Supreme Court cases.

2. Union Conduct

Unions have various patterns of behavior in adjusting or adapting to market mechanisms. Various devices of union conduct are made possible through certain types of union organization. Unions can use finances for various purposes. Some aspects of this financial conduct are:

a. Strikes - types, job rights, stoppages, costs

b. Union Finances - political contributions and strike funds

3. Union Performance

Union involvement in market phases gives expectations of certain results. Analysis of this data gives some indication of union structure and conduct which permits such performance. Principal aspects or dimensions of market performance are:

a. Strike alternatives

b. Wage settlements

c. Union's effect on inflation

d. Union's effect on efficiency - seniority, automation, and union productivity

BACKGROUND OF LABOR UNIONS

These following sections will provide a brief sketch of developments in the unionization process.

Ideology for Collective Bargaining

Collective bargaining is not a new concept. Historically, unions involving shoemakers appeared in Philadelphia one hundred and seventy-five years ago. The basic purpose of this organization was to restrict labor supply through apprenticeship programs. Unions such as these provided a means of security and higher wages for union members.

Motivations for joining unions today are similar to those of the Philadelphia Shoemakers. People want security, stability, employment, and economic gains. Except, a worker now must join a union as a condition of employment in many cases. Such an arrangement is known as a union shop clause.

Changing institutional and economic conditions have also brought forth this call for large labor organizations. These labor organizations are necessary in the United States because people are faced with large corporations which can control the life-and-death issues of their economic lives. We have become a nation of employees who depend on wages and salaries; for "about four out of every five persons who work for a living do so by getting a job working for an employer."[4]

Industrial concentrations have provided employees with strategic market or technological positions. This industrial growth has made possible large unions in which skilled workers organize for collective bargaining purposes.

These groups establishing labor unions were seeking to establish

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4/Gordon Bloom, and Herbert Northrup, Economics of Labor Relations (Illinois, 1965), p. 31.

their needs through collective bargaining procedures. They had the technology skills needed to bargain with large companies in wage determinations. A union member realized, to some extent, that his "relative earnings depend on the bargaining of the group that he belongs to."[5]

Early Growth of Labor Unions

Some characteristics of the early struggle of labor unions were: violence, wildcat strikes, and lengthy strikes. Unions attempting to organize workers were not usually greeted with open arms. Management resented any infringement on its right to manage. Unions were viewed simply as higher costs to the employer. Consequently unions were often met with open hostility.

Samuel Gompers was a founder of the modern Labor Movement. He provided an establishment that could organize people and provide them with representation among large business firms. Unions then became spokesmen for the oppressed people dominated by large corporations. The people and labor officials were not to be denied their place in the economic market. Unions received legal immunities from the federal government to promote union growth.

There was much backlash against big business during the Gomper's labor organization movement. For example, business firms were required to curb combinations which were in restraint of trade due to the

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5/ Joan Robinson, "The Second Crisis of Economic Theory" (Richard T. Ely lecture, 1971), p. 12.

enactment of the Sherman Antitrust Act of 1890. Such legislation sought to curb business power over the American market system.

The first labor laws in the 1900's dealt favorably with labor unions. In 1914, the Clayton Act made unions exempt from antimonopoly laws to promote and protect expansion of union power.[6] The only requirement is that labor organizations "lawfully" carry out their "legitimate objectives". The Supreme Court decisions have not defined these terms. Therefore, labor unions are allowed a very wide range of conduct during a strike.

A second landmark law was the Norris-La Guardia Act (1932). This legislation provided assurance to labor that there would be no issuance of sweeping injunctions without notice and without adequate evidence, for the obvious purpose of paralyzing a strike.[7] Also issuance of injunctions was spelled out in detail rather than through discretion of local judges. Essentially, Norris-La Guardia substantially freed union activity from court interference by providing that no peaceful or nonfraudulent union activity, including strikes and picketing, was subject to injunctions.[8] For an injunction to be issued, businesses must prove definitively that a certain strike would cause definite damages.

The high-water mark in federal labor lesislation occurred with

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6/ Donald Richberg, Labor Union Monopoly (Chicago, 1965), p. 79.

7/ Ibid., p. 32.

8/ Marten Estey, The Unions: Structure, Development, (New York, 1967), p. 100.

passage of the Wagner Act (1935). This act is sometimes known as labor's Magna Charta. This legislation gave workers the right to join unions without fear of discharge or discrimination. It simply encouraged the procedure of collective bargaining as a right for workers. However, it did not legalize the existence of unions or the process of collective bargaining.[9] Needless to say, labor unions and collective bargaining are implied as being legitimate economic concerns. For example, businesses are required to bargain collectively with a certified union in "good faith". Also, the Wagner Act created a new agency dealing with labor relations known as The National Labor Relations Board (NLRB). This agency was charged with administration of the Wagner Act. Members of the board are appointed by the President of the United States for a specific term. Such appointments are important because of the board's quasi-judicial functions. Its interpretation of law becomes the law of the land for labor relations unless overruled by a higher court.

Other factors encouraging union growth are numerous. World War II saw a large increase in union membership. Government encouraged unionism in order to provide a steady flow of war materials. Also, a merger between the American Federation of Labor and Congress of Industrial Organizations occurred in 1956 enhancing union influence. Furthermore, business organizations were disorganized in dealing with large unions on a national basis.

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[9]/Ibid., p. 101.

These three labor acts (Clayton, Norris-La Guardia, Wagner) present a summary of dominant legal aspects concerning early labor legislation. They present legal pressures for a better union versus company role. Such acts present pro-labor legislation; however, much legislation has been anti-union in nature. The ideology of union versus company has changed from period to period or even from president to president. For example, presidential appointments to the National Labor Relations Board may pursue a certain presidential policy.

Hindrance to Union Growth

Union growth under permissive labor legislation achieved large increases in membership. Great growth in membership was due to unions' penetration into mass-production industries. More members increased union finances through assessed dues. Greater finances required more complex organizations to handle such growth. The local union official was being replaced by a paid professional who was skilled in collective bargaining procedures. Consequently, this entire chain of events created a "new" market power in the form of national labor unions.

Unions began using this newly acquired power after World War II. Strikes became an accepted practice of forcing higher wages on employers. People became apprehensive about big unions.

The Taft-Hartley Act (1947) was a legislative act designed to equalize the responsibilities of labor unions to those of the business firms. Taft-Hartley was an amendment to the Wagner Act in order to specify unfair labor practices.

Taft-Hartley provided an eighty day cooling off period in cases

of strikes involving national health or safety. These provisions gave presidents power to use injunctions in coping with national emergency strikes. In addition, Section 14(b) of Taft-Hartley permitted states to override union shop clauses by passage of state right-to-work laws. Also created was a Federal Mediation and Conciliation Service (FMCS) as an independent agency to offer assistance in bargaining disagreements.

A second landmark law was the Landrum-Griffin Act in 1959. The purposes were to eliminate corrupt union practices. The McClellan committee held hearings on various union activities. Resolutions of the committee called for passage of legislation to correct financial abuses of unions. The Landrum-Griffin Act provided such legislation.

Unions were required to make a yearly mandatory financial report open to the public. Also, various restrictions were placed on union uses of funds. [In addition, trusteeships having national unions' control over a local union were severely limited to both time and reasons.]

Again one sees this backlash against big unions in the 1970's. Public dissatisfaction against service interruptions caused by strikes has grown. Mass transit systems provide people with necessary services. Stoppages in these areas cause much public hardship and inconvenience.

The public views almost everyone on strike, from his garbage collector to policemen. One has truckers blocking roads because of policy decisions such as allocation of fuels due to the energy crisis. Headlines like, "Butz said soaring cost of food is caused by organized labor," are just some examples of labor problems in our country.

This trend against "big" unions has many implications for union organization. Such cases as aid to strikes which is being resolved by the Health, Education, and Welfare Department now could mean more difficulty in obtaining welfare for strikers. Another possibility might be anti-labor legislation similar to the Sherman Antitrust Act.

More could be developed concerning historical settings of labor unions. Much research has been completed in such areas as wage policy and theory. Also, projections and implications of union structure have been analyzed in numerous journal articles. Labor unions have been researched as to labor's development and significance to business firms.

However, a framework to analyze labor organizations in terms of key components has not been formulated. Time limitations of the research prevent a complete analysis of labor union's structure, conduct, and performance. Nevertheless, enough information is provided as to evaluating union performance. The structure and conduct of labor unions relate to performance goals. The next few topics deal with some specific aspects of labor unions.

CHAPTER II

STRUCTURE

The structure of labor unions can be analyzed by examining three different components. A labor organization is affected by its internal operations, industrial characteristics, and legal statutes which provide the rules for collective bargaining. Consequently, topic areas will consist of (1) labor organizations, (2) industrial organizations, and (3) legal environment. This framework includes the interaction of government, industry, union leaders and members.

UNION ORGANIZATIONS

The very nature of labor unions promotes a certain type of organization. Structural characteristics of membership, concentration, growth, competition, and finances describe and in some cases quantify the structure of labor unions. This segment analyzes many of these characteristics.

Union Membership

Total union membership has increased from 9 million in 1940 to 21 million in 1970.[1] Estimates now place membership near 24 million union members. Such growth occurs from increases in employment in major industries of our market. Union shop clauses provide that such workers must join a union after being hired. "By latest estimates, about 75

1/The American Almanac, 93rd. edition, (New York: Grasset and Dunlap, Inc., 1973), p. 241.

percent of workers in contracts covering 1,000 or more workers each are subject to union shop provisions."[2]

Two recent factors have greatly contributed to union membership growth. President Kennedy, during the 1960's, allowed government employees to form labor unions. Before such legislation, governmental employees were non-unionized. Another impetus has been an increase in organizational activities conducted by powerful unions. Unions, by their sheer size, were able to compel firms to hire only union personnel. For instance, teamsters once organized in many large cities have controlled the hiring practices of various trucking firms.

Effects of union growth can be seen by looking at the size of specific unions. Just a partial listing of large unions with 100,000 members or more is given. The idea is to acquaint one with some of the larger unions. Names like Woodcock (United Auto Workers), Fitzsimmons (teamsters), and Abel (Steelworkers) are well-known to the public because these unions' activities reach headlines. Nevertheless, there are many other powerful unions such as those in Table 1.

[2/] Marten Estey, The Unions: Structure, Development and Management (New York, 1967), p. 79.

Table 1. National and International Union Membership, 1964 and 1970.

Union	Members* 1970	Members* 1964
1. Teamsters (Ind)	1,829	1,507
2. Automobile workers (Ind)	1,486	1,168
3. Steel workers	1,200	965
4. Electrical (IBEW)	927	806
5. Machinists	865	808
6. Carpenters	820	760
7. Retail clerks	605	428
8. Laborers'	580	432
9. Meat cutters	494	341
10. Hotel & restaurant	461	445

Source: The American Almanac, 93rd. edition, 1973, p. 242.

* In thousands

Union growth has not been so cohesive when studying membership in its national organization, the A.F.L. - C.I.O. In 1968, the United Auto Workers and Teamsters withdrew from this A.F.L. - C.I.O. Federation. An alliance for labor action was organized as a by-product. The four members of the A.L.A. - the Auto workers, teamsters, chemical workers, and distributive workers - all were previously affiliated with the A.F.L. - C.I.O. The federation lost those unions but revenue was maintained by using a tax increase among affiliate members. However, such a break represents a serious blow to unions' national policy. The auto and teamsters unions were not only the largest unions, but also represented possible technological and strategic market positions. The teamsters' union, for example, can virtually stop the transportation of vital products. Even a strike by independent truckers in 1974 caused

shortages of many products. Thus, such dominant unions greatly influence economic activities and have considerable bearing on governmental decisions.

Nevertheless, key unions have dominated American union memberships. The six and ten largest unions are not new, and in fact, are virtually the same as they were half a century ago and in 1964, the six largest unions accounted for over six million members, or 33.5 percent of total American union membership, and the ten largest unions accounted for 43 percent of total membership.[3]

The only change is the elimination of the United Mine Workers from the top six, which resulted from a decline in the coal mining industry. Our energy crisis may, however, give renewed growth to the coal mining industry which will eventually result in increased membership for the United Mine Workers' Union.

These key unions have branched out on an industrial basis for their memberships. For instance, the United Auto Workers are also organized in aerospace and agricultural implement manufacturing. Other unions have also followed similar strategies in organizing members. Unions have, in addition, crossed industrial boundaries in membership drives.

A typical unionized member is white, male, and blue-collar. He will probably live in one of five states: New York, California, Pennsylvania, Illinois, or Ohio; for these states account for approximately

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3/Marten Estey, op. cit., p. 37.

half of the total United States' union membership.[4]

Concentration

Unions have various concentration levels in different industries. The three primary unionized industries are metal and machinery, transportation, and construction.[5] Such observations are made from data on union members compared to the percentage of total employment in industries. Table 2, however, does not confirm the percentage of workers under union contracts. Union membership totals are not identical with collective bargaining coverage. This chart relates where union memberships are strongest in major economic sectors.

Table 2. Union Membership, 1970.

	Number	As Percentage of Total Employment in Industry
Manufacturing	7,600,000	23.8%
Transportation, Utilities	2,527,000	44.8%
Services, Finance	2,103,000	7.8%
Construction	1,948,000	39.2%
Trade	1,709,000	10.2%
Government	1,255,000	22.2%
Mining	205,000	35.7%
Agriculture	46,000	2.4%

Source: "From Census Figures: Where Unions are Strongest," U.S. News & World Report, December 18, 1972, p. 98.

4/Marten Estey, op. cit., p. 9.

5/See also Executive Office of the President/Office of the Management and Budget, Standard Industrial Classification Manual (Washington, D.C.: U.S. Government Printing Office, 1972).

The Bureau of Labor Statistics made a rough estimate of the degree of union organizations. It accounts for membership in areas outside of the United States and also the extent of union collective bargaining coverage. In addition, this following table in complete form covers some thirty-five different industrial groupings. The data provides an indication of the extensive coverage union contracts have with respect to industrial bargaining agreements. Also, the proportion of production workers covered by collective agreements give some rough estimates for comparison. These estimates are in Table 3 printed from the Directory of National and International Labor Unions in the United States, Bulletin 1668, U.S. Department of Labor, BLS, 1970.

Table 3. Union Membership as Covered by Collective Agreements, 1970.

I. 75 percent and over	II. 50 percent to less than 75%
1. Transportation	7. Electrical machinery
2. Transportation equipment	8. Primary metals
3. Contract construction	9. Food & kindred products
4. Ordnance	10. Mining
5. Paper	11. Apparel
6. Petroleum	12. Manufacturing

Source: Richard Rowan, ed., "The Unions: Structure, Functions, and Membership," <u>Readings in Labor Economics and Labor Relations</u>, 1972, p. 196.

National concentrations' ratios present aggregate data concerning union power. These ratios will probably understate the amount

of monopoly in actual regional and/or local geographic markets. For example, the teamsters' union, which is the largest and most powerful union, expended tremendous pressure towards trucking firms at local union levels. The very competitive nature of the trucking industry provides for little resistance to a union such as the teamsters. Circumstances in other industries however may over-represent union power. United Auto Workers, because of industrial concentrations, have a weaker bargaining position than lesser concentrated unions. This union operates in an industry dominated by four large corporations: General Motors, Ford, Chrysler, and American Motors, which account for 92 percent of the value of shipments in the motor vehicle industry. However, the United Auto Workers have over 75 percent of their production workers covered by collective agreements. Consequently, the auto workers' union possesses an advantage because of its monopoly, but also faces a disadvantage by reason of the countervailing power present on the employers side.

Concentrated unions have a conglomerate type of structure. At the union level one sees local, national, and federations formed. Labor's national organization, the A.F.L. - C.I.O. (American Federation of Labor & Congress of Industrial Organizations), for instance, accounts for a large percent of union membership. "In 1964, 128 of the 188 national and international unions belonged to the A.F.L. - C.I.O. -- their combined membership was 15,150,000 or nearly 85 percent of total

union membership."[6] Also, examples have already been presented demonstrating that unions cross industrial boundaries in collective bargaining.

The extensive nature of concentrated unions' activities is difficult to describe. Cooperation among unions extends beyond formal affiliation. Local unions in cities may support one another during a strike. Also, union assistance is provided nationally. An example was the boycott of Farah Clothes in which the manufacturer was forced to agree to unionization in the face of pressure from unions involved in segments or other stages of manufacturing and marketing of Farah Clothes. These complex arrangements and multi-industrial unions demonstrate the conglomerate nature of unions.

Growth Trends

Union membership as a percentage of the total labor force has declined through the years. A bottom was reached during the early 1960's and since that time union membership has shown some increases. However, this decline in union membership has given impetus to talk of union stagnation or deterioration. Table 4 reports the growth pattern of union membership.

6/Martin Estey, op. cit., p. 35.

Table 4. Union Membership as a Proportion of the Labor Force, 1956-1970.

Year	Total Union Membership Excluding Canada	Percent Union Members of Total Labor Force
1956	17,490	25.2
1959	17,117	24.1
1963	16,524	22.2
1965	17,299	22.4
1966	17,940	22.7
1967	18,367	22.7
1968	18,916	23.0
1970	19,381	22.6

Source: Richard Rowan, ed., Readings in Labor Economics and Labor Relations, 1972, p. 191.

Union officials do have legitimate concerns about their memberships. Membership problems result from fundamental changes in the economy. The United States has become a service producing nation. For instance, transportation, public utilities, trade, finance, insurance, real estate, and other service industries have shown tremendous growth. In fact, by 1980, close to 7 of every 10 workers are projected to be in service industries;[7] whereas, the goods producing industries such as manufacturing, contract construction, mining, and agriculture have declined in percentage of total employment. Consequently, the groups being easiest to unionize are declining in importance in the economy. Large industrial centers no longer assure growing union memberships.

Salaried workers are the new dominant labor force. For example,

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7/Richard Rowan, ed., "Employed Trends Projections and Implications," Readings in Labor Economics and Labor Relations (Illinois, 1972), p. 24.

white-collar jobs make up the fastest growing occupational group. This group is now even larger than blue-collar occupations, with white-collar workers occupying 38,892,000 jobs, or about 48.2 percent of the total employment compared to 27,744,000 blue-collar workers, according to the Bureau of Labor Statistics, 1972.

In white-collar occupations, these workers identify with management. This hinders organizational attempts by unions. Also, there is difficulty in organizing these workers of geographical diversity.

Other groups difficult for union organizers to reach are southern textile, service, and shops under 200 workers. These groups, such as service workers, do not organize using traditional methods. For example, it is very expensive to organize small groups of workers. Some new organizing approaches are needed to meet changing economic trends.

Government employees have also experienced a rapid rise in numbers. But union growth potential for government employees seems to be limited to help received by the government. This fact, coupled with the no-strike clause of government employees, tends to destroy the so-called "big weapon" of unions.

Despite union organizing problems, unions are more powerful now than at any other period. Membership losses have occurred in manufacturing industries such as auto workers, steelworkers, and machinists. However, union membership in service industries such as teamsters, electrical workers, and retail clerks has shown large gains. "New" unions are also showing progress in organizing white-collar workers. For instance, teacher unions are experiencing more effectiveness in collective bargaining.

Labor union decline is represented in terms of numbers rather than in power. "The dire forecasts regarding union "stagnation" have been laid to rest."[8] Unions in manufacturing industries have better finances and organizations than ever before; however, bureaucracy may be a real difficulty facing unions. Inadequate organizing efforts and faulty internal practices have prevented unions from expanding their coverage of different groups of workers. Union officials are promoted from within the organization and seldom recruit any outside executives. Consequently, new ideas and people are needed in order to insure union progress.

Union Government

Union government will be discussed in terms of the relationships among three major levels. Union organizations can be termed as a federation (A.F.L. - C.I.O.), national, or local unit. Each union level has specific functions and powers.

The basic relationship between a federation and other members is similar to that of the United Nations to its member nations. National and local unions send members to conventions where various proposals are voted on during the meetings. The resulting resolutions are not, however, binding on the federations' constituents. In theory, the federation exists, because of national and local unions' prerogative --- similar to the situation in the United Nations. Nevertheless, much pressure

8/Richard Rowan, op. cit., p. 174.

is applied to force adherence to federation policy.

A primary function of the federation is political. Various organizations of the federation are working at state and national levels to lobby for union policies. Another goal of federation policy is research in getting labor's viewpoint recognized. Also, a coordinating function between different unions is essential to federation policy. For example, information is exchanged among several unions as to the best way to achieve union goals.

A second major segment of labor government is the national union. Some 188 national unions dominate union decisions. In many cases, local unions are subject to policy decisions of national unions. National unions have local unions under specific controls and regulations.

National unions, by concentrating power of negotiations at their level, tend to reduce the importance and independence of local leadership. Most local unions can not declare a strike without national executive board approval. A strike called without such approval deprives strikers of benefits and other types of aid.

A typical bargaining agreement is reached by national-bargainers. National unions bargain for many locals. This type of bargaining is noted as multiunit; such a type of bargaining has advantages for both employer and unions. There is simplification of contracts and better bargaining skills on both sides. A price is, however, paid by fixing wage levels for a particular industry without substantial regard to particular firms or localities.

Multiunit bargaining can develop into what is known as pattern bargaining. This is a procedure by which gains in one industry are also sought in other industries. It is a situation where wage increases granted for auto workers are also demanded by steelworkers. There is some evidence of this changing wage structure among different industries. For instance, some economists are of the opinion that "we have reached the state where a limited number of key wage bargains effectively influence the whole wage structure of the American economy."[9]

The third level of organized labor is the local unions. As already noted, most decision making authority is taken away by the national union. National unions can disband, suspend, or supervise local union functions. In some cases, local officers may be removed by national executives without the consent of local members.

Local unions function where workers live with agreements made by national unions. At this local level, agreements are administered and interpreted. Any difficulties of employment are resolved through grievance procedures among employer and local union officials.

Government at locals is democratic in nature but members prefer to let paid executives run the union. These paid officials further draw power away from union workers. A typical member tends to judge his union by its effect on his pocketbook. Thus, a union receiving substantial wage increases has a free hand in assisting union officials in making decisions.

9/ Bloom and Northrup, Economics of Labor Relations (Illinois, 1965, p. 389.

> Only 10 or 15 percent of the members may turn out for an ordinary union meeting, and even such critical decisions as election of officers or the ratification of a proposed collective-bargaining settlement may bring out a bare majority of members.[10]

Union Competition

Union organizations start at small levels and usually expand from such boundaries. Most unions begin on either a craft or industrial base. Craft unions organize workers in particular occupations or trades, regardless of industry. Whereas, industrial unions draw all workers involved within an industry.

Obviously, unions today are not purely craft or industrial in nature. The once distinctive union classifications have become blurred due to changing technology and industrial practices. Changing processes and techniques of production have created unskilled jobs from skilled. Industrial unions, such as the United Auto Workers, are organized in other industries and crafts to meet changing economic trends.

Further competition for union members has been provided by legislative acts, as were previously discussed. Groups of workers were given the right to bargain collectively through representatives of their own choosing. Consequently, members, not unions, would decide who should represent the workers. This situation provided for much raiding among unions. Excessive competition among unions resulted in needless union activities. Union officials spent their organizing efforts in attracting members from other unions. Therefore, new groups of workers

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10/ Richard Estey, op. cit., p. 49.

were not being organized, but merely created internal fights among existing unions.

The A.F.L. - C.I.O. merger in 1955 attempted to eliminate competition among unions. Each union was provided exclusive jurisdiction based on historical data. Memberships under unions were also to remain intact as of the merger date. Union officials would rely on union charters and other pertinent information to establish jurisdiction of unions. Also, a no-raiding agreement was signed for affiliates of the A.F.L. - C.I.O. This proposal meant that unions could not actively seek to gain members from other unions or accept their membership.

Exclusive jurisdiction is more philosophy than fact. Union boundary lines are not clear. Unions even rewrite their charters to include specific groups. Conflicts also result in unions when job combinations can require workers from two different unions.

Cooperation is voluntarily requested among unions as to bargaining relationships in organizing workers. If disagreements occur among unions, the Cole Board (impartial group) attempts to settle differences. The Cole Board is an impartial group that attempts to settle raiding and jurisdictional disputes among affiliates of the A.F.L. - C.I.O. It provides a procedure by which unions can solve their internal differences among themselves. In fact, the National Labor Relations Board allows the Cole Board to first settle the dispute. Then, if no agreement is reached, the disagreement becomes a case for the government to solve. The National Labor Relations Board then attempts to settle this competition among unions.

Unions affiliated with the A.F.L. - C.I.O. are restricted in organizing members. This means that members dissatisfied for any reason with the union representing them have only three choices: (1) alter union policies, (2) decertify their present union, or (3) support a union not affiliated with the A.F.L. - C.I.O.[11] Such alternatives, for various reasons, are not practical. Internal labor union reform to alter policies is, at best, a slow process. Decisions concerning union policy are made in the higher levels by union officers. The second alternative would deny workers a union to protect their economic position. Also, attempts to decertify present unions through the National Labor Relations Board provisions are seldom successful. The third choice would usually mean to accept a union expelled from the A.F.L. - C.I.O. Unions not affiliated with the A.F.L. - C.I.O. are often lacking in necessary resources to bargain effectively with large industrial corporations. Consequently, competition among unions is for new members not from groups already organized.

Finances

Labor unions are substantial organizations in terms of finances. Large funds are held by local, intermediate, national, and federated unions. Such funds are needed to perform complex bargaining negotiations. Strike funds and legal assistance require large outlays. The following table indicates finances held by the ten largest national

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11/ Bloom and Northrup, op. cit., p. 82.

unions.

Table 5. Union Total Receipt and Net Worth (in Millions of Dollars), 1963.

Union	Net Worth	Total Receipts
Teamsters	$ 41.5	$ 22.3
Automobile Workers	87.9	46.2
Steel Workers	23.0	56.0
Electrical (IBEW)	13.3	62.4
Machinists	29.5	19.2
Carpenters	22.4	16.0
Retail Clerks	5.9	7.6
Laborers	--	--
Meat Cutters	13.5	4.6
Hotel and Restaurant	--	--

Source: Bloom and Northrup, Economics of Labor Relations, 1965. p. 121.

Note: Dashes indicate no data reported.

National unions are multi-million dollar concerns administered by top executives. Most income is received through dues and initiation fees from their members. Reserves of funds are also invested in securities such as government bonds. These three sources provide national unions with their operating budgets. Revenue from members is limited, however, by majority vote on any dues' increase. Also, excessive or discriminatory fees by unions are illegal under various legislative acts. In addition, unions usually manage welfare and retirement funds, which are large financial accounts.

An example of the financial portfolio illustrating the major income and expenditure segments of a national union such as the United

Mine Workers is reported in Table 6. The complete details of finances are not available, but acts such as Landrum-Griffin provide for complete accountability of finances.

Table 6. United Mine Workers' Finances.

Finances	Welfare and Retirement Fund Finances
Income: 13 million 1971, including 3.7 million from membership dues, 5.8 million from dividends and interest.	Receipts: 198 million
	Expenditures: 232 million
Outgo: Almost 24 million, 4.6 to settle lawsuits, $755,000 in officers' salaries and expenses; 2.4 million in employee payroll and related expenses.	Reserves: 79 million
Total Assets: 63 million	

Source: U.S. News & World Report, January 1, 1973.

The aggregate finances of unions are even more impressive. National unions in 1970 made 17 million dollars in loans to other unions. One can also determine where money decisions are made. National unions, of some 190 in number, have control over large assets. Whereas local unions, some 75,000 in number, have impressive assets in total, but individual union finances are small in comparison to national unions. The following table records financial data of unions. One notes that national union loans have increased in size substantially.

Table 7. Labor Unions - Financial Data, by Type of Union (in Millions of Dollars).

	National Unions		Intermediate Bodies		Local Unions	
	*1968	1970	*1968	1970	*1968	1970
Total Assets	1,037.6	1,068.1	171.9	203.9	1,145	1,264.2
Loans Made	7.0	16.7	2.9	4.7	8.6	10.3

Source: The American Almanac, 93rd. edition, 1973, p. 243.

*1968 data from 1971 Statistical Abstracts.

INDUSTRIAL ORGANIZATIONS

The structure of labor unions relates to the industrial development of the firm. For example, Robert T. Averitt says, "labor has derived a structure, an organizational configuration conditioned by the nature of the business firms with whom they negotiate."[12] Consequently, the structure of industries indicates potential bargaining relationships with labor unions. Thus, a discussion concerning industry aspects provides an analysis of factors affecting business decisions.

However, "the fact that the growth sectors of the labor movement coincide so closely with the growth sectors of the labor force suggests that unions may be adapting somewhat more effectively to a changing environment than is generally recognized."[13] This growth suggests that

12/Robert Averitt, The Dual Economy (New York, 1968), p. 131.

13/Marten Estey, op. cit., p. 11.

union and industrial organizations operate with a degree of separation. The various powers that each controls affects factors such as wages. One can have a type of market known as a bilateral monopoly. Roughly speaking, this type of monopoly applies whenever a union can raise the wage level of a firm or industry within a certain range without causing any adverse effects on the demand for labor and whenever employers can reduce the wage level without any adverse effects on the supply of labor.[14] In a bilateral monopoly situation the wage and amount of labor hired would be between the two extremes. A condition can exist where countervailing power operates. Labor union power, due to the number of workers under collective agreements, is blunted by management power, due to industrial concentrations. These relationships are important in determining wage increases. Thus, the discussion will analyze concentrated industrial aspects and consequently its impact on wages.

Industrial structure of firms is examined in two parts: (1) industrial environment and (2) concentrated industries.

Industrial Environment

Industrial environment of firms has been discussed in some detail by various authors. Most industries are described in terms of being highly concentrated with a significant magnitude of market domination by a few large firms. For instance, "less than one percent of

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14/Richard Rowan, ed., "An Evaluation of Wage Theory," Readings in Labor Economics and Labor Relations (Illinois, 1972), p. 438.

the manufacturing companies do over half of all the manufacturing business."[15] One sees dominant firms with vast markets controlling large financial assets. Needless to say, such comments are generalizations and no application to any particular firm is being made. For a more exacting account of industrial organization, one needs to read descriptions developed by Richard Caves and Joe Bain. Such a discussion of industrial organization is beyond the scope of this paper. However, specific items of relationships between unions and firms will be examined.

The demand for labor is determined by various factors. One dominant factor is demand of the product produced by labor. Consequently, an elasticity of demand for labor also has been developed.

Elasticity of demand for labor[16]

1. Elasticity of demand for the product.
2. Proportion which labor costs form of total production costs.
3. The difficulty of substituting other factors for labor in production.
4. The supply curves of productive services other than labor.

> To sum up: an industry's demand for labor will be more inelastic - that is, a wage increase will produce a smaller drop in employment - in proportion as: (1) demand for the product is inelastic; (2) labor costs form a small proportion of total costs; (3) the known possibilities of substituting capital and other factors for labor are small; and (4) supply of one or more nonlabor factors is inelastic.[17]

15/Robinson, Morton, and Calderwood, An Introduction to Economic Reasoning (New York, 1967), p. 65.

16/Lloyd Reynolds, Labor Economics and Labor Relations (New Jersey, 1970), p. 82.

17/Ibid., p. 83.

The labor force was growing at an annual rate of over two million annually but the natural growth rate now is approximately 1½ million a year.[18] The growth rate is less than recent trends. Women will occupy more jobs, so many shortages in industries will not appear. Labor supply would indicate a large age group (24-35) necessary for rapid economic expansion. This age group provides industry with the necessary manpower for middle management and labor positions.

Labor's supply and demand has been discussed to some extent. Next a study of specific results of firm concentrations and mergers will be presented.

Firms have acquired large financial assets. Wealth of firms has been perpetuated and increased through acquisition of different industrial firms. Diversification of multi-industry companies is quite common. Such practices have resulted in enormous financial assets of business enterprises. Comparison of assets between firms and unions reveals a large edge held by firms. Nevertheless, comparison between firms and unions should be in representative industries. However, firms and also unions are multi-industry, making such analysis difficult. Nevertheless, Table 8 does represent a degree of comparisons between business enterprises and labor unions.

18/ Business Week, February 10, 1973, p. 15.

Table 8. Comparison of Assets of Six Largest Business Enterprises with Assets of Six Largest International Unions as Ranked by Assets (in Millions of Dollars), 1963.

Company	Net Assets	Union	Net Assets
American Telephone & Telegraph	26,716.5	Automobile Workers	87.9
Standard Oil (N.J.)	11,487.7	Mine Workers	83.5
General Motors	10,239.5	Teamsters	41.5
Ford	5,416.5	Machinists	29.5
U.S. Steel	5,059.7	Ladies' Garment Workers	29.1
Gulf Oil	4,243.6	Bricklayers	28.4

Source: Bloom and Northrup, Economics of Labor Relations, 1965, p. 129.

Firms have also formed unions among themselves. The two national associations are the National Association of Manufacturers and United States Chamber of Commerce. In addition, employer associations have been organized to negotiate with unions. For example, mutual pacts have been organized in such areas as trucking and maritime. These employer associations are unable, however, to maintain a united front where a large number of small firms are present; whereas, employer associations among a small number of large firms can be very effective.

A factor emerging from multi-industry firms and unions is coalition in bargaining agreements. In attempting to bargain with conglomerates, union contracts will expire in multi-industries at the same time. The situation is then present whereby unions can shut down a multi-industrial corporation.

Concentrated Industries

Many factors could be examined when determining which data best describes concentrated industries. One can study assets per employee, sales per employee, percent of value of shipments by large producers, profits per dollar of sales, rate of return on stockholders' equity, or profits before taxes. The two variables chosen are percent of value of shipments and profits before taxes. The industrial section is divided into two parts: (1) degree of monopoly power and (2) profit rates.

Degree of Monopoly Power

A concentrated firm which has some degree of monopoly power represents strong resistance to union demands. In oligopolistic industries, such as automobiles and steel, wage increases here can be blunted due to bargaining power of concentrated firms. Some experts use concentration ratios to indicate this degree of monopoly power. Another possibility is that concentrated firms grant wage increases rather than risk prolonged strikes. This degree of monopoly power allows concentrated firms to pass increased costs to the consumer. More evidence needs to be developed before any definite conclusions can be made.

The following table denotes concentration ratios as the percentage of total output of a particular product supplied by those whose principal activity is the making of that product. Such data provides insight into the industrial structure of these particular industries.

Table 9. Percent of Shipments Accounted for by Large Manufacturing Companies, Selected Industries.

Industry for Year of 1967	Number of Companies	Value of Shipments, percent of total ranked by company size 4 largest	8 largest	20 largest
Motor vehicles	107	92	98	99+
Motor vehicle parts & accessories	1,424	60	68	78
Aircraft	91	69	89	99
Petroleum refining	276	33	57	84
Aircraft engines & engine parts	205	64	81	93
Photographic equipment & supplies	505	69	81	89
Meat packing plant	2,529	26	39	49
Construction machinery	578	41	53	72
Tires and innertubes	119	70	88	97
Cigarettes	8	81	100	--
Malt liquors	125	40	59	86
Telephone, telegraph apparatus	82	93	96	99
Motors & generator	320	48	60	74
Canned fruits & vegetables	930	22	34	52
Soap & other detergents	599	70	78	86
Fabricated structural steel	1,865	13	18	26
Organic fibers, non-cellulosic	22	84	94	*(D)
Blast furnaces & steel mills	208	51	69	84

Source: The American Almanac, 93rd. edition, 1973, p. 704.

*D - withheld to avoid disclosure.

High Degree of Monopoly Power

A powerful firm which has a degree of monopoly power represents strong resistance to union wage demands. In oligopolistic industries, such as automobiles and steel, wage increases could be lower because of

such firm structural features. Authors use concentration ratios here to indicate this monopoly power.

Profit Rates

Profit rates help explain product environment of different industries. High profit industries denote a greater control over the market. Profit rates suggest the degree of price setting ability of firms. Nevertheless, one should be careful of suggesting too much from such data. Firms, instead of acquiring large profits, may seek to gain wealth through diversification in other industries. A large profit can be nullified through acquisition of non-profitable firms.

The data concerning percent of value of shipments by large producers and corporate profits before taxes were chosen because several correlation studies have been done using such variables. In following chapters, importance of such data as degree of monopoly power and profit rates will become apparent.

Table 10. Corporate Profits, by Industry (in Billions of Dollars).

Industry	Before Taxes 1968	Before Taxes 1969	Before Taxes 1970	After Taxes 1968	After Taxes 1969	After Taxes 1970
Agriculture, forestry, and fisheries	.2	.2	.1	.1	.1	.1
mining	.8	.7	.6	.6	.5	.3
contract construction	1.9	1.9	1.6	1.2	1.1	1.0
manufacturing	43.4	39.3	32.1	22.8	19.7	16.9
Wholesale & retail trade	11.6	12.1	11.5	6.8	7.0	7.0
Finance, insurance, and real estate	13.0	13.5	14.4	6.2	6.2	6.3
transportation	.9	.6	-.3	.3		-.8
Communication & public util.	9.7	9.7	8.8	4.8	4.8	4.8
services	2.0	1.7	1.7	1.0	.7	.8

Source: *The American Almanac*, 93rd. edition, 1973, p. 482.

LEGAL ENVIRONMENT

Legal aspects concerning unions' structure are numerous. The discussion will include topics dealing with five areas: (1) torts, (2) contracts, (3) restraints of trade, (4) Supreme Court cases, and (5) other legal accords.

Torts

A tort is an injury to the person, property, or right of another not arising out of a contract. This is different from a breach of contract where breaking the terms of a contract by non-performance or by some overt act contrary to the agreement occurs. A tort can best be described as a violation of legal duty to another.

Union members, during strikes, carry on many activities such as

picketing and work stoppages. These actions are within the law. Difficulties, however, occur when illegal conduct creates damages to property of business firms. For instance, torts in the form of property destruction are committed by window and equipment smashing. The employer will have difficulties in recovering damages from a union. One expert has concluded that "the union is not liable for acts of its members in the course of a labor dispute."[19] The doctrine of respondent superior (principal is liable to third person for wrongful acts of his agent) does not seem to apply for labor unions. Therefore, labor union members can commit torts with no effective way of stopping them or recovering damages from them.

The violence in labor negotiations should not obscure the fact that most contracts are peacefully negotiated. Nevertheless, unions are responsible to some degree for actions of their members. A case now before the National Labor Relations Board between Associated Builders and Contractors (ABC) and the major craft unions could resolve legal responsibility of unions.

Contracts

National unions bargain with companies about terms of labor contracts. A national contract once reached is then voted upon by each local. However, local unions can strike because of conditions of employment in various firms. So, the signing of a national contract does

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19/Roscoe Pound, Labor Unions and the Concept of Public Service (Washington, D.C., 1959), p. 28.

not necessarily prevent locals from striking.

Contracts reached by union officials also have to be acceptable to the membership of that union. Several cases have occurred in which union officials needed to return to the bargaining table to gain larger wage increases. Unions have a difficult task in negotiating contracts acceptable to management and numerous union members. The amount of flexibility in contracts has thus drawn both praise and criticism.

> The Norris-LaGuardia Act has insulated labor unions in the field of injunctions against liability for breach of contract. In practical effect the unions had a general immunity for breach of contract.[20]

Supreme Court Cases

U.S. Supreme Court decisions have given unions the power to restrain trade without providing restrictions. The following four court rulings will give some idea of the power that labor has received:

> Apex Hosiery Co. vs. Leader - it was held that labor unions were within the purview of the Sherman Act. However, a direct and intentional prevention of shipment of delivery of goods in interstate commerce was held not in restraint of commerce.[21]

> U.S. vs. Hutcheson - secondary boycotts were held immuned from liability under the Sherman Act so long as the union acted in its self interest and did not combine with non-labor groups.[22]

> Hunt vs. Crumbach - this Court decision went the whole way of complete immunity. It is not merely, therefore, that labor unions are exempted from the provisions of the statutes against combinations and agreements in restraint of trade. They may actively interfere with trade and commerce with immunity from what is often the only effective remedy.[23]

20/Roscoe Pound, Legal Immunities of Labor Unions (Washington, D.C., 1957), p. 26.

21/Ibid., p. 34. 22/Ibid., p. 34. 23/Ibid., p. 34-35.

> Allen Bradley vs. Local Union No. 3 - the Court is helpless to prevent the exercises of monopoly power by labor unions. The desirability of such an exemption of labor unions is a question for the determination of congress.[24]

The Clayton Act (1914) made unions exempt from anti-monopoly legislation. Labor elation over this act, however, proved short-lived. The judicial interpretation was that Section 6 of the Clayton Act had not changed the fundamental fact that it was activities of a union that determined whether or not it was in violation of the antitrust law.[25] However, previously cited interpretations of Supreme Court cases seemed to exempt unions from any antitrust action.

A Supreme Court decision of the United Mine Workers vs. James M. Pennington brought antitrust action into collective bargaining again. "The Court held that a wage agreement between a union and an employer or group of employers which includes an understanding that the union will seek the same terms from other employers in the industry, may violate antitrust laws."[26]

Implications of the United Mine Workers vs. James M. Pennington Case are numerous. Pattern bargaining may violate the antitrust law. Also, multi-employer agreements, which imply the same terms imposed on employers who were not members of the group, may violate antitrust. Clarification is needed to determine the degree of antitrust action.

24/ Donald Richberg, Labor Union Monopoly (Chicago, 1965), pp. 83-84.

25/ Marten Estey, op. cit., p. 97.

26/ Herbert Marx, ed., American Labor Today (New York, 1965), p. 131.

Restraints of Trade

Antitrust action is an all-inclusive term. Usually such terminology is applied to business firms. Actions include break-up of firms fines and restrictions on exclusive business practices. Antitrust is applied to eliminate monopoly and restraint of trade practices. If antitrust is applied to labor unions such policy would follow the following specific guidelines:[27]

1. Ban industry-wide power of unions over bargaining.
2. Prohibit restraints of trade by labor unions.
3. Ban all union secondary boycotts.
4. Outlaw the union shop.

The first proposal would eliminate national unions' control over bargaining agreements. Local unions would then bargain with firms. Such bargaining with local unions would mean multiple contracts for firms. The smaller local unions would also find difficulty in bargaining with powerful industrial corporations. One would suspect that labor peace among managements and unions would disappear. There would be pockets of isolated strikes in industries. Local union members might turn to violence to resolve their frustrations in bargaining.

The second guideline, which would prohibit restraints of trade by labor unions, is vague in specifics of application. Such a proposal does not call for a shattering effect of union organizations. The same bargaining arrangements would be kept but violators such as employers

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27/ Apply the Antitrust Law to Unions (Washington, D.C.: Chamber of Commerce of the U.S., 1963).

and unions could receive fines. For instance, multi-unit contracts that imply the same terms on employers who are not members of the group may violate the restraint of trade law.

Secondary boycotts are illegal. A boycott which restrains workers from dealing with anybody who used the goods of an "offending" employer is declared illegal by the Taft-Hartley Act. The boycott is legal, however, if the restraint of trade was an "incidental" consequence of the union's pursuit of its primary objective of winning a labor dispute.[28]

Outlawing of the union shop could virtually destroy unions. There is a need for unions to acquire membership automatically. Concentrated unions are necessary to bargain with large industrial firms. Unions without such an organization might be unable to secure gains that workers deserve.

Other Legal Accords

Labor unions are tax-exempt associations. The revenues received by unions are not depleted because of taxes. Labor organizations are also not required to incorporate. This lack of corporate status poses many interesting questions. The reason is that most labor organizations are controlled through corporation law. Only eight states have general statutes as to suits by and against unincorporated associations.

State right-to-work laws are for the purpose of giving employees a choice to unionize or not. Today, nineteen states have state right-

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28/Marten Estey, op. cit., p. 98.

to-work laws. These states are midwest and southern in geographic location, and rely heavily on agriculture as their industrial base. By the 1960's no major industrial states had a right-to-work law.

CHAPTER III

CONDUCT

Conduct of unions is studied in a manner similar to that of structure. Specifically, the examination of conduct factors will include (1) strikes and (2) union finances. These factors explain much of labor union conduct which influences our economy.

STRIKES

Labor union conduct involves many activities in order to achieve collective bargaining agreements. The strike is a dominant feature because of its economic costs and the publicity which it receives. Therefore, any discussion concerning union conduct will have to include strikes as a general topic area.

A strike has many features. The major areas that will be studied are: (1) types, (2) job rights, (3) stoppages, and (4) costs of strikes.

Types of Strikes

Unions' "big" weapon is known as the strike. A strike is a work stoppage; especially the quitting of work by a body of laborers for the purpose of compelling the employers to comply with some demand or condition. Union officials use this weapon, or threat of, in negotiating for agreements. Strikes are the method provided for unions to deal with large firms in wage determinations. This is why the union's right to strike is a prerequisite to union power.

There are many different strike classification schemes. Strikes are termed as: (1) wildcat, (2) quickie, (3) partial, and (4) negotiations failure. Each of these different types of walk-outs have significance to unions and management. For instance, in 1972, small strikes were taking a heavy toll on firms when a few workers in key jobs walked off the job. Such strikes cause small union losses while inflicting heavy damages to firms. Such policy represents a particular philosophy of labor unions to various market situations. Our purpose is to examine different types of strikes to clarify objectives.

Wildcat strikes occur when a group of employees walk off the job for some particular reason. Such a walk-out is not called by union officials. In this situation, members would not receive any support from union officials. The wildcat strikes represent an early period in national unions' control over union members. Consequently, such strikes are of short duration now. Management and national unions move quickly to resolve minor differences.

A quickie strike is a recent procedure used by unions. Such a situation occurs when workers walk off the job for a short period of time. Usually the next day the workers are back at work. This strike is called by union officials for the purpose of disrupting working procedures while causing a minimum of loss to union finances. A union may use such tactics when finances are low because strike benefits are not paid unless a strike is continued for about two weeks.

Government employees and other related public service organizations apply the partial strike procedure. Vital operations, such as

police and fire protection, are continued, but at a reduced rate. An excessive number of workers on sick call is a pretense used by labor to disregard no-strike agreements. Several authors have suggested that the public service area may cause more serious strike problems in future years. Strikes may occur especially at the state level where workers have no alternatives for alleviating contract differences.

The catchall category of strikes is the negotiation's failure. This strike happens for many reasons. Vast differences in settlement offers are a common difficulty. However, if the strength of the union is at stake, the so-called group objective of the workers may take precedence over the immediate economic objectives.[1] The length of time involved in a strike of this type may possibly be irrelevant. Unions are engaged in a power struggle. Unions form a cohesive group in order to achieve their goals. These types of strikes are not only costly but serve as an effective tool whereby workers have a chance to "speak up".

> This strike was against Phelp Dodge at Bisbee, Douglas, and Morenci, Arizona. Settlement of the strike brought an average increase in wages of fifteen cents an hour, but since the employees were offered an average increase of 12½ an hour before the strike, the actual strike gain was 2½ an hour. It appears that the employees must work 2,620 days to make up their lost wages out of their actual gain. If we figure six working days a week, they must work more than eight years.[2]

There are many reasons for strikes. Mention was made of a power struggle; however, such motives are difficult to classify. A

1/Robinson, Morton, and Calderwood, An Introduction to Economic Reasoning (New York, 1967), p. 88.

2/Donald Richberg, Labor Union Monopoly (Chicago, 1965), p. 109.

wage dispute can be disguised as a power struggle. For the most part, wage changes have accounted for a majority of strikes, but wages are by no means the only reason. In recent years, for example, there have been strikes over the following kinds of issues: plant work rules, duration of contract, funding of pension plans, arbitration proposals, and union security agreements. (See Table 11.)

Table 11. Quantitative Breakdown of Causes of Strikes for 1970.

Major Issues	% of Stoppages	Major Issues	% of Stoppages
General wage changes	49.9	Wage adjustments	3.8
Plant administration	16.1	Other working conditions	3.1
Union organizations & security	10.3	Job security	3.0
Interunion & intraunion matters	9.9	Other contractual matters	1.9
Not reported	1.0	Supplementary benefits	1.0
Hours of work	0.1		

Source: Dan Golenpaul, ed., Information Almanac, twenty-sixth edition, New York: 1971, p. 123.

Job Rights

Workers on strike perceive that their job has not been terminated but suspended pending completion of satisfactory agreements. The worker has a vested interest in his job. Management may, however, resort to hiring other personnel for those striking workers, in order for the business to continue operations properly. When such conflicting interests are present, the courts become the final arbitrators.

Federal labor laws generally permit an employer to replace

striking workers who struck in protest of unfair labor practices. Cases have occurred in which white collar workers have been suspended temporarily, not dismissed, because of a production strike. However, a lockout, which means that an employer involved in a labor dispute has shut down his plant would be an unfair labor practice.

The difficulty in determining jobs' rights stems from a distinction in motives. Workers striking for economic reasons and unfair labor practices have different rights. Management is able to hire other workers during an economic strike. Usually such practices of strike breaking are met with violence which has prompted the Supreme Court to move toward clarification of job rights. Workers on strike cannot be fired for striking for an unfair labor practice. Also, strikes involving economic reasons retain a partial immunity from job replacement:

> A unanimous Supreme Court decision ruled Tuesday that it is an unfair labor practice for an employer to fire a worker solely for taking part in a strike. . . . In overturning the Lower Court, the Supreme Court said, in an opinion written by Justice Potter Stewart, that firing a man on strike is cause enough for his reinstatement.[3]

Stoppages

Working time lost in strikes has been decreasing in the United States. Management and labor unions have been working more effectively in avoiding strikes. Alternatives to strikes have been achieved and are the goal of both parties. While working time lost during strikes has been declining as shown in Table 12, time lost is still a significant

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3/ "High Court Rules Man Cannot be Fired for Striking," Minneapolis Tribune, November 8, 1972, p. 5A.

factor as will be discussed in later sections of this chapter. Due to the decline in loss of working time, more time is now lost because of coffee breaks or sickness than because of strikes. Some experts are

Table 12. Working Time Lost in Strikes as a Percent of Working Time in Total Economy.

Year	Percent
1945-1949	0.47%
1950-1959	0.26%
1960-1969	0.17%

Source: Richard Rowan, ed., "Freedom to Strike is in the Public Interest," Readings in Labor Economics and Labor Relations, 1972, p. 327.

of the opinion that the relative time loss due to strikes performed a valuable function in our free collective bargaining system. The time loss due to strikes represents a desire by workers to secure wage increases that are due to them.

While the percentage of time lost in strikes has been decreasing, there has been a large increase in the total number of stoppages, workers, and man days idle due to strikes. One can see sufficient disturbance in economic or political life to generate pressure for changes in the industrial relations system. (See Table 13.)

Table 13. Work Stoppages.

Year	Number of Stoppages	Workers Involved	Man Days Idle
1964	3,655	1,640,000	22,900,000
1969	5,700	2,481,000	42,869,000

Source: Luman Long, ed., The World Almanac (New York: Norton & Company, Inc., 1968), p. 362.

The United States has a relatively strike-prone economy in comparison to other industrial nations. Even when comparisons are adjusted for relative size differences, the United States has an excess of time lost during strikes. Nations, such as Japan and West Germany, do not experience this loss. The United States ranks near the top among nations in the amount of working time lost in industrial disputes.

Furthermore, threats of a possible strike can create havoc. There was a bizarre aftermath to the peaceful negotiation of the 1971 labor-management agreement in the steel industry: Many mills shut down or cut back operations to as low as 25% of capacity; more than 80,000 steelworkers were laid off - some for eight months, and most mills posted heavy operating losses.[4] When a settlement was reached peacefully, accumulated inventories in preparation for a strike had to be worked off.

Examination of work stoppages reveals information about unions

4/ Business Week, March 10, 1973, p. 126.

and firms. Most major strikes occur in the manufacturing sector. This is to be expected because of the greater number of firms in manufacturing. Nevertheless, one can find apparent reasons for so many strikes. Concentrated unions and firms lead to bargaining conflicts.

Table 14. Work Stoppages, by Industrial Group for 1971.

Industry Group	Work Stoppages	Workers Involved in thousands	Man-Days Idle in thousands
Manufacturing	2,389	848	18,319
Nonmanufacturing			
-mining	657	383	4,934
-contract construction	751	450	6,851
-transportation, communication, etc.	316	267	13,420
-Government	327	151	893

Source: The American Almanac, 93rd. edition, 1973. p. 704.

Manufacturing, as an industrial group, can be further divided into durable and nondurable goods sectors. In durable goods markets, work stoppages occur more often. Associated with durable goods firms are concentrated unions and firms. Unions account for a large proportion of the workers covered by collective agreements. Also, firms account for a substantial percentage of shipments for their particular industry. This information provides some rationale for the numerous strikes in durable goods. On the other hand, nondurable goods' markets are noted for having fewer concentrated unions and firms.

The data concerning concentrated unions and firms will not

be presented. Classification schemes of the three variables are not compatible. Partial data, however, has led to this rationale, probably correct, but still untested.

A look at the auto industry reveals a strike prone industry. It is an industry in which the four largest companies account for over ninety percent of the shipments, and unions have over seventy percent of the workers under contract coverage. (See Table 15.)

Table 15. Major Strikes in the Auto Industry.

Year	Workers Involved	Company	Days Struck
1945	200,000	General Motors	113
1948	75,000	Chrysler	17
1949	62,000	Ford	25
1950	95,000	Chrysler	102
1955	160,000	General Motors	12
	78,000	Ford	9
1958	275,000	General Motors	26
	75,000	Ford	13
1961	239,000	General Motors	20
	116,000	Ford	19
1964	275,000	General Motors	45
	25,000	American Motors	7
	11,000	Ford	19
1965	11,000	American Motors	20
1967	159,000	Ford	65
	44,000	General Motors	13
	17,000	Chrysler	10
1968	18,000	General Motors	13
1969	28,000	General Motors	87
1970	355,000	General Motors	69

Source: U.S. News & World Report, July 30, 1973, p. 45.

The year 1973 was, in general, a peaceful year in contract negotiations. The United Auto Workers signed major agreements among the auto industries without strikes. Two dominant factors that help explain this industrial peace are: (1) wage-price controls and (2) the energy crisis. Unions have been negotiating for fringe benefits and short term contracts in anticipation of expiration of wage-price control in March 1974. The energy crisis has also placed firms in higher priority in order to meet current demands.

Costs

Strikes involve costs incurred by many people during such a walkout. The losses will be studied by looking at direct, indirect, and welfare costs.

Direct and Indirect Strike Costs

Workers and employers involved in a strike have direct losses from wages or profits. However, the effect of a work stoppage spreads through industries and produces losses at times far distant from the source of the strike. The Bureau of Labor Statistics has completed studies on indirect unemployment caused by particular strikes. For example, Barrington Associates; report on the Effect of the 1966 New York City transit strike on the travel behavior of regular transit users provides good data on total strike costs. Nevertheless, one is faced with many uncertain aspects. Strikes in industries, like steel, might indirectly cause lay offs in equipment manufacturers which could scarcely be related to the steel strike.

Public transportation, which is an important segment of our economy, lends itself to explore the possibilities of indirect unemployment. The public directly depends on commuter transportation for reaching work. This study was done in 1966 analyzing the effect of a New York City transit strike on the travel behavior of regular transit users. Data indicates that man-days-idle due to strikes are much higher than those computed. Furthermore, indirect unemployment can cause more interruptions or bottlenecks in the flow of goods and services than are accounted for in strike costs.

> That strike (New York transit strike) lasted almost thirteen days, the total man-days lost amounted to about 440,000. . . . In crude round numbers, the lost work time in New York City was about ten times the loss of the strikers. Nor is this all, large numbers of suburban workers were unable to get to work. Had they been counted, the total loss would have been boosted to well over 5 million man-days.[5]

The Department of Labor computes the number of stoppages, workers involved, and man-days-idle for strikes of different industries. An index is needed to calculate estimated costs. Studies have been done on some major industries. For example, auto workers wage loss was $230 million in 1964, $220 million in 1967 and $560 million in 1970.[6] A "comprehensive" listing of strike cost could provide valuable information concerning monitoring of the economy. Critical losses of goods and services would be accounted for. (See Table 16.)

5/ Ewan Clague, The Bureau of Labor Statistics (New York, 1968), pp. 139-140.

6/ U.S. News & World Report, July 30, 1973, p. 45.

Table 16. General Motors Strike in 1972.

The estimates of economic losses	
·20 million dollars in wages ·8 million dollars in GM profits ·39,000 automobiles not built ·5 million dollars in strike benefits paid by the UAW strike fund	·millions in taxes, including $300,000 for the city of Norwood alone ·millions in losses to suppliers, one merchant who launders shop uniforms for the plant, for example, estimated his loss at $50,000.

Source: U.S. News & World Report, October 9, 1972, p. 104.

Welfare Costs

Workers' rights for public assistance during a strike are another topic area where a fine line cannot be determined between right and wrong. An argument can be presented by management that government assistance or subsidization of strikes may well upset the relative bargaining position between management and union. Management's case is that public funds make for more and longer strikes and costlier settlements. Labor's reply would be that the issue is giving aid to needy people and not compelling workers to settle for unjust terms. Union officials feel that without such public aid, strikes would become ineffective.

The three major government programs from which strikers receive aid are: welfare, unemployment compensation and food stamps. "In all, welfare handouts to strikers are expected to exceed $329 million dollars

this year (1973) - almost a million dollars a day."[7]

A Wharton Study indicates that, in at least 30 states, general assistance welfare is available immediately to those pleading indigence.[8] And, after a one-month waiting period, strikers can collect Aid to Families with Dependent Children (AFDC) in 23 states. The general assistance welfare is generally paid out of local funds. Its guidelines are similar to federal regulations as to eligibility. The welfare is provided to those who cannot meet their basic needs of life. Except for certification problems, registration of those eligible, local welfare ordinances are strict in their application. The other welfare program (AFDC) is regulated by federal and state agencies. This aid is available 30 days after a strike in the form of a cash grant. Certain requirements, such as the amount of liquid assets, must be presented in order to qualify.

Strikers also receive aid through unemployment compensation. After a short waiting period, this type of aid is available in only two states, New York and Rhode Island. Other states have more stringent regulations concerning eligibility.

Food stamps are the most important aid-to-strikers. They are available immediately in every state as soon as a strike begins. In order to qualify for aid, liquid assets must be under $1,500. However, if a striker is authorized to receive AFDC aid he is automatically

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7/ Readers' Digest, "Let's Stop Subsidizing Strikes," October, 1973, pp. 108-109.

8/ Ibid., p. 109.

qualified for food stamps regardless of liquid assets.

The Department of Health, Education and Welfare is examining food stamp regulations as to strikers. Amendments offered by HEW Department are: (1) alternative A would permit a state to exclude payments to families where the father's unemployment results from participation in a labor dispute or (2) alternative B retains the hours-of-work test as the sole standard for determining eligibility. The House of Representatives passed, by a one vote margin, alternative B. The results are that family aid and food stamps still are available to strikers.

Major amounts of aid become available after a 30 day waiting period. For instance, in 1970, when a United Auto Workers' strike fund of more than $120 million was exhausted, General Motors strikers collected $30 million in public aid.[9] The requirements for public aid are extensive. Most strikers who are eligible for aid constitute those classified as being in "need".

The showdown on Capitol Hill between organized labor and business over welfare aid to strikers is not complete. The campaign will no doubt continue for many years. The fundamental question appears to be the right of strikers during a work stoppage. A common philosophy is that a striker has foregone some basic rights because of his or her participation in a strike.

9/ *Business Week*, March 24, 1973, p. 50.

UNION FINANCES

The uses of labor funds will cover two areas: (1) political contributions and (2) strike funds.

Political Contributions

A significant development in union goals has occurred. Unions find themselves in the political forefront of campaigns. The leaders of unions have always proclaimed that their primary interest in politics is to achieve sufficient economic power to protect the interests of the workers. However, their primary objective has become the acquisition of political power. Hence, "the unionists' goal in the next decade is to dominate government at all levels, in all areas of responsibility and to use government as a prime source of power to win economic and other aims."[10] The same goals could also be attributed to other groups, such as businesses.

Unions play a growing financial role in politics. Spending by labor unions in direct support of presidential and congressional candidates has been steadily increasing. In 1956, labor unions accounted for 8 percent of all direct political spending on national-level candidates, and by 1968, the union share had increased to more than 10 percent.[11] Unions were, in fact, the number one group that spent the most money (10 million dollars) in the 1972 elections for support of

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10/Bakke, Kerr, and Anrod, Unions, Management and the Public (New York, 1967), p. 720.

11/U.S. News & World Report, "Labor's Tactics in '72 Campaign," Ocotber 23, 1972, p. 19.

"their" candidates. The Minneapolis Tribune on March 18, 1973, stated that the "AFL-CIO political arm spent more [money] in election than other groups". (See Table 17.)

Table 17. Unions Organizations That Spent More Than $150,000 in 1972 Elections.

Organization	Amount
AFL-CIO	$1,270,075
Auto Workers	891,332
Communication Workers	254,469
Garment Workers	603,230
Laborers	178,889
Machinists	375,817
Railway Clerks	268,491
Retail Clerk	239,450
Seafarers	305,711
Steel Workers	401,207
Teamsters	157,112
Transportation Workers	262,464

Source: Minneapolis Tribune, March 18, 1973, p. 1.

Labor unions can no longer make direct political donations. The finances for political campaigns are through the "voluntary" political assessments. Only four states, Pennsylvania, Texas, Indiana, and Wisconsin, provide limits to union political contributions. Members may also be expelled for not paying assessments for political campaign funds.

In addition to political contributions, labor unions will be spending millions more in educating their members on campaign issues, registering voters, launching get-out-the-vote drives, and for other political purposes that do not directly involve contributions to

political candidates. For example, numerous union headquarters are located in Washington, D.C. These organizations provide for effective lobbying in congress.

Political campaigns are spearheaded by the AFL-CIO's Committee on Political Education (COPE). The committee elected 57.5 percent of their congressional candidates, many of which were involved in marginal contests. Union finances and various other political activities helped friendly candidates to better present themselves to the public.

Unions use political contributions to secure congressional candidates that will support labor issues. The idea that money can win votes should not be underrated. The following table gives some indication as to unions' political power.

Table 18. Labor's Power in the 1972 Congress.

In the House	In the Senate
-362 candidates for House seats were endorsed by the AFL-CIO -218 of these won, and 144 lost -All told: 231 House members were thus expected to support most labor-backed measures -This represents a gain for labor of 39 House seats	-29 candidates for Senate seats were endorsed by the AFL-CIO -16 of these won, and 13 lost -All told: 57 Senators are thus expected to support most labor-backed measures -This represents a gain for labor of 4 Senate seats.

Source: U.S. News & World Report, "Meaning of the '72 vote to labor unions," November 20, 1972.

Labor's power in congress can be examined by looking at various committee assignments. For example, most labor legislation ordinarily

must clear through the Senate labor and public welfare committee before Senate consideration. However, as Senator Russell B. Long explains, "The committee is oriented toward organized labor." It is not hard to understand why few bills come out of committee which labor doesn't want, even if they would improve the lot of the worker.[12] Unions contributed heavily to those committee members in the hope of support in labor-backed measures.

Strike Funds

A previous mention was made concerning union strike funds. In 1970, the United Auto Workers Fund was in excess of some 120 million dollars. The strike fund was built from dues and other revenues. It has been estimated that the UAW collected over $1 million in a single, recent year. Also during a strike, unions frequently receive gifts or borrow from other unions to help defray the costs of strike benefits, publicity, legal fees, and other expenses which accompany a strike.[13] The AFL-CIO, in addition, provides assistance in making funds available to strikers. However, labor union support has never depended on the nicety of affiliation. Consequently, loans are made available from many different labor unions.

The implications of large strike funds made possible through loans may run a risk of prolonging strikes. "It may well be, for

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12/ Readers' Digest, "Labor Violence - A National Scandal," August, 1973, p. 155.

13/ Bloom and Northrup, op. cit., p. 276.

example, that the New York newspaper strike of 1962-63 was substantially prolonged because the Typographical Union received benefits approximating their take-home wages."[14] The Landrum-Griffin Act sought to regulate labor unions by providing that a labor organization hold its money solely for benefit of the organization and its members. Thus, questions are often asked as to labor union compliance to this act. However, most workers on strike must rely heavily on their own resources. Therefore, labor organizations require substantial funds in order to facilitate their right to disagree with the terms of employment.

As a result, restriction of labor unions from internal borrowing would cause a change in the countervailing powers between labor organizations and industry. Industries can borrow from banks at preferred rates. Consequently, any policy changes must be selective in nature.

14/Bloom and Northrup, op. cit., p. 277.

CHAPTER IV

PERFORMANCE

The evaluation of labor union performance is the most difficult and important area of economic analysis for this study. Criteria used to evaluate performance are hard to ascertain in terms of boundaries as well as relative bases against which performance can be compared and measured. Industrial organization theory usually analyzes profit rates, production cost, output, and other appropriate criteria as it relates to national economic goals. Consequently, this study examines labor union performance in terms of excessive wage increases, strike costs and other market considerations that affect our national goals. Major topic areas examined will include: (1) strike alternatives, (2) wage settlements, (3) inflation, (4) efficiency, and (5) distribution of income.

STRIKE ALTERNATIVES

Government, labor unions, industries, and the public have a common interest in avoiding strikes. Economic costs due to strikes are high. Loss includes many man-days-idle, taxes, profits, wages, and stoppages of goods and services. These are just a few reasons for considering strike alternatives.

Unions have publicly stated their desire to eliminate work stoppages. Proposals are numerous to eliminate the blind-man's-bluff games that sometimes occur during collective bargaining. Year-around bargaining by joint management and union committees are one such

alternative to overcome sticky bargaining questions. This procedure uses a joint study to determine possible solutions for next year's bargaining session.

Possible alternatives to strikes are: (1) injunctions, (2) mediation, (3) compulsory arbitration, and (4) strike-no-strike agreements. These are just some of the proposals that are being used or contemplated in creating peaceful labor negotiations.

Injunctions

Strikes involving vital goods and services can entail use of the Taft-Hartley Act. Under this act a president can prevent, for 80 days, stoppages of goods and services. The Justice Department obtains a court order requiring workers to go back to their jobs. Such an action provides flexibility in strike deadlines. After expiration of the injunction, if no agreement is concluded, workers must vote by secret ballot on whether to accept the last offer made by management. Then if no agreement is negotiated, Congress is presented a report by the President with or without recommendations for action. Also, the act provides that "any person injured in his business or property as a result of such unlawful strikes could bring suit for damages against the offending union."[1]

Injunctions have been termed as semi-effective. Presidents have been reluctant to invoke such a drastic measure for political reasons

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1/Bloom and Northrup, Economics of Labor Relations (Illinois, 1965), p. 785.

and as a result the Taft-Hartley Act has been applied only about once a year since its adoption. Furthermore, workers usually reject management's last offer in expectation that the final settlement will be higher. In addition, there are limitations to the act concerning its applicability to certain segments of the economy.

States also have emergency injunctions to govern such areas as light, power, gas and water. For instance, twenty-eight states provide for some sort of official investigation and/or fact finding; ten states have enacted compulsory arbitration; and five states have provided for seizure of struck facilities to handle emergency disputes.[2] These laws are constitutional where conflict does occur in the application of interstate commerce under federal regulations. Such state and federal injunction power provides for critical strikes but fails to supply flexibility in other bargaining conflicts.

Mediation

Mediation is a procedure coupled with the injunction in which third parties voluntarily offer their services to enhance collective bargaining agreements. The Federal Mediation and Conciliation Service (FMCS) is a national organization that provides unbiased personnel for management and union negotiations. This organization provides assistance in settling "sticky" labor questions. In fact, thirty days prior notice must be given to the FMCS if a labor dispute exists. However,

2/ Ibid., p. 827.

this notice has become a routine that is filed automatically during contract negotiations. Also, management and union have no obligation to accept FMCS aid before a crisis is reached. Nevertheless, assistance by the FMCS is usually accepted.

A new revelation in mediation procedures is called "Med-Arb". A "Med-Arb" plan consists of a combination of mediation and arbitration personnel. The mediator-arbitrator first tries to get both sides to agree on a compromise settlement, as a mediator. If some questions still are unsettled, he changes roles and becomes an arbitrator, with both sides agreeing voluntarily to accept his decisions; he then determines the remaining provisions of the new contract. Such a proposal as "med-arb" has a voluntary aspect which is important to both union and management. Consequently, both parties could examine mediation personnel before committing themselves to compulsory arbitration. The Federal Mediation and Conciliation Service provides the personnel necessary to operate such a plan.

Many states also operate mediation agencies. However, in only a few states are such services run as full time operations. Also, the cost of mediation for state agencies is usually paid for by striking parties. The states that operate mediation services are noted for having a highly unionized labor force.

Compulsory Arbitration

A drastic step to solve bargaining disputes is compulsory arbitration. This is a situation in which third parties dictate final settlements. Arbitration of contract terms is a nasty word for both

parties. Most employers are as reluctant as unions are to let outsiders determine contract provisions. This lack of acceptance by either union or management is probably a major barrier to using compulsory arbitration as a solution to bargaining difficulties.

Compulsory arbitration is also difficult to administer. Compulsory arbitration would require a labor court where judgment disputes could be settled by law. Countries of less industrialization, such as Australia and New Zealand, use a labor court for arbitration purposes. However, an industrial nation, such as the United States, would find difficulty in successfully managing such a court system. This arbitration program would be quite costly to finance. In addition, a problem exists in staffing such a court system. Judges would need specialized training in order to decide contract terms.

Courts have attempted to bypass arbitration awards. For instance, the Supreme Court "has tended to hold that court review of arbitration awards is inappropriate."[3] Therefore, arbitration decisions have no means of judicial review. Without judicial review, union and management would find such arbitration procedures too inflexible. Nevertheless, several states have passed laws calling for compulsory arbitration of disputes involving public utilities. "However, in some states where these laws have been tested in the courts, compulsory arbitration has been held unconstitutional when it affects interstate

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3/Lloyd Reynolds, Labor Economics and Labor Relations (New Jersey, 1970), p. 498.

commerce."[4]

Strike-No-Strike Agreements

> Under this arrangement (strike-no-strike agreement) a union may call a strike against the company, but it doesn't set up any picketlines. Instead, it instructs the "striking" workers to show up for their jobs as usual, and continue production with no slow-downs. However, the workers draw only half their usual pay; the rest is deposited in a local bank. The company makes matching deposits out of its treasury. If the "strike" is settled quickly, all deposits are returned. But if it drags on, workers and company lose some or even all of the money, which is then donated to community projects.[5]

This proposition of a strike-no-strike agreement has many benefits. Such a proposal has the following advantages: (1) creates pressure for both parties to end strikes, (2) prevents stoppages of goods and services, and (3) provides a flexible time period for bargaining. Workers are faced with a constant reminder of the strike. Also, public servants with no strike clauses could be provided with a means of legitimate dissent.

Strike-no-strike agreements call for a certain percentage lost each week as the "strike" continues. The agreement calls for a six to eight weeks period to resolve "strike" problems. A "strike" lasting fifty-six days creates a tremendous amount of pressure on all parties to end the dispute. However, if no agreement is reached, other alternatives are then possible. Options include a strike provision, "Med-

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4/Robinson, Morton, and Calderwood, An Introduction to Economic Reasoning (New York, 1967), p. 107.

5/Herbert Marx, ed., American Labor Today (New York, 1965), p. 107.

Arb", arbitrator, or a cost of living increase plus the old contract. The flexibility provisions of such an agreement should be given serious consideration by union and management in strike-prone industries.

The strike-no-strike agreement appears to solve some problems previously unresolved by the other strike alternatives discussed. Nevertheless, numerous fundamental questions need resolution. For instance, administration of this program recommends that both company and workers pay into a fund. However, no mention is made concerning union strike funds. One needs a system where all three parties are pressured toward contract settlements. A certain percentage of union strike funds should be paid each week as a gesture of union support in resolving contract disputes. Using this procedure all parties lose if an agreement is not reached. Also, unions still retain their power because a strike can still be called if an agreement is not reached in six to eight weeks. Other circumstances are present where strike-no-strike agreements do not treat each party fairly. For example, employer labor costs can be a small percentage of the employer's total costs. Therefore, an employer greatly benefits because of no work stoppages with a minimal cost to the firm.

Applicability of strike-no-strike agreements depend on circumstances. Under certain conditions such a no-strike proposal would work. In fact, all parties could use such a procedure if accommodations were made to fit the specifics of the case. Realistically however, no-strike agreements will be entered into by only a few major bargaining parties. Only when the threat of compulsory arbitration is present

will the strike-no-strike agreement gain popularity. Management and unions like the open framework of present bargaining relationships.

Strike alternatives have been discussed as to their merit and limitations. To protect the public, the government has a sufficient interest in strikes to regulate collective bargaining. Possibilities include government intervention in either union structure or conduct. The current trend in government policy is to regulate conduct rather than to enforce any antitrust policy that will alter labor union structure. Procedures such as mediation and no-strike agreements should be enforced in strike prone industries. This policy could also be coupled with guidelines in which injunctions would be issued in a systematic manner. Chapter two examined some implications of labor union antitrust policy. The structure of labor unions would be altered by this to such an extent that various questions are raised as to union bargaining power in order to negotiate with large industries. An antitrust policy applied to labor unions must also recognize similar changes must be considered in industrial structure. Thus, government could provide assistance in creating an environment for better bargaining procedures through regulation of labor union conduct.

WAGE SETTLEMENTS

Labor unions follow certain guidelines in bargaining for wage increases, which either determine or delineate unions' economic performance. This section discusses these guidelines in relation to performance and, in addition, briefly examines union and nonunion wages.

Criteria for Wage Settlements

Many arguments are used in negotiations for wage increases. Different aspects are advanced depending on their desirability in collective bargaining sessions. Nevertheless, union criteria for wage settlements usually involve these guidelines: (1) comparable wage rates, (2) productivity, (3) cost-of-living index and (4) ability to pay.

Comparable Wage Rates

Current wage levels of employers competing for the same grade of labor should be the same. In other words, labor is demanding equal pay for equal work. This equality of wages becomes illusionary when considering job classifications. Workers do different types of jobs in every industry. Also, conditions and terms of employment vary among workers even within a certain industry. The equal pay for equal work philosophy has been revised to comparable wage rates.

Union efforts to apply comparable wage rates should have reduced geographic differentials, but this depends on the market structure of the industry and the scope of the collective agreement. For example, southern states have historically had lower wage levels. Southern labor union policy has accepted this wage differential. The size of the effect (wage distortion) is smaller than has often been alleged; why unions have not achieved larger distortions by exploiting differing elasticities of labor demand is one of the more intriguing questions in

the economics of collective bargaining.[6]

Comparable wage bargaining has resulted in general wage increases where workers are highly unionized and pattern bargaining is present. For example, automobile workers have on occasion demanded similar wage increases to those received by steel workers. Multiunit bargaining, where contracts are negotiated for many unions, has also enhanced general wage increases. These conditions produce a wage structure that moves in response to various key wage settlements. Such a wage movement provides for a distribution of income among various workers. For instance, estimates record that about 75 percent of the total inequality of earnings resulted from differences within each occupation, and only 25 percent from differences among occupations in average earning levels.[7] Thus, there appears to be a trend in narrowing of industrial differentials in wages which is further supported by John Dunlop who feels that key wage bargains can effectively influence the entire wage structure of the American economy.[8]

<u>Productivity</u>

In order to evaluate productivity indexes, certain aspects must be understood. Indexes of output per man-hour are a ratio of constant dollar value of goods and services divided by output per hour paid

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6/Lloyd Reynolds, op. cit., p. 672.

7/Lloyd Reynolds, op. cit., p. 230.

8/Bloom and Northrup, op. cit., p. 389.

whereas the Census Bureau applies output per hour worked. Using the Bureau of Labor Statistics method would allow an aggregate of what management does pay for. This is true because the hours paid for are increasing, while time worked is decreasing. Workers, through fringe benefits, have acquired paid vacations and sick leave. Therefore, one can assume the Bureau of Labor Statistics estimates to be lower than those of the Bureau of Census. Both indexes, however, use an unweighted man-hour output figure, which does not adjust for interindustry shifts, so that these indexes have a built-in inflationary bias.[9]

Productivity indexes give a rough estimate as to approximate growth of industrial sectors. The data are collected from firm estimates in given industries. The coverage of the index involves list prices, not actual prices, and does not account for improvements in quality of goods and services. Furthermore, problems are incurred when projecting industrial productivity indexes to individual firms; consequently, productivity indexes should not be given precision in collective bargaining negotiations. These indexes provide an approximation of the increase in dollar value of goods and services.

The Bureau of Labor Statistics computes indexes of output per man-hour for all employees, production workers, and nonproduction workers. Situations occur where significant differences in productivity are computed between production and nonproduction workers. The production workers seem to have a greater productivity record. Unions that bargain

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9/ Bloom and Northrup, op. cit., p. 494.

for production workers can use output per man-hour only for production workers. However, productivity increases are the combined efforts of the whole work force. Inventions and capital goods account for changes in productivity rather than those changes coming from human effort. Consequently, an all employee index would have to be considered justifiable for an equitable distribution of income.

Productivity indexes, despite their lack of precision, are frequently accorded high priorities. Unions argue for annual improvement factors in wages so workers can buy increased output. Industries do not want to lock-in wages with so many cents now and so many cents in the future. Wages, geared to an assumed average rate of increasing productivity over the economy as a whole, cannot be accurate for particular firms.

Cost-of-Living Index

The consumer price index is one of the most widely used sets of statistics in collective bargaining negotiations between employer and union. For instance, "more than 615,000 workers will receive cost-of-living increases as a result of the January consumer price index."[10] This index represents changes in the cost of providing food and rent for oneself. Consequently, the consumer price index is sometimes referred to as a cost-of-living index. It provides a means by which to judge changes in the cost of life's necessities. The large increase in food

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[10]/Ewan Clague, The Bureau of Labor Statistics (New York, 1968), p. 72.

costs makes the consumer price index an even more strategic bargaining criteria.

Cost-of-living indexes are computed for major cities or geographic areas of the United States. Items accounted for include food, services, durable and nondurable goods. This index provides unions with one of their major criteria for wage increases. In fact, studies indicate correlation between wage increases and increases in the cost of living.[11] Many contracts also include clauses that automatically open negotiations with changes of a given amount in the consumer price index. Even during terms of a contract, bargaining can be reopened without violation or breach of contract. Therefore, unions and management carefully consider changes in the consumer price index.

An issue in using a consumer price index is that food and rent are not necessarily good indicators as to economic productivity. Such an index may indicate an increase in wages, but the supply of goods and services may or may not be available for purchase. In addition, percentage changes in the consumer price index are difficult to equate in terms of wage increases. Cost-of-living increases seem to reflect the inflationary attitude of something for nothing. Therefore, this index has a proper role in collective bargaining, but the emphasis given to wage increases is not completely justifiable.

Ability to Pay

Ability to pay is based on profits and the character of

11/Bloom and Northrup, op. cit., p. 393.

competition in the market. Such a criterion, as ability to pay, is the least justifiable in wage settlements. The time period of assessment is difficult to determine. Industries may consider expenditures over a five year program, whereas union officials may be more concerned with next year's union election. Nevertheless, this guideline is used in contract negotiations. For example, "the United States Supreme Court has ruled in the case of a dispute between the Truitt Manufacturing Company and a steelworkers' union that a refusal by an employer to substantiate a claim of inability to pay increased wages may support a finding of failure to bargain in good faith."[12]

It is difficult for even management to determine the ability to pay for wage increases. The rate of return on investment, which the company is entitled to, will affect the ability to pay wages. A fair rate of return presents serious problems in definition. Furthermore, management is reluctant to make records open to union inspection for various reasons. Consequently, data concerning a firm's financial status is sketchy. Union officials do not have enough information to project a firm's ability to pay.

The differences in parties during negotiations may be in alternative meanings and measurements. Criteria for wage determination have no exact standard. Therefore, management and union must bargain in good faith to determine equitable settlements. Nevertheless, criteria for wage settlements should rely on productivity and cost-of-living increases.

12/Bloom and Northrup, op. cit., p. 395.

These guidelines provide a better measure for wage increases. Productivity indexes allow for wage increases to be noninflationary in nature. Also, the consumer price index considers what workers must pay in order to buy necessary goods. Consequently, government policy could regulate wage settlements as to productivity for inflationary considerations or cost-of-living increases for a more equitable distribution of income. In addition, productivity guidelines could determine which wage increases are excessive. However, the need is for development of better criteria for wage settlements. Government interference is necessary to protect public interest.

Another aspect of wage settlements are the differences in union and nonunion wages. The following discussion will be concerned with union impact on wages.

Union and Nonunion Wages

The existence of labor unions has influenced all wages. That is, unionization tends to raise the level of all wages. Nonunion firms, in order to keep workers, gear their wages toward acceptable levels. In addition, nonunion firms seek to prevent unionism of their plants by following patterns set by unions. Employers have formed associations such as A.B.C. (American Builders and Contractors) to regulate terms of employment for their employees. Consequently, union impact on wages consists of many variables. The isolation of particular variables is difficult to determine. Thus, this discussion will concern broad effects of unionism on nonunion wage structure.

Increased productivity sets a ceiling on the increases of real wages. In organized markets, for instance, it is frequently asserted that wages are directly determined within upper and lower limits by bargaining power and marginal productivity.[13] Union wage policy, which is to promote the economic welfare of the membership, is thus restricted by economic reasons. Consequently, union wage policy is directed at shortening the time lag between management's willingness to pay, and the time the market makes him pay more. Union wage policy, nevertheless, involves politics. Union officials must have wage bargains that will satisfy the people who must be satisfied. Income maximizing, in other words, may not be the objective. The consideration frequently is to get an acceptable contract. For example, union contracts may call for additional fringe benefits, such as, pension plans instead of large wage increases. Workers regard these fringe benefit plans as acceptable means of payment. Consequently, unions influence the form of payments in terms of layoffs, overtime, severance pay, grievance procedures, profit sharing, insurance, medical care, sick leave, paid vacations, welfare, and pension plans. Most if not all of these are found in nonunion labor groups.

A second influence of labor unionism is in the orderliness and consistency in plant wage relationships. Nonunion wages are higher in some instances than union wages. However, union wages, as a group, tend to be higher than nonunion wages. For example, in the majority of

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13/Bakke, Kerr, and Anrod, Unions, Management and the Public (New York, 1967), p. 518.

cases, the median earnings of union year-round, full-time workers were higher than those of nonunion year-round, full-time workers ($6,824 to $5,705).[14] Wages also tend to be higher in highly unionized industries than in "non-unionized" industries. Workers in unionized industries receive wage increases slightly sooner than their nonunion counterparts.

The earnings of labor union members are estimated (H. Gregg Lewis) to be from ten to fifteen percent higher in unionized industries in relation to nonunion workers. One can expect wages on the average to be higher than nonunion wages. For instance, labor union members have higher median earnings than their nonunion counterparts working in similar occupations with the same industry groups.[15] Obviously, unions have the effect of pressuring wage increases.

<u>Labor Unions and Industry Influence on Wages</u>

Labor union structure is similar to that of industry. In addition, labor unions and industry are the main determiners of wage increases. The relationship between unionization and industrial concentrations has promoted several studies as to their impact on wages. The following discussion examines labor union and industry structure with respect to wage rates.

Several studies have concluded that, on the basis of an examination of available empirical evidence, at least for certain time periods

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14/ U.S. Department of Commerce, Bureau of the Census, <u>Populations Characteristics: Labor Union Membership in 1966</u> (Washington, D.C., 1971), p. 1.

15/ Ibid., p. 3.

and industrial sectors, a greater rate of increase in wages has been strongly correlated with these three variables: (1) strong union, (2) high degree of monopoly and (3) high profits.[16] The industrial sector studies deal with wages in manufacturing industries. A relatively strong union is associated with a large proportion of production workers covered by collective agreements. The second variable (high degree of monopoly power) is measured by concentration ratios based on the value of shipments. The degree of monopoly power can further be seen in high profit rates. The third correlated variable measures corporate profits before taxes. A conclusion of these studies was that attempts to isolate the separate effects of each variable on wages by multiple regression techniques have not been helpful; this failure has been due to the high degree of intercorrelation among the variables themselves.[17]

However, Albert Rees suggests that data for the whole economy would be much less likely to show strong association between unionization, and enterprise monopoly and wage increases. In other words, including non-manufacturing industries, such as transportation, utilities, services, finance, construction, trade, government, mining, and agriculture, would result in either insignificant or slightly negative correlation. Some research findings suggest such conclusions are found when analyzing the whole economy.

16/ Richard Rowan, ed., "Unionism, Concentration, and Wage Changes: Toward a Unified Theory," Readings in Labor Economics and Labor Relations, 1972, p. 454.

17/ Ibid., p. 455.

Consequently, findings suggest that the unionism-concentration relationship relates only to the manufacturing sector. This results from using data from two different markets; a manufacturing sector of concentration relation is much less prevalent in the non-manufacturing sectors and that wage increases in strongly unionized, highly competitive non-manufacturing industries are at least as great as those in the strongly unionized, oligopolistic manufacturing sectors.[18] Therefore, this explanation would help resolve some differences in theories. For example, non-manufacturing firms, because of the physical limits within which new entrants can effectively produce, allow labor unions key areas or cities of organization. Unions, once organized, can effectively bargain with competitive firms. Industries, such as transportation and maritime, create environments favorable for collective bargaining.

INFLATION

Problems of inflation are becoming more acute as the age of scarcity is becoming a reality. For example, "The over-all wholesale price index for August, 1973, increased 5.8 percent on an unadjusted basis and 6.2 percent after being adjusted for seasonal variation; it was not a record, but was the biggest single monthly increase since 1946."[19] No longer can the United States or other industrial nations count on cheap resources from underdeveloped nations. Inflationary difficulties have also been reflected with the consumer price index

18/Ibid., p. 460.

19/Sioux Falls Argus Leader, September 8, 1973.

rising 8 percent in 1973. A better understanding of inflation can also be gained by looking at the industrial component of wholesale prices. It is "more significant as an index of the underlying inflationary trend because it is little influenced by short-run supply fluctuation."[20] At any rate, inflation has become a major problem in the effort to maintain our economic stability.

The next sections will discuss cost-push inflation and how it relates to government policy. The Kennedy and Nixon administrations will be briefly reviewed to provide insights about the problems of fighting inflation.

Cost-Push Inflation

Labor unions' effects on consumer prices have been often referred to as cost-push inflation. Cost-push inflation in turn is translated into the layman's wage-price spiral. This spiral has been in nearly continuous conflict with the national goal of price stability. In a dynamic economy with an aggressive labor movement "many economists believe that persistent union pressure for high wages must in the long run produce either unemployment or continuing inflation."[21] If management and labor seek to maintain their relative share of wages and profits, considerable pressure on prices is the result. For example, management can grant wage increases due to increases in productivity. However, wage increases beyond gains in productivity present a dilemma

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20/ Economic Report of the President (Washington, 1972), p. 43.

21/ Bloom and Northrup, op. cit., p. 525.

to management. The alternative to management's increase in unit labor costs is to automate production or to lower costs through other means. Consequently, production is increased and prices and profits remain relatively stable. Workers also have more money to buy the additional output. Nevertheless, a critical limit is reached when wage increases produce price increases. From this point on creeping inflation or the wage-price spiral becomes a reality. In short, wage increases influence employers to raise prices in order to maintain profits. Unions, because of increased prices, demand additional wage increases. Thus, the cycle repeats itself.

Workers no longer need to have strategic or technically key jobs in order to secure wage increases, rather the major factor is the degree of unionization of particular workers. Countervailing power becomes an important aspect in union versus industry wage bargaining. Differences in industrial and union structure determine at least in part the major roles each will play in wage increases. For instance, a modern theory of wages, which recognizes the power in the hands of groups of laborers by direct action to raise their money incomes, permits recognition of the possible role played by organized labor in the inflationary process.[22]

Labor unions, through annual improvement factors and cost-of-living provisions, tend to feed monetary and fiscal inflation. The annual improvement factors that stem from increased productivity over the whole economy should be received by all industrial sectors.

22/ Edward Chamberlin, The Economic Analysis of Labor Union Power (Washington, 1963), p. 27.

Industries, however, should not be geared to a simple fixed formula. Wages should be flexible among industries based on productivity changes. A fixed annual wage increase would prevent industries from expanding and contracting in order to meet changing labor demands. The following excerpt adds support to the above recommendation: "general wage adjustments of a uniform amount tend to attach an unduly large amount of labor to declining industries and make it more difficult for expanding industries to obtain labor."[23]

Another factor increasing wages is the cost of living provisions. Automatic cost of living increases, because of changes in the consumer price index, prevent any time lag in wage increases. Thus, wage and price increases can feed each other in the form of a wage-price spiral.

An argument can be presented for non-inflationary wage behavior which calls for wage increases to equal the trend rate in productivity. For example, a 3.5 percent trend rate of productivity would allow wages to increase the same amount in order to consume available goods. The following discussion will proceed to evaluate an aspect of this argument. Table 19 presents the empirical data for discussion. From the table one can conclude the following:

23/Bloom and Northrup, op. cit., p. 399.

Table 19. Productivity and Wages.

Criteria	Percentage Change 1960-64	1965-67
Output per man-hour	16.6	7.8
Compensation per man-hour	18.3	17.8
Labor costs per unit of output	1.5	9.4
Wholesale price index	-0.2	5.6
Consumer price index	4.9	7.6

Source: Ewan Clague, The Bureau of Labor Statistics (New York, 1968), p. 121.

> It is evident that for the period 1960-64, the annual gains in personal compensation remained within a reasonable range for the annual increases in productivity. . . .However, as the nation approached full employment in 1965-67, the annual gains in compensation rose faster, while productivity increases slackened. Over the three years, compensation rose twice as much as productivity. Both price indexes responded by rising sharply.[24]

According to this evidence, inflation appears to be caused by wage increases that have surpassed productivity, but this interpretation needs some clarification. Output per man hour is computed using a base year for constant dollar value of goods and services. However, compensation per man-hour does not represent real earnings received by workers. Real average hourly earnings would be more appropriate. Excess demand can be caused by government spending or by foreign demand. A study must be done for particular industries to see the impact of wage increases on prices.

24/Ewan Clague, op. cit., p. 121.

Another factor influencing inflation is labor union attitude toward wage cuts. Union policy is quite inflexible as far as any downward movement in wages. "A basic reason for union opposition to wage reductions is that there is no assurance that a given change in wages will be associated with a corresponding change in labor cost, or with any predictable change in costs of prices."[25] Union policy is that productivity gains will not be passed on in the form of lower prices. Consequently, workers expect wage increases regardless of economic conditions. Also, union officials that accept wage decreases face political disaster for themselves. Therefore, wage rates are typically rigid rather than flexible.[26] Next year's election could hinge on contract results.

Government Inflation Policy

Wage-price guidelines were used under the Kennedy Administration. Policies called for non-inflationary wage behavior to equal the productivity increase based on voluntary compliance of industry and labor. Under these policies an industry with rising productivity and constant costs was shown to have "excessive" profits. Thus these guidelines called for a price decrease of that particular product.

Voluntary wage-price guidelines were administered from 1960 to 1963. The Kennedy Administration argued with unions and industries to

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25/ Bloom and Northrup, op. cit., p. 399.

26/ Richard Rowan, ed., Readings in Labor Economics and Labor Relations (Illinois, 1968), p. 438.

exercise restraint in order for these guideposts to become effective. The voluntary policy was partially successful in retarding inflation according to some experts; however, a national trend of output per man-hour is not the productivity trend in a particular firm or industry. Consequently, the guideposts were too general in their application. Unions complained that nonunion workers were not following such guidelines; as a result, union members were being denied equal wage increases because of their union memberships. In addition, unions stated that firms had excessive profits and were not lowering prices. Labor unions further argued that stabilization controls were not even-handed and that all costs, prices, profits, rents, and executive compensation, as well as the wages and salaries of employees, should be regulated. As a result, neither unions nor industries practiced restraint in following the guidelines. Clearly the approach of voluntary restraint was effective for only a limited duration.

President Nixon, under the Economic Stabilization Act, worked for compliance to wage-price controls. The administration recognized the importance of enforcing wage-price controls. However, the effectiveness of Nixon's comprehensive controls is somewhat questionable. The first two wage-price control phases appeared to retard the inflationary psychology of the market. Labor unions suggested that these controls were lacking in enforcement, in application, and in reducing inflationary pressures. Administration of wage-price control over large industrial sectors is in itself a difficult problem. Consequently, enforcement of wage-price controls over nonunion wages in our economy

was especially arduous. Negotiations of nonunion wages, because of the smaller number of workers involved, did not receive sufficient regulation. For instance, labor unions wanted a study to be done on nonunion wages in the construction industry because union officials felt that such wage increases were not within the guidelines. Labor unions also indicated their disapproval in the application of wage-price controls. The argument was that controls over industry prices and profits allowed greater flexibility. In addition, labor unions saw no retarding of pent-up inflationary pressures. Union workers were receiving less pay, and prices nevertheless kept increasing. The argument was that wage-price controls had little effect on controlling inflation. Consequently, industrial and union dissatisfaction with present controls seems to dictate that such policy will play a subordinate role in economic stabilization.

John K. Galbraith suggests that wage increases that are held to require a price increase might be subject to ratification by a public tribunal or by a board on which representatives of management, labor, and the public participate. In other words, a study is needed to determine the impact of wage increases on prices. Evidence suggests that future policy may rely on such a procedure. "The cost of living council is already negotiating with outside economic consultants to develop an input-output model that would show the impact of wage and price changes, industry by industry and would also trace the impact of a particular price hike on over-all price indexes."[27]

27/Business Week, September 15, 1973, p. 55.

Another possibility available to aid government in dealing with inflation policy would be structure and conduct considerations for industry and labor unions. If labor unions and industry cannot help in solving inflation, competition may have to be fostered through application of antitrust laws or other means. Changes in labor union structure have an impact on bargaining relationships with industry. The balance of market power necessary between labor unions and industry for competition is extremely complex. The provisions developed for antitrust for labor unions would have to be selective in order to create the desired competition. Consequently, the government is reluctant to use antitrust policy on a general basis. Thus a better policy would be to use labor unions and industry as economic planners in government. Once the structure and conduct of industry and labor unions are understood, government can direct its attention towards achieving desirable public goals.

Labor unions' role with respect to the problem of inflation has been discussed. Certain labor union restrictive practices were found to influence economic efficiency and thus such practices can result in cost-push inflation. Attention will now be centered on union policy factors that influence economic efficiency.

EFFICIENCY

Labor union policy concerning employment conditions such as layoffs, overtime, grievance procedures, seniority and automation affect a firm's productivity. Two union policy factors are seniority and automation. These will be analyzed in regard to productivity.

Unions favor seniority for workers because of the security provided by such an agreement. "To workers, one of the most significant contributions of unions has been the improvement of working rules, protection from employer dictation and an increase in security."[28] Workers, due to their time investment which cannot be replaced, feel that a vested interest is acquired in their job rights. Arbitrary notions of management do not dictate rights over a person's job. Workers with the longest service do have greater equity in any job layoff or termination. Many factors are cited in advocating seniority considerations. For instance, an improved working force can be equated with job security. A worker can be relieved of the constant pressure surrounding his job performance. Seniority also aids in preventing rapid turnover of workers because alternative jobs may not offer seniority rights equivalent to their present job.

Business firms, nevertheless, take a different approach to seniority clauses. Management views seniority provisions as limiting its right to manage vital aspects concerning production. Heavy emphasis on seniority, argues management, will not only reduce efficiency but also labor mobility. The philosophy of management is that seniority over values experience and creates an older work force. This older work force tends toward mediocrity because of job security provided by length of service. For instance, union controls over hirings, layoffs, and promotion by seniority tend to establish a complacent work force that

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28/ Robinson, Morton, and Calderwood, op. cit., p. 94.

does not adjust to technological changes.

Unions and management have different opinions concerning seniority. The extreme philosophies are not typical of either party, management may strongly support seniority under certain circumstances, whereas young union workers may be highly critical of any seniority system.

The difficulty in seniority rights is in their degree of application. Management and unions basically support seniority provisions. Competitive seniority seems to satisfy most parties involved in such an agreement. Competitive seniority provides for promotions for workers within a given range of on the job service which makes the degree of seniority more elastic than in such areas as job layoffs and recall. Furthermore, questions dealing with specifics of seniority in such items as plantwide or department seniority must be decided at a local level given conditions of employment.

Seniority may adversely influence productivity in that promotions may not always be received by the most productive workers. However, management, labor unions, and workers generally support seniority provisions based on sociological and humanitarian grounds as well as economic grounds.

Automation

Automation can be regarded as a cause of structural unemployment. Technical innovation demands skill changes among the labor force and reduces certain jobs by replacing man with machine. Advantages of automation center around the production of goods and services. This

can be done with greater speed, quality, and quantity. The conflict involves what role workers should then perform in the production process. George Meany, president of the AFL-CIO, warned his constituents: Automation can be a blessing or it can be a curse. . . there is no longer any question in my mind as to the direction in which automation is going today. It is rapidly becoming a real curse to this society.

Management, however, views technological changes as providing a better quality of life for everyone by increasing the quality and quantity of goods and services. Factory producers see "the second industrial revolution" revealing itself to the market system. Electronic and mechanical devices are expanding in fantastic numbers in order to compete with an ever increasing demand. Human observation, decision and effort are being done with new technological products. Managements' impression is that restrictive work practices and resistance to automation hinders industry production.

Labor union officials nevertheless take a more humanistic philosophy toward the trauma faced by workers who can no longer be employed in their vested skills. Labor unions demand that any reduction of jobs be done with satisfactory terms for the worker. Conflict is most usually noted when automation destroys jobs held by workers. For example, a General Motor's Assembly Division (GMAD) eliminated 400 hourly jobs at the Norwood facility. "The company denied there was any speedup, saying that unnecessary duplication was all that was eliminated."[29]

29/ U.S. News & World Report "After GM's Longest Strike, Clues to Union's '73 Goals," October 9, 1972, p. 104.

The strike lasted 174 days before substantive issues, such as reduced work force while maintaining production-line speed, were finally settled.

Both management and labor unions want automation's adjustments made without serious harm to the workers' welfare. Several means have been jointly developed to achieve satisfactory agreements. Stability for the worker has been provided by retraining or pension programs. Funds have been allotted to retrain or provide retirement pay for workers. For example, longshoremen and mine workers have been greatly affected by automation. Different jobs were eliminated because of new machinery and in many cases, funds allotted to gradual job reductions were never used because of job transfers or early retirements.

Union and industry working together provide a necessary stability to the automation problem. The loss due to financing gradual job reductions does, however, have social values derived from such an agreement. For men and women to have meaning in life, there must always be useful things to be done. Our economic system provides tax breaks for capital depletion allowances but allows for no human depletion allowance.

<u>Productivity</u>

The role played by labor unions to increase productivity is important. Better working conditions have been shown to be complimentary in increasing labor productivity. Real increases in productivity have resulted from inventions and applications of large amounts of capital per employee. Consequently, the reasoning that labor unions apply incentives for employers to make maximum use of the capital cannot

Table 20. National Income Share by Functional Class.

Functional Class	(Percentages of National Income) 1929	1960
Employee compensation	58	70
Corporate profits	12	11
Unincorporated enterprises	17	12
Interest and rents	13	7

Source: Sanford Cohen, Labor in the United States (Ohio, 1970), p. 397.

Labor unions and industry have been able to maintain their respective shares of national income. Unions have not increased their share of national income at the expense of corporate profits. The gains of labor have been due to a declining role of unincorporated enterprises. Part of the significant change has occurred because of a decline in the number of farm enterprises. In contrast, expanding government employment has provided additional jobs to alleviate employment problems. Various union benefits, however, are not fully reflected in statistics of national income payments.[31] Employee benefits, such as paid vacations, overtime, and sick leave, are some fringe benefits not accounted for in the share of national income payments. Consequently, other studies indicate that "the real wage rate of labor has tended to rise faster than the rate of growth in productivity, and the relative share of labor in national income has risen at the expense of capital."[32]

31/Bloom and Northrup, op. cit., p. 509.

32/Bloom and Northrup, op. cit., p. 509.

While no definite conclusions can be reached, labor unions seem to have an influence on shortening the time period for wage increases.

PERFORMANCE SUMMARY

Market performance of American labor unions was studied by examining market structure and conduct which add to or detract from desired public performance goals. Various labor union characteristics had different impacts on efficiency, employment, price stability, income distribution and other public goals.

Discussions in labor organizations now point toward the desire to eliminate strikes. George Meany (AFL-CIO) and I.W. Abel (Steelworkers) are working for alternatives to costly strikes. Other union officials also have joined in these efforts but most proposals create no new approaches that significantly alter or improve on our blatant strike prone industries. Labor unions not only want to end strikes to meet public goals but because strikes have also become too expensive for all parties. National concentrated labor unions such as exhibited in manufacturing industries provide some assistance to the effort of developing alternatives to strikes. Little evidence is provided, however, that concentrated unions are seeking strike alternatives in a greater proportion than lesser contracted labor unions. The no-strike agreement, for instance, originated in the furniture industry where union membership represents only about 25 percent of the total employment.

Labor unions have various criteria for wage settlements. Large unions have escalator clauses which provide for wage increases due

to changes in the consumer price index. Persistent increases of wages due to such agreements seem to signal that inflationary pressures are continually being fueled. The problem is that "there are no general principles determining how large the (wage) demands should be at a particular time, or what should be their specific character."[33] Thus present criteria for wage settlements needs a new approach or more consistent guidelines.

Labor union market structure is such that an estimated 150,000 collective bargaining agreements are in effect in the United States; of these, about twenty unions are responsible for three quarters of them.[34] Recent application of wage-price controls under President Nixon reveals that labor unions were within the prescribed policy requirements. Also, few major strikes occurred during the process. Concentrated labor unions followed guidelines even if serious disagreements were present. Apparently labor organizations can help price stability given proper regulations. Large national unions provide for the structure necessary to implement and control wage increases among union workers.

Union practices involving seniority and automation influence efficiency of industries. Some indications have been given that restrictive work practices do hinder productivity. The workers hardest hit by automation are blue collar workers who are highly unionized.

33/ Lloyd Reynolds, op. cit., p. 381.

34/ Bloom and Northrup, op. cit., p. 390.

This sets the stage for possible strikes in areas such as auto production because of management decisions to automate. One would therefore suspect that efficiency is more curtailed in manufacturing industries which have highly unionized workers.

Distribution of income is a concern of everyone. Labor unions have sought to achieve wage gains for their members without enough regard to employment considerations. The pressure has been on union officials to achieve wage gains without adequate concern with public goals, such as employment. Several studies have indicated a relationship between unionization and industrial concentrations. However, the major influence of labor unions has been to increase all wages. One would suspect a greater union influence on wages, but studies have been conflicting in nature and consequently indecisive in their conclusions.

Descriptions were given that would enhance or achieve public goals by labor unions. For example, regulatory commissions, special legislation, and antitrust laws work to provide for changes in market performance. "Once we know how these pressures on structure and conduct are likely to affect performance, we have a basis for testing the wisdom of these policies and suggesting possible reforms."[35] The objective is to improve actual market performance by determining optimum potential performance with respect to achieving public goals.

Antitrust policy was recommended as a latter choice for

35/Richard Caves, American Industry: Structure, Conduct, Performance (New Jersey, 1967), p. 97.

performance goals because labor unions would be organized in a different manner. The break-up of national unions through implementation of antitrust laws against union shop clauses would prevent labor a sufficient organization to bargain with large industry. The entry of new national unions might, however, provide competition that may or may not be beneficial to public goals. The idea being stressed is to use labor union structure and regulate conduct to meet performance goals. If such a procedure fails, the alternative may be to use antitrust to limit national unions in negotiating contracts that involve a high proportion of the total industrial work force or unions that are in conflict with competitive industrial aspects. The difficulty in determining criteria for labor union antitrust policy is the major factor against its application.

In summary, the economic performance of labor unions can be assessed from several different points of view. As stated earlier, however, industrial organization theory tends to measure economic performance on the basis of national economic goals that are in the interest of promoting the general welfare of the public. This objective is centered on preserving competition; however, competition between unions and industry should not be at the expense of public welfare in the form of costly strikes and other behavior practices that misallocate resources. A balance-of-power fostered by the market and/or voluntary efforts where possible should be governmental policy. However, where competition is not possible by such procedures, other means must be developed to insure the public welfare. Consequently, government needs to strengthen its

regulatory procedure in certain functions with performance goals made more clear and a more satisfactory definition of regulating such standards.

Labor unions operate under a certain type of structure. Government can identify where competition is reduced between unions and industry. Thus, identification of the problem area should be a goal of government policy. Competition may then be strengthened by various means such as a general antitrust policy. However, this antitrust policy should be considered as a latter alternative.

Another area of governmental concern is labor unions and industrial conduct. Competition in the form of costly strikes is not necessary. Once the specific strike prone sectors are located, strike alternatives can be developed for the interested parties. This would enhance collective bargaining and also national economic goals. Government must deal with institutions such as labor unions and industry in order to implement economic goals.

CHAPTER V

SUMMARY

This research paper has analyzed some factors dealing with labor unions' structure, conduct, and performance. Changing economic conditions have brought about concentrated unions. Concentrated labor unions have different policy options available compared to a less "concentrated" union. Large labor unions have certain types of conduct which may or may not be beneficial to public goals. The Labor unions have a substantial economic role in our market system. Analysis of this role with respect to economic performance provides a base for identifying problem areas and recommending improvements. Specific findings of this study about American labor unions include the following in regards to unions' structure, conduct, and performances:

1. Union membership has declined as a proportion of the total labor force.

2. There is an increasing proportion of blue collar workers under collective bargaining agreements and union control.

3. National labor unions have significant control over locals in multiunit bargaining procedures.

4. Strikes have involved greater costs even though the percentage of total working time lost due to strikes has decreased.

5. National union finances are being spent in large amounts for political purposes.

6. Legal limitations have prevented regulating labor unions by antitrust laws.

7. Differing degrees of union power have been exhibited in various industrial sectors.

8. A greater governmental role is necessary in wage settlements and strike alternatives.

9. Conflicts exist between government goals of controlling inflation, employment, and a free labor market.

Government has, to a large extent, allowed the labor market to secure its own balance-of-power for peaceful industrial relations. The proposition developed by John Kenneth Galbraith is that, in the economy, there is not much competition, but that, as a monopoly threatens to grow, it is limited by the development of a countervailing power. In other words, big business leads to big labor unions to offset each others power. Thus, big business and labor unions provide for competition in the labor market. However, government must insure that the public is being represented in bargaining agreements. High wages and costs must not be continuously passed on to the public in a form of higher prices without regards to inflation. Strikes are too costly in terms of benefits lost.

The opportunity costs that would have been derived from employment of a factor of production is lost due to strikes. A factor such as labor withheld from the market can never be regained. Government has a sufficient interest to implement "Med-Arb" of the Federal Mediation Service. Studies are being done to see the impact of particular wage increases on prices. Consequently, government can provide mediation assistance in wage determination to industries which do not comply with inflation policy. The next paragraphs will examine where countervailing power fostered by the market does not meet public goals but results in work stoppages.

Work stoppages that inconvenience the public bring forth outcries for antitrust laws. However, major strikes occur in manufacturing industries due to the balance-of-power policy promoted by the market. For example, manufacturing sectors are associated with concentrated unions and firms. The competition between them in collective bargaining can be such that both union and firms strongly resist any demands. Consequently, the balance-of-power policy provides for equity in bargaining but at the expense of strikes. Therefore, a re-examination of labor and industry policy is necessary.

An approach to changing the balance of power between union and firms is the application of antitrust laws. This would prevent unions from consolidating into fewer and larger unions. Recent attempts to unite the bulk of telephone and postal employees into one unit of more than 800,000 members might be prevented because of antitrust implications. However, legislative acts and Supreme Court cases reveal strict limitations to any antitrust applications to unions. The basic premise is that large unions are so greatly integrated into our economic system that concentrated unions are necessary for the labor morket to operate successfully.

Furthermore, any application of antitrust can be too inclusive. Each industry is unique as to the unions. A break-up of unions in manufacturing will prevent prolonged strikes. However, unions cannot effectively negotiate with large manufacturing firms unless unions possess a concentrated bargaining organization. Labor unions must be able to subsidize a worker's income in case of a strike; workers must be able to meet their expenditures for food, housing, and other necessitites.

Consequently, tremendous expenditures are necessary in order to maintain families. The size of a worker's income is much larger now. Therefore, unions need a substantial organization to finance a possible strike. Antitrust would result in fewer strikes at the expense of workers.

Clearly, the impact of antitrust policy will vary among different unions. Non-manufacturing sectors in which union workers have as high or higher wage increases than manufacturing workers will affect their respective firms differently. Greater competition in non-manufacturing sectors between union and firms may result in more strikes. The change in union structure has multiple effects on the market. Industry then has different degrees of bargaining power in dealing with national unions.

Government control nevertheless seems inevitable as unions grow and expand their economic powers. "The approach utilizing specific laws or sections, or sections thereof, to attack specific union abuses will be seen to be more satisfactory than would a generalized approach through the antitrust law."[36] Such a procedure allows government the opportunity to approach unions on a case-by-case basis. Moreover, government goals can be assessed as to restrictive work practices, employment, strikes, or inflation considerations. Consequently, government policy which guides union and firm performance yields a more acceptable program because both labor and management find such a proposal

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36/ Bloom and Northrup, Economics of Labor Relations (Illinois, 1965), p. 284.

acceptable.

Thus, government policy directed toward inflation can be specific in its application. Certain sectors such as non-manufacturing and non-durable goods can be monitored as to the impact of wage increases on prices. Also, price increases and their effect on various indexes in these sectors provide valuable information as to inflation. The problem is, however, to maintain high employment, stable prices, and a free labor market. These goals conflict with each other. A labor market without governmental control over wages and prices results in difficulties in maintaining price rises. Any wage-price guidelines, on the other hand, would cause problems in regulating. A new government agency organizing economic departments under a centralized system is needed. This agency would provide coordination in economic policy rather than the patchwork system which is now being administered.

Union and industry consequently spend millions of dollars to elect their candidates to influence government policy. Union interest in political decisions stems from its obligations to its workers. For example, the union philosophy is that depreciation of the human machine should be accomplished similarly to the depreciation of capital equipment. In other words, health, retirement, and vacation programs should allow for expenditures in amortizing human cost in a manner similar to capital costs. The problem is whether industry or government will provide this type of coverage. Industrial programs are lacking in their coverage of workers. Some workers have excellent programs, while other workers lack necessary coverages. The national government could provide

a better base for a complete system covering all circumstances. However, governmental expansion into social programs creates problems. Government increases in spending will eventually lead to rising taxes and greater bureaucracy. Government will also face a growing intervention by labor unions into politics to influence programs beneficial to their workers. In other words, government involvement in workers' welfare programs will necessitate more political activities by unions. The spending by unions for political candidates already confirms the growing role of unions in politics. Yet, a recent Gallup Poll suggests that people want independent financing of presidential and congressional candidates. People want the political system separated from direct spending of large unions and firms. This conflict of values could clearly affect union influence in the political environment.

This study has identified some key labor union characteristics that influence the operation of our market economy. Labor union structure, conduct, and performance were elaborated upon and explored within the limits of time and information available. While many of the conclusions and recommendations are tentative, they do point out the need for answers and further research, and raise difficult questions about our labor market system. The subject matter is a vast one and considerably more research is needed to improve our knowledge of labor unions. This study has attempted to: (1) add to that knowledge, especially from an economic point of view, and (2) apply a body of economic theory that has previously been most oriented toward analyzing industry performance.

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