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EPB

Tuesday, Dec. 21, 1976

8:30 a.m.

THE WHITE HOUSE

WASHINGTON

FOR EPB EXECUTIVE COMMITTEE MEMBERS

The attached materials are for your
information.

U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

December 14, 1976

MEMORANDUM FOR THE ECONOMIC POLICY BOARD

FROM: W. J. USERY, JR. *WJU*

SUBJECT: Continuing Labor-Management Initiatives

Private collective bargaining is an evolving process which generally operates best with the least amount of outside intervention. This does not mean, however, that efforts toward structural reform in especially vital or unstable industries are foreclosed to intelligent government involvement.

Two industries, the airlines industry and the coal industry, have been of particular interest to me for some time. I believe that serious industrial relations problems in both industries require continued attention by the Federal Government. The airlines are more diffused in their interests and their representation. Therefore, a consistent approach has not evolved, although various approaches have been attempted to deal with their special problems. On the other hand, the coal industry is more uniform in its labor affairs. As a consequence, a more cohesive program has been possible.

I am attaching, at Tab A, a summary of problems in the airline industry, and, at Tab B, a discussion of coal industry issues. The coal industry attachment also sets forth some principles which, in my view, are essential to continued constructive action.

Attachments

TAB A

The Airline Industry

Bargaining Structure

Collective bargaining in the airline industry is conducted on a carrier-by-carrier basis. Most airlines negotiate with about four to six unions representing the various crafts. However, there is some multi-craft bargaining where more than one craft on the same carrier is represented by the same labor organization. The primary example of such a structure is on American Airlines where the Transit Workers Union has six contracts covering different craft units.

There have been occasional efforts in the past to achieve multi-employer bargaining. Twice during the early years of the industry the carriers formed committees to make an effort in that direction but neither effort succeeded. The only union which has indicated an interest in joint bargaining has been the Machinists. In 1966, the IAMAW conducted its negotiations jointly with five carriers. However, those negotiations ended in a 43-day strike of all five carriers and no efforts have been made since that time toward multi-employer bargaining.

One factor which probably discourages the carriers from joint bargaining is the highly competitive nature among the carriers in routes, types of aircraft, and other factors which affect scheduling, pay, and fringe issues so that joint bargaining could present problems of incompatible objectives. This industry, as is true for all transportation, is vulnerable to traffic loss as a result of a work stoppage. Transportation cannot be stockpiled. In order to protect themselves against strike losses, the carriers formed the Mutual Aid Pact. The Pact provides that, in the event of a work stoppage on one of the member carriers, payments will be made to the struck carrier by the other members under a formula arrangement.

On the union side there has sometimes been an ability, through whipsawing, to obtain greater benefits in successive negotiations with various carriers. This has encouraged the labor organizations to continue to seek single carrier bargaining. Moreover, except for the flight crews and mechanics, the airlines are not yet highly organized. On Delta Airlines, only the pilots are organized. On others, although there is a greater degree of organization, union rivalry and jurisdictional disputes have tended to place a limit on the development of coordination in collective bargaining.

New Developments

Since the recent recession and the great increase in the price of fuel a number of airlines have had financial problems. The labor organizations have shown a high degree of understanding of the carriers' problems and in a number of cases have agreed to forego pay increases for a period of time to permit an airline to improve its financial situation. The carriers have responded by modifying plans to reduce employment.

Another development which indicates that relationships between the carriers and labor organizations are improving has been the recent adoption of agreements similar to the steel industry Experimental Negotiating Agreement. The Air Line Employees Association and National Airlines have signed an agreement for the next round of bargaining which specifically limits to ten the number of issues which each party may open on. They will negotiate and utilize mediation under the procedures of the Railway Labor Act, but they have agreed in advance to arbitrate any issues that they cannot resolve. The Air Line Pilots Association has negotiated a similar agreement on Braniff Airlines and is in discussions on such arrangements with several other carriers.

Both of these approaches to solving problems in the industry are encouraging evidence of good labor-management relations in the airline industry. Changes in the bargaining structure may develop over time if more units of a single carrier become organized by the same union, as they are at American Airlines, and a vertical structure of common expiration dates could be achieved. The IAMAW is the only union up to this time that has tried a horizontal structure, by establishing common expiration dates on all of the airlines whose mechanics it represents. As a result, there usually is a pattern set by the earliest settlements which establishes mechanics rates for the eight major airlines involved.

TAB B

STRUCTURE OF BARGAINING IN THE BITUMINOUS
COAL MINING INDUSTRY

Bargaining in the bituminous coal mining industry is conducted at the national level between the Bituminous Coal Operators Association (BCOA) and the United Mine Workers (UMW) with ratification by the International Executive Board and the rank-and-file of the UMW. The current contract, covering approximately 125,000 employees, will expire December 6, 1977. This contract provides the employees with a capped quarterly cost-of-living adjustment (COLA), an average daily wage of approximately \$58.00, plus health and retirement benefits financed by contributions from the employers computed on the basis of tons of coal mined and number of hours worked.

With respect to industry health, in the last 2 years employment has increased by more than 30 percent, coal prices have more than doubled, and companies are again showing profits. Two structural changes within the industry could signal a change for the future. The first is represented by the increase in strip mining from less than 20% total tonnage at the close of WW II to 55% of the 1975 total tonnage. This leads to the second point; the industry has been moving west to the northern plain states and the Rocky

Mountain States, where strip mining is the preferred technique. While 10 years ago the western mining districts accounted for only 5% of production; today they account for around 16%. The UMW and the BCOA have yet to solidify their positions in the western, stripmining sector of the industry. A possibility is the negotiation of a separate agreement covering the subbituminous coal and lignite mined in the west.

History

Labor management relations in the coal industry have been characterized by periodically intense, and sometimes violent, strike activity. The UMW has usually experienced a considerable degree of solidarity, particularly under the aegis of its former President, John L. Lewis. Even prior to his leadership, there was a history of militancy at the local level, primarily as a result of the firm resistance to organization efforts by the employers. This initial resistance to organization resulted in a high degree of worker solidarity which enabled small, local strikes to expand, oftentimes at the direction of the national office, until much of the industry was on strike. The autocratic style of Mr. Lewis, including his appointment of district officers, left the union with no real competence at the mid-line supervisory level.

Former UMW President Tony Boyle, who was responsible for the murder of his opponent, Joseph Yablonski, was ousted, and the current President, Arnold Miller, took office in an election rerun required by the Department of Labor, under the Labor-Management Reporting and Disclosure Act. At the same time some democratic reforms were instituted, including the election of district officers and ratification of contracts by the rank-and-file. Disunity within the UMW was aired during this DOL investigation of internal union practices, and factionalism continues within the union.

As a consequence of the shift toward more democratic procedures and also the lack of middle management capabilities in the UMW, the current President, Arnold Miller, has less control at the district level over such issues as, for example, the control and the spread of wild cat strikes. Mr. Miller's authority seems to have suffered a further erosion during the National Convention of the UMW in September, when the delegates voted to move the Union's scheduled December, 1977, election up to mid-June and to transfer dues collection and recordkeeping back to the districts.

Current Issues

In the course of their national negotiations, the UMW has forsworn its right to strike in return for the establishment of some relatively complicated grievance handling machinery, the final stage of which involves binding arbitration. The Union members were never particularly eager to give up their right to strike at the local level. This feeling has been exacerbated by some unfavorable judicial decisions, in particular, the Gateway Coal Company case. In that decision the Supreme Court held that the mine owner was entitled to an injunction, under Section 301 of the Labor-Management Relations Act (LMRA), despite the anti-injunction policy of the Norris-LaGuardia Act and the Union's claim that the strike was over a safety dispute which is a protected non-strike activity under Section 502 of the LMRA. Essentially, the Court felt that even if this were self-help to remedy unsafe conditions, it was still an enjoinable strike because the Union had failed to follow its own grievance procedures for determining the existence of an unsafe condition.

The Gateway Coal decision points up the need for a program that would instruct both employers and employees in the proper functioning of the complicated grievance procedures. It also demonstrates the need for mid-line supervisors who

can guarantee a smoother functioning of the grievance procedures. The Federal Mediation and Conciliation Service (FMCS) has initiated such a training program within the bituminous coal mining industry. This program is being conducted with the approval of both the UMW and the coal companies. It is hoped it can be continued and ultimately expanded to include all the bargaining units in the industry.

Continuing Initiatives

The FMCS training program is a low-key effort aimed at educating the mine workers as to their rights under the contract and as to the procedures they must follow when filing grievances; in addition, local company supervisors are being instructed in the proper handling of employee grievances. The training is conducted at the district level with FMCS first instructing a small group of union employees who then, in turn, instruct their fellow employees in the proper procedures to follow in filing grievances. In this way, the FMCS is developing a training cadre and, it is hoped, a framework of mid-line supervisors which will allow the self-perpetuation of the training program and the successful employment of the grievance procedures by the UMW.

- o It should be stressed that the FMCS program completely dissociates itself from any interference with internal union politics. It is felt that the Federal Government, or any of its agencies, have a responsibility to refrain from interference with union elections and with the private collective bargaining process as a whole. The feeling is that the prior history of government interference by injunction has created an unfavorable setting, so that any government interference now is likely to have the opposite of its intended result. Interference also could jeopardize the FMCS program. (Of course, the NLRB is involved in determining appropriate units for election purposes, the Department of Labor, under the Labor Management Reporting and Disclosure Act, investigates possibilities of Union corruption, and the FMCS mediates collective bargaining disputes, but these situations are limited and impartial.)
- o Although this training effort has met with some success, it should be recognized that it is just getting underway and that strikes in the bituminous coal mining industry remain a realistic possibility. Moreover, the June election could determine the tenor and eventual outcome of the December negotiations.

- o Machinery to anticipate and to monitor potential strikes should be developed. During the period preceding the negotiation of a new coal industry contract it would be wise to keep track of the inventories of coal in various affected industries, such as coal-generated power plants. It would seem that both the Federal Energy Administration as well as the Department of the Interior should already maintain some of this information and probably should be responsible for keeping closer tabs on coal inventories during the contract negotiations.
- o If a strike does actually occur, then its affects on the overall economy should be monitored. The Department of Commerce competently performed such a role during the United Auto Workers strike of the Ford Motor Company.
- o Finally, the available options for responding to a strike should be assessed both in anticipation of, and during, an actual strike.

Through the efforts of the FMCS greater reason can be brought to the relationship between Labor and Management in the coal industry. Similarly, effective monitoring machinery can bring greater realism to the Government's understanding of and response to strikes in the Bituminous Coal Mining industry.

EYES ONLY

MINUTES OF THE
ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

December 17, 1976

Attendees: Messrs. Seidman, Lynn, Greenspan, Dixon, Zarb, Rogers,
Malkiel, Penner, Jones, Porter, Vetter, Kobelinski,
Droitsch, Kearney

1. Extension of the Council on Wage and Price Stability

The Executive Committee reviewed a memorandum prepared by the Office of Management and Budget on "Extension of the Council on Wage and Price Stability." The discussion focused on the need for a decision regarding extension of the Council on Wage and Price Stability beyond the current termination date of September 30, 1977, for purposes of inclusion in the 1978 budget and the appropriate length of such an extension.

Decision

The Executive Committee approved recommending extension of the Council on Wage and Price Stability for 2 years with no changes in its substantive authority or responsibility.

2. Economic Outlook

The Executive Committee reviewed the economic outlook, noting several recent favorable developments including increases in retail sales, industrial production, personal income, and housing starts. The discussion focused on the fourth quarter flash figures for real GNP, the GNP deflator and final sales and the assumptions that the Executive Committee should recommend for purposes of the 1978 budget. The discussion emphasized that the assumptions for use in the budget should be predicated on our best estimate of the level of economic activity if the President's policies as outlined in the budget were implemented.

Decision

OMB and CEA will jointly prepare a paper reflecting the Executive Committee discussion for consideration at tomorrow's meeting with the President.

EYES ONLY