

THE FUTURE OF COLLECTIVE BARGAINING AND ITS
IMPLICATIONS FOR LABOR ARBITRATION

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The labor arbitration process derives its role from the unique system of collective bargaining that has evolved in the United States since the turn of the century. While as others have noted,¹ the origins of labor arbitration can be traced back at least as far as the Anthracite Coal Commission of 1903 and the report of the Industrial Relations Commission of 1902, it was the choice of collective bargaining as the cornerstone of our national labor policy in 1935, the subsequent growth of union membership, and the endorsement of grievance arbitration by the War Labor Board that insured grievance arbitration a central role in the American industrial relations system. Indeed, it was the particular form of collective bargaining that evolved in the United States in the post 1930s that gave arbitration a more prominent and vital role in the U.S. collective bargaining system than in other countries.

To understand the future of arbitration, therefore, we need to explore two aspects of the future of collective bargaining. First, how widespread will collective bargaining be? That is, will the long period of decline in the percentage of the workforce that is unionized continue and, more importantly, will the more recent decline in the absolute number of workers covered by collective bargaining continue?² Second, will the changes in the nature of collective bargaining that have been occurring in the first half of the 1980s alter the future role and prominence of grievance arbitration?

It is these aspects of collective bargaining that will be the central focus of my remarks. Though I will, at the conclusion, also trace specific implications for grievance arbitration, these will only be my own entries in what is sure to be a much larger debate within the profession. Thus, my look to the future is intended only to frame, rather than resolve, that debate.

Economists and industrial relations specialists should approach such questions with great trepidation given their demonstrated inability to predict the future at critical junctures in the history of industrial relations. There are two reasons why it is difficult to predict the future of collective bargaining based on past trends. The first is that union growth does not generally follow a smooth incremental path. Rather new spurts in union growth tend to coincide with major shifts in (1) the economic and political and social environment, (2) changes in labor law or public policies, and (3) shifts in the strategies of unions. The second is that periods of significant turmoil or change often produce new sets of values, strategies, and practices that then evolve into new, accepted institutional arrangements. Since these are not simple incremental modifications of prior practices, they are difficult to envision or predict beforehand. Thus, economists in the early 1930s failed to anticipate the growth in union membership that erupted after passage of the National Labor Relations Act (NLRA) and the adoption of an industrial unionism strategy for organizing the mass production manufacturing industries. Similarly, no

industrial relations experts predicted the rise of public sector unionism in the 1960s that coincided with the urban social crises, the enactment of President Kennedy's Executive Order 10988 in 1962 followed by similar and stronger bargaining legislation at the state level, and the transformation of associations of public employees into full fledged collective bargaining entities.

While the record of previous predictions should give solace to those who disagree with what follows, it also would be unrealistic to ignore the trends of the past decades and expect a natural correction or resurgence of union membership and collective bargaining to occur that will stimulate renewed demand for labor arbitration in the same fashion as it evolved in the New Deal system. Instead, to gain insight into the future we need to first understand both the forces behind the erosion of coverage of collective bargaining and union membership and the pressures that are producing changes in the institutional structure and practice of collective bargaining where it continues to exist.

For the past five years our research group has been examining the changes in collective bargaining that have been taking place and working toward the development of a stronger theoretical framework capable of both understanding why these changes are occurring and what they imply for the future of U.S. industrial relations. What follows is a general summary of our conclusions and an effort to explore their implications for the future of labor arbitration.³

A Fundamental Transformation of Industrial Relations

Our central conclusion is that the New Deal industrial relations system is undergoing a fundamental transition or transformation not only as a result of the changes in the economic and political environment of the early 1980s, but also in response to the gradual buildup since the 1960s of environmental pressures and to changes in managerial strategies. By a fundamental change we mean changes which alter the roles or established patterns of behavior of labor and management within and across three different tiers or levels of industrial relations activity within the firm: (1) at the workplace, (2) at the level of collective bargaining or personnel policy making and administration, and (3) at the highest level of strategic decision making within management and labor organizations. Changes in established roles or patterns of behavior within each of these levels of activity are altering the basic principles and relationships that existed across these levels and that fit together to gave the New Deal collective bargaining system its coherence and logic. We believe that we can best understand the dynamics of industrial relations practice by examining the practices within and across these levels. Thus, I will use this framework to review briefly the evolution of the New Deal system and the recent developments which challenge it.

The Evolution of the New Deal Model

The passage of the NLRA signified the choice of the middle tier or level of our three tiered framework as the central forum

for joining and resolving the interests of management and labor. In return for preserving the rights of management to make strategic business decisions workers and unions gained the right to negotiate over the impacts of those decisions on wages, hours, and other conditions of employment. At the workplace management also retained the right to initiate action subject to the rights of workers to file a grievance to enforce management's obligation to adhere to the contract. Over time as the provisions of bargaining agreements became more complex and detailed, grievance procedures and binding arbitration became tools for unions and employers to develop uniformity and predictability in personnel administration. As well, they provided workers a channel for voicing their individual claims and problems on a day-to-day basis during the term of an agreement.

This model worked well from the 1930s through the 1960s because the principles and practices developed at each level of the system were well suited to the economic environment and to the strategic needs of management and labor. At the middle level the collective bargaining process served to "take wages out of competition" as unions organized large portions of domestic product markets and standardized wages through a combination of centralized bargaining structures and/or pattern bargaining. By relying on a general wage policy that sought to tie wages to the long-term rate of growth in productivity and increases in the cost of living, unions were able to improve the relative wages of their members and share in the benefits of an expanding

domestic economy. The annual improvement factor fashioned by the UAW was the clearest expression of the link between wages and economic growth. Thus, union strategies that increased wages through collective bargaining were compatible with their environment as long as markets continued to expand and productivity increased.

Achieving stability, predictability, and labor peace were central to the business strategies of American employers seeking to take advantage of these expanding market opportunities. At the workplace, adoption of grievance procedures ending in binding arbitration therefore served a crucial function in guaranteeing stability and labor peace during the term of the agreement. From management's perspective, the no strike guarantee and grievance arbitration were intimately intertwined. These procedures likewise served the interests of workers and unions by replacing the arbitrary and often inconsistent or discriminatory practices of supervisors with more uniform and equitable specification of individual rights and responsibilities.

While the parties to thousands of different collective bargaining relationships adapted this general model to meet their specific needs and modified it in incremental ways from the 1940s through the 1970s, these adaptations and adjustments did not (with few exceptions) fundamentally alter or challenge the underlying principles of the system. As such, these roles of the parties at the workplace, collective bargaining, and the

strategic levels of the system remained stable. Throughout this period, management maintained its essential rights to make strategic business decisions subject to their legal obligations to negotiate over wages, hours, and working conditions. Unions and companies continued to pursue wage policies that stressed comparability and standardization in order to minimize wage competition. The grievance procedure provided the means for adapting the terms of the agreement to changing conditions, to resolve differences over interpretation without resort to strikes, and to provide employees with a channel to question or challenge the administration of the contract.

The Growth of a Nonunion Alternative Model

Collective bargaining served as the major innovative force in industrial relations from the New Deal through at least the 1950s -- extending well beyond the unionized sector by what was termed the "shock effect." However, by the early 1960s a new nonunion model was beginning to emerge. Over the course of the next two decades, this model would grow and diffuse to the point that, by the 1980s, it would pose a major challenge to the New Deal collective bargaining system. This model emerged first in the newer growth industries among white collar and professional employees, but then spread to capture a high proportion of the new jobs created in sectors and occupations that had been highly unionized in previous years. While this model evolved slowly and was modified through trial and error over the course of the 1960s and 1970s, its key features involved: (1) payment of wages that were competitive in the local labor market but lower than

the standard union rate in the industry, (2) greater flexibility in the organization of work than is the case in typical labor agreements, (3) greater emphasis on individual and small group participation and communications, and (4) a stronger role for human resource management professionals at the strategic level of decision-making to both implement this new system and to take a proactive role in avoiding unionization. Interestingly, some of these non-union firms developed extensive dispute resolution systems, some of which even featured grievance arbitration.

This approach was highly successful in stopping the growth in unionization among firms intent on doing so. For example, using data from a Conference Board survey, we found that unions organized only about 15 percent of new plants opened between 1975 and 1983 by firms that had at least some or all of their production employees unionized at the beginning of this period.⁴ Furthermore, the risk of being unionized was reduced to less than one percent among firms that implemented the features of this model. As a result we estimated that the decline in union membership was twice as large in firms that adopted these policies compared to those that did not. Coinciding with the effects of these changing management strategies have been (and continue to be) structural shifts in the economy that further erode the base of unionism. Although it is difficult to provide an exact estimate of the separate or independent effects of structural (industry, occupational, regional, and demographic) change, recent estimates suggest they account for between 40 and 60 percent of the decline in

unionization since the 1950s.

The culmination these trends results in a situation in which unions are now located primarily in the oldest industries, the oldest firms competing in partially unionized industries, and the oldest facilities of partially unionized firms. Moreover, because collective bargaining continued in the 1970s to follow the patterns and wage formulas established in earlier years while the nonunion sector was growing, the union/nonunion wage differential widened, it expanded from an average of between 10 to 15 percent in the 1960s to an average of more than 20 percent in the 1970s.⁶ These differentials were even larger for fringe benefits and for entry level wage rates.⁷ Thus, the aggregate figures on private sector unionization mask the more serious situation implied by the recent trends and current distribution of union membership. Looking to the future, we expect union membership to continue for some time to come to be highly sensitive to both structural shifts in the economy and organizational restructuring and redeployment of investment dollars.

Union-Management Responses in the 1980s

While the expansion of the nonunion sector occurred gradually over the course of the 1960 to 1980 time period, it was not until the pressures of nonunion competition interacted with the deep recession of 1981-82 and the changes in the political environment of the 1980s that significant changes occurred in collective bargaining, at the workplace, and at the strategic levels of industrial relations activity in unionized

firms. Since these changes have been widely discussed elsewhere, in reviewing them here I will focus on the changes most important for consequences for the arbitration process.⁸

The most visible changes have occurred in the process and results of collective bargaining. It was the visible departures in both the process and the results of bargaining that began to appear in 1981 and gained momentum in 1982 that made the term "concession bargaining" part of our industrial relations vocabulary. These changes sparked a vigorous debate over whether these departures from the pre-1980 trends were merely temporary deviations or represented a more lasting structural shift in wage determination under collective bargaining.⁹ Our position in this debate is that a structural shift did in fact occur and that it is most pronounced and will have its longest lasting effects in those bargaining relationships where both the environment and the institutional structure and process of negotiations have changed so that unions can no longer "take wages out of competition." The most significant changes in the structure and process of bargaining include: (1) decentralization of bargaining structures in a number of industries such as coal, steel, and trucking; (2) increased variability in wage settlements across firms that had previously been tied together by intra-industry or intra-region pattern bargaining, (3) reduced influence and control over negotiations by industrial relations professionals within management and increased influence of line managers and top executives, (4) more use of direct communications from management to rank and

file workers, and (5) a reduction in the frequency and the economic returns to strikes.¹⁰

These changes in the structure and process of negotiations in turn produced a structural shift in the underlying model of wage determination. We can summarize the changes in the results of bargaining as follows: (1) the rate of wage growth under collective bargaining was reduced by between one to three percentage points per year below what it would have been had the settlement patterns of the 1960-80 time period continued, (2) the biggest departures from the pre-1980 period occurred in those relationships in which bargaining was most centralized and where pattern bargaining was most prevalent, and (3) major changes in work rules were demanded by management to increase flexibility and lower costs.¹¹ These changes are most likely to persist over time where the rise of nonunion competition from either domestic or international sources make it difficult or impossible for collective bargaining to take wages out of competition.

Along with these visible changes in collective bargaining came intensified efforts at the workplace level of industrial relations to improve productivity and product quality through greater employee participation and incremental efforts to modify work rules in ways that increase managerial flexibility in the utilization of the workforce. Although many union leaders remain skeptical about the managerial motives underlying the quality of work (QWL) movement, employee participation processes expanded in number and in scope in many union-management

relationships. Not all of these, however, have survived or continued to diffuse to include larger numbers of workers in the bargaining unit and/or the overall organization. Our conclusion, based on studies of a number of these processes,¹² is that the ones that are most likely to survive over time and make the most significant contribution to improving economic performance and employment security are ones in which (1) the participation process goes beyond narrow QWL or quality circle (QC) programs to address work rule and work organization issues that are significant barriers to improving productivity and quality, (2) and where cooperative efforts at the workplace are supported by policies and actions at the collective bargaining and strategic levels of decision making which reinforce and support the trust these processes require.

The changes introduced by the most effective workplace experiments are especially important to understand for the future of arbitration since they directly challenge the centrality of the grievance procedure as the forum for worker voice and problem solving. Most of these processes start out with language stating that they will be separate from collective bargaining, will not in any way change provisions or practices governed by the bargaining agreement, and will not interfere with the functioning of the grievance procedure. Yet we have consistently found that, over time, the most successful examples of workplace participation have expanded in scope to make changes in work organization and work rules that are covered in bargaining agreements and have introduced new means of solving

problems or conflicts that heretofore could only have been channeled through the established grievance procedure.

Moreover, one of the positive effects of a successful QWL processes is an improvement in the relationships among workers, supervisors, and managers. This often translates into a reduction in grievance rates. Finally, in its most advanced forms, as most clearly illustrated in the new Saturn agreement between General Motors and the United Automobile Workers, workplace reform can lead to a radical simplification in work rules and contractual provisions and a commitment by the parties to encourage consensus decision making rather than rely on standard rules and enforcement procedures. While grievance procedures and binding arbitration are not eliminated in these new systems, the concern for flexibility and problem solving reduce the centrality of the grievance procedure and establish alternative forums and procedures for some of their traditional functions.¹³

Changes at the strategic level of decision-making are perhaps more limited -- occurring primarily in bargaining relationships facing extreme economic pressures. Yet, where they have occurred, they represent equally fundamental departures from the principles and practices of the New Deal collective bargaining system. The common feature of changes at the strategic level is that industrial relations and human resource management considerations are now playing a more important role in strategic business decision making. In nonunion or in union settings where unions are not powerful enough to influence the

success or failure of business strategy decisions, line managers and human resource executives are central participants in decisions over issues such as investments, plant location, new technology, production sourcing or service contracting. However, in situations where unions can have a significant effect on the outcomes of these decisions or where unions perceive a major stake in these issues and are able to extract quid pro quos for cooperation at the workplace or in collective bargaining, union leaders are beginning to play a more active role at the strategic level of the firm.

These new roles vary considerably in the nature and degree of participation. Many go only as far as information sharing and consultation. In extreme crisis situations (most notably in airlines and trucking and in selected steel companies) more formal involvement is achieved through membership on boards of directors and employee stock ownership plan. Less visible, but increasingly common, are the negotiation of strategic bargains in which changes in traditional work rules or compensation arrangements are traded off for commitments to new investments in plant or equipment. Finally, a few unions and firms have begun to engage in joint strategic planning for new investments and the design of work systems in new or retrofitted facilities. The involvement of the UAW in the planning of the Saturn organization illustrates this approach. Since these developments require breaking from the managerial premise that it is solely "managements' job to manage" and from the business unionism principle that unions should avoid participating in

managerial decisions for fear of being coopted or losing touch with their rank and file, they represent another example of the fundamental changes in collective bargaining and industrial relations that labor and management have been experimenting with over the first half of this decade.

The overriding conclusion from our research on the changes that have been taking place in industrial relations within unionized relationships is that it will be extremely difficult to return to the principles and practices that lent stability to the New Deal system in the pre 1980s. The increased exposure to global and domestic competition, the changing nature of technology in the office and the factory, the increased priority firms must give to flexibility in the use of human resources and to cooperation at the workplace to achieve this flexibility will all continue to induce changes in labor-management relations. These changes will include minimizing labor costs and linking cost increases to their specific economic conditions, pressing for greater flexibility and higher commitment and cooperation from their employees, and better integrating human resource strategies to their underlying business strategies. Further, these changes will be interactive. In this context, nonunion firms and firms with only a minority of their blue collar workers organized will either maintain or intensify their union avoidance efforts. On the other hand, more highly unionized firms that cannot achieve these changes through union avoidance will need to accept a broader union role at the strategic and the workplace levels in order to gain union and rank and file

commitment to the human resource management and organizational principles needed to be competitive in today's world. Yet this will involve a narrower role for grievance arbitration.

Finally, those firms and unions that try to return to the wage, workplace, and strategic level practices of the pre 1980s in settings where they are not protected from domestic or international competition will simply experience continued shrinkage in profitability and employment. In these sites arbitration will, of course, continue its present form. But, as I detail later, the issues will become narrower and the tone more acrimonious.

Recent Trends in Arbitration Caseloads

In his recent paper presented to the mid year meetings of the National Academy of Arbitrators Jack Stieber noted that despite the decline in the percentage of the labor force that is unionized, the absolute number of labor arbitration cases filed with the American Arbitration Association (AAA) and the Federal Mediation and Conciliation Service (FMCS) has declined only slightly between 1978 and 1984.¹⁴ Data provided from both the FMCS and the Detroit region of the AAA further suggest that private sector cases are declining both as a proportion of the total cases as well as in absolute numbers while the number of public sector cases has been increasing. A slightly different pattern in case loads has been experienced in the Boston regional office of the AAA. Again, total labor case have declined only slightly between 1981 and 1985. However, while the number of private sector cases have basically held constant,

public sector cases fell off approximately twenty to thirty percent in the wake of the tax limitations imposed in 1981 on local governments in Massachusetts.¹⁵ While the public sector trends in Massachusetts may be unique circumstances of the state tax limitation (or they may provide a prediction of the effects of Gramm-Rudman budget restrictions on future caseloads in the federal sector), the relative stability of private sector cases again demonstrate that no large fall-off in caseload has yet been experienced.

Professor Stieber provides further interesting data on arbitration cases at U.S. Steel and Bethlehem Steel that show despite similar employment declines of approximately 70 percent between 1969 and 1985, the number of grievance arbitration cases has held constant at U.S. Steel compared to a 43 percent decline in the number of cases at Bethlehem Steel. Apparently, the difference in the experience of these two company continues today with U.S. Steel reporting a backlog of approximately 1,250 arbitration cases.¹⁶ The difference in the experience of these two companies illustrates two important points to which I will return to later in this paper. First, declines in unionized employment do not translate into immediate declines in the number of arbitration cases in situations where relations are highly adversarial. This has been and continues to be the case in the relationship between U.S. Steel and the United Steelworkers of America (USW). Second, those cases that go to arbitration in these types of bargaining relationships are likely to be small tactical battles in a much larger strategic

conflict over which arbitrators and the arbitration process are likely to have little influence. That is, the cases will be important for the individual grievants but are unlikely to alter the long term evolution of the bargaining relationship. Indeed, the experience of U.S. Steel and the USW may be an example of the future of grievance arbitration in bargaining relationships that experience employment declines in adversarial setting.

Data from several case studies of workplace innovations we currently have underway illustrate how both the frequency of use and the role of grievance procedures change over time in settings where workplace innovations are in place. While the case data suggest that the number of grievances and arbitration cases generally decline, the magnitude and stability of the decline depend on whether or not management and labor representatives change their collective bargaining processes and outcomes and their strategic interactions in ways that reinforce the climate of trust and cooperation emanating from the workplace. The role of the grievance procedure also becomes more circumscribed as the parties experiment with a wider variety of forums for solving workplace problems and reduce their tactical use of the grievance procedure to solve their political problems.

The general conclusions that can be drawn from these limited data on arbitration cases are that (1) there has been a slight decline in the number of private sector arbitration cases filed and decided in recent years, however, the decline in cases is less than proportional to the decline in the number of private sector union members, (2) the more adversarial the bargaining

relationship, the less the number of arbitration cases declines in response to union membership declines, and (3) the drop in private sector cases has been partially made up by a rise in public sector cases. Furthermore, where workplace innovations have been successful, grievances rates have fallen. While more comprehensive and disaggregated data are needed before any firm conclusions can be reached, the bottom line based on these data seems to be that the overall demand for grievance arbitration has declined only slightly in recent years.

Implications for the Future Role of Arbitration

These case statistics and our research suggest that the future of grievance arbitration will depend heavily on both the future scope and nature of the collective bargaining process and on how the arbitration profession chooses to adapt to these changes. As well, the future of arbitration depends on which of a number of possible scenarios dominate the future of collective bargaining. Several possible scenarios are outlined in the final chapter of our forthcoming book. Two will be discussed below in order to suggest how the future of collective bargaining will affect the role of arbitration. The first scenario assumes a continuation in the decline of union membership accompanied by an increase in the intensity of union management conflict in those settings where unions perceive serious threats to their organizational security and/or survival. The second assumes continued diffusion of the types of innovations in labor management relations discussed in this paper and a gradual movement toward their institutionalization

as ongoing features of our industrial relations system. While we recognize that both of these scenarios may occur in different bargaining relationships, the future of arbitration will be most affected by which scenario dominates.

If scenario one dominates--that is, union membership and the number of collective bargaining relationships continue their long term decline, we can expect a slow, gradual, but considerably lagged decline in the demand for arbitration. To the extent that the decline in unionization coincides, as we anticipate, with an intensification of conflict and adversarialism, the lag in the falloff in the demand for arbitration will be longer. However, the importance and the contribution of arbitration to the bargaining relationships will diminish as the central issues and conflicts that will decide the eventual fate of the employment relationship are decided either in negotiations or by higher level strategic decisions of the parties. While the tactical battles of the parties may keep some arbitrators busy, their roles will be akin to rearranging the chairs on the deck of the Titanic. To stabilize the ship much less enhance its ability to navigate through stormy seas would require fundamental shifts in the strategic direction of the parties. Arbitration was never designed nor is it capable of performing this function.

It should be noted, however, that scenario one does not predict a continual decline in unionism below 10 percent.¹⁷ Thus, the decline in the number of grievance cases should likewise not exceed more than forty percent. Most likely the

decline would be considerably less given the increases in conflict expected under this scenario. But while their caseloads may hold up, experienced arbitrators are likely to become increasingly frustrated and discouraged with their roles as they see their impact on the parties and on the bargaining relationship continue to diminish. The frustration level is likely to be highest among arbitrators most committed to clinical or problem-solving style and to the relationship building functions of the arbitration process.

If, however, the alternative scenario gains momentum and the pace of innovations in collective bargaining expands and union membership either stabilizes or grows, the potential base for arbitration will likewise be stabilized or expanded. However, if this happens arbitration is not predestined to play as central a role in collective bargaining in the future as it did in the past. Instead the needs of the parties for flexibility and adaptability will most likely produce a varied set of processes for solving problems and resolving differences or conflicts at the workplace.¹⁸ One can easily envision and predict an expansion in the demand for equally flexible third parties with multiple skills in problem solving, negotiations, mediation, strategic planning, and arbitration. Under this scenario, the eventual demand for arbitrators will depend on whether current and future members of the arbitration profession define their roles broadly enough to fill these multiple roles or leave the non-arbitration roles to the growing number of consultants and third parties trained in alternative dispute

resolution (ADR) methods. The competition for these newly emerging roles is likely to be intense given the burgeoning supply of ADR enthusiasts, QWL facilitators, and consultants. Regardless of who fills these roles, the skills required and the values implicit in them sound remarkably consistent with the conception of dispute resolution favored by permanent umpires such as the late George Taylor and others who mixed mediation and arbitration as it seemed appropriate to the problem at hand.¹⁹

Finally, although a serious analysis of their prospects and implications lie beyond the scope of this paper, one can envision a variety of legislative and/or private developments which might expand the demand for arbitrator services beyond the traditional grievance arbitration arena. For example, legislation extending bargaining rights to public employees in the southern and western states that have not enacted such laws would very likely increase the demand for grievance arbitration and perhaps for interest arbitrators as well. Enactment of federal or state legislation requiring just cause prior to dismissal that incorporated a role for private arbitration as an alternative to adjudication of claims through a public agency or the courts would likewise provide a substantial increase in the demand for arbitration services. Enactment of labor law reform with a provision for binding arbitration of first contracts would similarly provide at least marginal growth in the demand for interest arbitration.

Summary

The central message of our analysis is that if present trends in collective bargaining and union membership continue we will continue to see a slow erosion in the demand for arbitration, and a decline in its centrality and contribution to the performance of our industrial relations system. If the current innovative experiments expand, the base of collective bargaining may broaden but the demand for traditional forms of grievance arbitration will not expand as rapidly as will the demand for alternative problem solving, planning, and conflict resolution services. If the current and future generations of arbitrators are to match the contributions of their predecessors who established and built the profession, it is clear they will need to broaden and adapt their skills in ways that meet the contemporary needs of the parties. Those who adapt in this way will not only fulfill the legacy left to them by the giants of the past but will serve the industrial relations system in a way similar to the earlier generation by helping the parties to collective bargaining steer their way through this historic but exceedingly dangerous and uncertain transition.

Footnotes

1. See Neil W. Chamberlain and James W. Kuhn Collective Bargaining 3rd Edition (New York: McGraw Hill, 1985), pp.143-45.

2. As is well known, the percent of the labor force unionized has declined from a peak of approximately 35 percent in 1954 to less than 18 percent in 1985. Actual membership in unions and associations grew to a peak of 22.2 in 1975 and has since declined to 18.3 in 1984. See Leo Troy and Neil Sheflin, Union Sourcebook (West Orange, New Jersey: Industrial Relations Data Information Services, 1985), p.3-1.

3. The material summarized in this paper reflect the results of a collaborative project involving faculty and graduate students from the Industrial Relations Section at MIT. It will not be possible to review the empirical evidence or the specific research projects that form the basis for the conclusions summarized in this paper. Wherever possible, however, I will cite previously published articles or books that contain more detailed analysis of the points highlighted here. The major findings, conclusions, and implications of our work are presented in Thomas A. Kochan, Harry C. Katz, and Robert B. McKersie, The Transformation of American Industrial Relations (New York: Basic Books, forthcoming, 1986).

4. See Thomas A. Kochan, Robert B. McKersie, and John Chalykoff, "Corporate Strategy, Workplace Innovations, and Union Membership," Industrial and Labor Relations Review, 39, (July, 1986), forthcoming.

5. See Henry Farber, "The Extent of Unionism in the United States," in Thomas A. Kochan (ed), Challenges and Choices Facing American Labor (Cambridge: MIT Press, 1985), 15-44; William T. Dickens and Jonathan S. Leonard, "Accounting for the Decline in Union Membership," Industrial and Labor Relations Review, 38 (1985), 323-34. New estimates along with a comparison of estimates from previous studies are provided in William T. Dickens and Jonathan S. Leonard, "Structural Changes in Unionization: 1973-81," National Bureau of Economic Research Working Paper No. 1882, April, 1986.

6. Many studies have documented the expansion of the union/nonunion wage differential over the course of the 1970s. For a summary of the evidence see Robert J. Flanagan, "Wage Concessions and Long Term Union Wage Flexibility," Brookings Papers on Economic Activity, 1 (1984), 183-216. See also, Richard B. Freeman and James L. Medoff, What Do Unions Do? (New York: Basic Books, 1984), 52-54.

7. For a review of the evidence on fringe benefits see Freeman and Medoff, 61-64. For evidence on the union effects on entry level wages see Anil Verma, "Union and Nonunion Wages at the Firm Level: Combined Institutional and Econometric Analysis," Journal of Labor Research, forthcoming.
8. For early reviews of these developments see Harry C. Katz, "Collective Bargaining in the 1982 Bargaining Round" in Thomas A. Kochan (ed), Challenges and Choices Facing American Labor (Cambridge: MIT Press, 1984, 213-26; or Thomas A. Kochan and Robert B. McKersie, "Collective Bargaining--Pressures for Change," Sloan Management Review 24, (Summer, 1983), 59-66.
9. For a sampling of the debate see Audrey Freedman, "A Fundamental Change in Wage Bargaining," Challenge, 25, (July-August, 1982), 14-17 and John T. Dunlop, "Working Toward Consensus," Challenge, 25 (July-August, 1982), 26-34.
10. See Kochan and McKersie, "Collective Bargaining--Pressures for Change" cited in footnote 8 above. A more complete discussion is provided in Chapter 5 of our forthcoming book.
11. Case study and aggregate evidence for these structural shifts are presented in Chapter 5 of our forthcoming book. Econometric evidence using a longitudinal file of collective bargaining settlements is presented in Henry S. Farber, Beverly Hurdle, Thomas A. Kochan and Wayne Vroman, "Structural Shifts in Wage Determination under Collective Bargaining: 1958-84" Unpublished paper in progress, Sloan School of Management, MIT, May, 1986.
12. See Thomas A. Kochan, Harry C. Katz, and Nancy Mower, Worker Participation and American Unions: Threat or Opportunity? (Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research, 1984).
13. See Joel Cutcher-Gershenfeld, "New Patterns in the Resolution of Shop Floor Disputes," Paper presented at the 1985 Annual Meetings of the Society of Professionals in Dispute Resolution, Boston, Massachusetts, October 27, 1985.
14. Jack Stieber, "The Future of Grievance Arbitration," Labor Law Journal, forthcoming.
15. Data provided by Mr. Tim Ahern, Boston Regional Office of the American Arbitration Association.
16. "Bad Blood at Big Steel Could Lead to a Costly Strike," Business Week, May 19, 1986, 82-84.

17. See Freeman and Medoff, What Do Unions Do, 242.

18. For a thorough discussion of the evolution and roles of these multiple forums at the workplace see Cutcher-Gershenfeld, "New Patterns in the Resolution of Shop Floor Disputes" cited in footnote 13.

19. A vivid picture of Taylor's commitment to this approach to the arbitration process is contained in Walter J. Gershenfeld, "Early Years: Grievance Arbitration," in Edward J. Shils, Walter J. Gershenfeld, Bernard Ingster, and William M. Weinberg (eds), Industrial Peacemaker: George W. Taylor's Contribution to Collective Bargaining. (Philadelphia: University of Pennsylvania Press, 1979), 29-48.