Tripartite Wage Stabilization
in the Food Industry

by

Albert Rees
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There has long been difference of opinion and diversity of practice on the question whether wage stabilization programs should be administered by an all-public agency or by a tripartite body representing unions, management, and the public. The basic advantage of tripartite administration is that it brings intimate knowledge of the industry to bear on the problems of wage determination. The basic disadvantage is that it requires union and management officials to participate in administering a program to which they are often opposed in principle.

During the period 1971-74, both tripartite and all-public administration were used in the United States in administering the Economic Stabilization Act of 1970. The Construction Industry Stabilization Committee was tripartite throughout the controls period. The Pay Board during Phase II began as a tripartite body, but became all public (at least nominally) when the members representing the AFL-CIO and the United Auto Workers resigned. The Pay Board from then on had only public members, but one of these was the former representative of the International Brotherhood of Teamsters and another was a former management representative. During Phases III and IV, a degree of tripartite structure was restored by the appointment of an overall labor-management advisory committee to the Cost of Living Council. In two industries, health and food, new tripartite advisory committees were created at the industry level to help administer wage and salary controls. The lessons learned from the operation of these committees will be valuable in any future wage stabilization programs.
I. Structure and Operations

The Tripartite Food Wage and Salary Committee was appointed on February 26, 1973. Technically, it was merely advisory to the Cost of Living Council, and made recommendations rather than decisions. In fact, no unanimous or majority recommendation of the committee was ever overruled. The food industry in Phases III and IV was under "mandatory" rather than "voluntary" wage controls. This meant that wage and salary increases in excess of the general wage and salary standard of 5.5 per cent could not be placed in effect without prior approval.

The committee at its inception had three public members and four each representing labor and management. The number of public members was later increased to five.2/

The obvious model for the food committee was the Construction Industry Stabilization Committee, but there were also important differences between the two. In the CISC, all union members were general presidents of international unions, and so were all but one of the alternate members on the union side. The management representatives were officials of contractors associations. In the Tripartite Food Wage and Salary Committee of the four unions with full membership (meatcutters, retail clerks, teamsters, and bakery workers) only one (the bakery workers) was represented by its general president. The other union representatives were vice presidents or research directors. On the management side, one retail chain was represented by its chief executive officer; the other management members were vice presidents for personnel or industrial relations.3/
Practice in the food committee on the use of alternates followed that of the Pay Board rather than CISC. In CISC, if a full member could not be present, an alternate of equal status representing a different organization voted in his place. In the food committee, not enough different unions and employers were involved to make this possible. Alternates were therefore selected by members from the staffs of their own organizations, and some members were usually represented by alternates. This system has the disadvantage that alternates may feel less free to compromise issues than the full members, or may come instructed so that they cannot be influenced by the discussion of a case.

It was the invariable practice of the food committee not to record the votes of individual members. Recommendations were recorded either as unanimous or as by a majority. This spared the labor members from ever being on record as voting to reduce a negotiated settlement and the management members from ever being on record as voting to exceed the general wage and salary standard. Both labor and management members often voted no as a matter of principle on cases where they were not strongly opposed to the decision. Where they wished to record an emphatic no vote, the minority would submit a formal minority report to the wage administrator.

Much of the work of the committee was done through a labor-management task force assisted by a member of the Cost of Living Council staff. Almost all cases went before the task force before coming to the full committee, and the task force often met several days each week, while the full committee usually met for only one day. Without the task force, the committee could not have coped with its heavy case load.
When the task force was not unanimous, the full committee or a tripartite subcommittee would consider the case. The great majority of unanimous task force recommendations were routinely approved by the committee. However, any member of the committee had the right, which was frequently used, to ask that any task force recommendation be discussed by the committee as a whole.

The committee met every week except Christmas week from March 1973 through April 1974. During its fourteen months of operation, the committee acted on more than 12,000 cases, including those filed prior to the beginning of Phase III. Of these, only two cases resulted in lawsuits against the Cost of Living Council.

The meetings of the committee were originally closed to the public. However, as a result of a lawsuit (Ralph Nader, et. al. vs. John T. Dunlop, et. al., Civil Action No. 769-73), the United States District Court for the District of Columbia ordered on November 9, 1973, that meetings be open to the public under the terms of the Federal Advisory Committee Act. Few members of the public took advantage of this opportunity, and except in one or two instances the decision had little effect on the operation of the committee.

Under the amendments to the Economic Stabilization Act passed in April, 1973, the parties had an automatic right to a hearing whenever the Cost of Living Council reduced a wage that was in effect or was scheduled to go into effect. In the food industry, such hearings could be conducted by a staff member, by a subcommittee, or by the full committee, depending on the importance of the case. Following the hearing, the case was reconsidered in the light of any new evidence presented. Frequently,
information developed at such hearings was valuable in improving the committee's decisions.

At the beginning, the jurisdiction of the committee included the entire food industry including retailing, wholesaling, processing, restaurants, and even farming where farms were owned by processors or retailers. During the life of the committee, this jurisdiction was narrowed on the committee's recommendation. Restaurants were shifted to the voluntary sector very early, to be followed somewhat later by mobile catering units, and later yet by can manufacturing operations of food processors where these were in separate bargaining units. Fruit and vegetable canning were decontrolled in March, 1974 and food wholesaling and retailing were decontrolled on April 15, 1973, just two weeks before the expiration of the whole controls program. Throughout the program, the committee had jurisdiction over salaries as well as wages.

II. Problems and Issues

The General Wage and Salary Standard

The food committee inherited from the Pay Board, in addition to a large backlog of unresolved cases, the Phase II general wage and salary standard. This permitted 5.5 per cent per year increases in cash wages or salaries and "included benefits" (largely overtime and shift premiums, vacations, and holidays) and an additional 0.7 per cent allowance for increases in "qualified benefits." Qualified benefits consisted largely of employer contributions to pension funds and health and welfare plans. Where the 0.7 per cent was not used in one year, it could be carried over
into the next, and there were also other circumstances in which the 0.7 percent figure could be exceeded, such as low initial levels of qualified benefits.\(^3\)

The general wage and salary standard was never specifically reaffirmed by the Cost of Living Council during Phase III, or Phase IV, but neither was it ever repudiated. It was well known to the food committee that Dr. Dunlop, the Director of the Cost of Living Council, was not partial to general numerical standards, particularly not to those expressed in percentage terms. However, the committee was never able to agree on an alternative standard for the food industry that could be announced to the industry and the public. As the rise in the Consumer Price Index accelerated during 1973 and early 1974, the labor members of the committee increasingly felt that the 5.5 per cent standard was inadequate. The management members, however, were unwilling to increase the standard so long as food prices were under control.

What was done instead was to agree after long and difficult discussion on an alternative internal cents per hour standard that could be used to identify cases for routine approval. This standard was so chosen as to approximate 5.5 plus 0.7 per cent for high-wage portions of the industry, and to exceed it for low-wage portions. Toward the end of the life of the committee, this internal standard was raised slightly. There is no way of knowing how far knowledge of this standard filtered back to the field and influenced the pattern of settlements in the industry, though it must have done so to some extent.
Because of the fact that many approved wage increases in retailing were stated as occupational rates, with the exact number of people in each occupation not known, it was not possible to keep records of the average increases approved. There can be no doubt, however, both that on average the approved increases exceeded the general wage and salary standard, and that they were less than the amounts that had been negotiated by the parties.

Area Wage Structure

Although the Tripartite Food Wage and Salary Committee had jurisdiction over food processing, wholesaling, and retailing, the work load was not equally distributed over these areas. Most of the difficult cases concerned retailing and bread bakeries. Independent wholesalers and the rest of food processing produced rather few difficult cases, probably because the greater equality of bargaining power in these sectors meant that negotiated settlements were usually close to the wage standards. Most requests for exception to the general standards in processing were jointly made by union and management. In contrast, in bread baking and in retailing, exceptions were frequently requested by the union and strongly opposed by management.

Management opposition to the approval of agreements negotiated and signed by officials of the firms represented on the committee often was viewed by the union members of the committee as approaching bad faith bargaining. The management response was generally that the agreements had been negotiated under the threat of a strike which the management could not afford to take. It was not easy, however, for management to explain
convincingly how retail chains had resisted excessive union demands prior to wage controls.

The standards used by the committee in approving retail wage rates were quite different in their application from those of the Pay Board. The Pay Board had applied a 5.5 per cent standard rather mechanically to many agreements negotiated after November 14, 1971, (the beginning of Phase II), and applied a 7 per cent standard when it considered agreements negotiated before that date. However, agreements reached before November 14, 1971 were free to operate according to their terms unless challenged by the Pay Board, and some large increases were never challenged. Often these standards meant that within groups of employees in an area who had always been paid the same rate for the same job, some would have their negotiated wage rates approved in full or allowed to go into effect for lack of a challenge, while others would have their rates cut back. Such disparities in allowable wage rates also arose between identical contracts negotiated on the same date because differences in occupation mix or seniority mix among employees could mean that the same rate increases produced different percentage increases in compensation for the employee group as a whole. Finally, different treatment of identical contracts could occur under Pay Board procedures because employers of different sizes followed different procedures for getting exception requests reviewed, and there was no reliable internal mechanism for coordinating the decisions of the different review bodies. The wage inequities created by such decisions during Phase II were a source of great unrest within local unions in the food industry.
From the outset, the tripartite food committee adopted the concept of single area rates in food retailing. Within a given metropolitan area, the rates for key occupations such as journeyman meat cutter or full-time clerk would be considered for the leading employers, and whatever rates were approved for these employers would be approved for all others, even if the percentage increases were larger. The implementation of this policy, however, presented a number of difficulties.

The most serious of these difficulties concerned retroactivity. Management was frequently willing to approve prospective wage increases to remedy inequities created by Phase II controls, but argued against retroactive increases on the ground that employers had not adjusted prices or accrued funds to cover them. The unions usually argued for full retroactivity to the dates stipulated in the agreements. The public members attempted to compromise these differences, but were not always successful, and often were in a position where they had to recommend a date for retroactivity over the opposition of one party or the other. It is unfortunate that employers represented by members on the committee were notably more successful in avoiding large payments of retroactive wages to their own employees than to employees of similar employers who were not so represented.

The application of the concept of area rates is more difficult in food retailing than in construction because of overlapping union jurisdictions. In construction, every local union has a clearly defined craft and geographical jurisdiction, to which wage stabilization decisions can correspond. In food retailing, jurisdictions are not as clear cut. It is usual for the Amalgamated Meat Cutters and Butcher Workmen to represent employees in meat departments and for the Retail Clerks International
Association to represent employees in grocery departments. However, there are numerous exceptions in which the clerks or the cutters represent all the employees in the store. (Such cases are known as "wall-to-wall clerks" and "wall-to-wall cutters" agreements.) In some cases, the International Brotherhood of Teamsters represents all store employees in a retail chain. Where locals of two or more international unions represent the same craft in an area, the geographical boundaries of the locals can be quite dissimilar, so that rates from one metropolitan area can spread into another for some, but not all employers. Because of such situations, the committee in approving area rates sometimes created geographical zones within a local union's jurisdiction where no such zones had been negotiated by the parties. Although this could cause dissatisfaction within a local union, it was considered less likely to do so than the creation of arbitrary differentials within the same metropolitan area.

In some areas of the country, particularly in the South and in northern New England, employees of some leading food chains are not unionized. In general, the committee was willing to approve exception requests for nonunion employers so long as their rates did not exceed those of union employers. More difficult problems were posed in cases that first set the area rates for unionized employers in areas where low-wage nonunion employers are important. In such areas, employer members of the committee usually opposed any exceptions to the general wage and salary standard on the ground that they would place organized employers at a greater disadvantage in competing with unorganized chains. The unions often argued for exceptions on the basis of historical tandem relationships with agreements in other geographical areas. The international unions in food
retailing seem less responsive to the problem of nonunion competition
with organized employers than do the international unions in construction.
On occasion labor members of the food committee would argue for full
approval of large negotiated increases in geographical areas where manage-
ment members stated that severe nonunion competition had been a factor
in the decision by one of the major organized chains to close all stores
and cease operating in the area.

In the food processing industries, the concept of area rates was
not generally applicable and was replaced by national or regional industry
patterns. Thus in meat packing, the agreement between Swift and the
Amalgamated Meatcutters set a pattern that was automatically approved for
other firms in the industry, but any deviations from the pattern required
separate approval by the committee. Similarly, the terms of the 1973
Teamster's over-the-road trucking settlement, which was not disapproved
by the Cost of Living Council for nonfood employers, were routinely
approved for those food industry employers who had followed the terms of
this agreement for their trucking or warehouse employees in previous contracts.

Wage Relationships Between Areas

The committee had much more difficulty with cases involving wage
relationships between areas than with those involving relationships within
a single metropolitan area. In some cases there had been a history of
similar or identical wage increases negotiated first in one metropolitan
area and thereafter in others, sometimes in a chain extending many hundreds
of miles. Labor members of the committee contended that such tandem relation-
ships should be recognized by the committee as grounds for exceptions to
the general wage and salary standard. Management members often argued that employers had been coerced by threats of strikes into accepting such wage relationships where they were not appropriate, and that the committee should disregard them. Management objections were particularly forceful where patterns of wage settlement originating in strong union areas were transmitted to areas with major nonunion employers.

The committee never developed a general rule on such cases. They were decided on a case-by-case basis, usually by majority votes.

Nonwage Items

The regulations of the Pay Board applicable to the food industry gave the Board jurisdiction over wages and fringe benefits, but not over working rules, even where these could increase costs. These aspects of the rules continued unchanged in Phases III and IV. In this respect, Pay Board rules differed sharply from those of the Construction Industry Stabilization Committee, which operated under a separate executive order granting explicit authority to cover all economic aspects of collective bargaining agreements.

The food committee was nevertheless able to take into account changes in working rules that reduced costs in considering the approval of wage increases. For example, it approved a wage exception requested by the Philadelphia meat cutters because the agreement involved giving up a rule that prevented the use of block-ready beef in Philadelphia stores. (Under the earlier practice, larger cuts such as quarters were cut in the store.) The Pay Board had refused to make this exception in the previous contract year.
The obvious effect of such a decision is to induce other unions to modify costly working rules in order to justify requests for exceptions to the general wage standards. Nevertheless, the policy implicit in the decision is not without costs. It penalizes those local unions who have never had any uneconomic work practices and therefore have nothing to trade off.

Dispute Settlement

One of the functions of the committee when it was established was to assist in the settlement of labor-management disputes, and it did so in several important cases. One of these was in the 1973 retail clerks agreement in Southern California, where Wayne L. Horvitz, a public member of the committee, served as a fact-finder whose recommendations were accepted by the parties. In other cases, the dispute settlement role of the committee was less explicit, but none the less real. Several times the positions of the parties in negotiations were discussed in the committee before settlements had been reached. A representative of the Federal Mediation and Conciliation Service met regularly with the committee and participated in such discussions. Members of the committee, particularly the public members were thus in a position to indicate to parties and to the mediation service what kind of settlement might be considered approvable under the wage stabilization program. In several instances such discussions seemed to have the effect of bringing the parties closer together, and in some they may have averted or shortened strikes.
III. Accomplishments

It is difficult to assess the lasting impact of a temporary program of wage stabilization, and especially difficult to do so soon after its conclusion. One who has been deeply involved in it, as I have, may naturally be inclined to overstate its accomplishments.

There can be no doubt that wage stabilization in the food industry had substantial costs. Perhaps the least of these was the direct cost to the government of administering the program. There were much more substantial costs to the parties, including the expenditure of a great deal of time and effort by top officials of unions and management, the costs of record keeping and the preparation of reports, and fees to attorneys and accountants. Perhaps the most direct cost is to those workers who did not receive their negotiated wage increases. To this there presumably corresponds a benefit to food consumers in the form of a somewhat smaller rate of price increase than would have occurred otherwise.

Beginning April 15, 1974, when food retailing and wholesaling were decontrolled, unions and employers in food distribution were free to negotiate new wage agreements without government constraint. After April 30, when the Economic Stabilization Act expired, new agreements in food processing were no longer constrained. In addition, unions could ask employers to implement in full the terms of old agreements whose implementation had been restrained by controls. In the terms used by the committee, wages could "spring" to the contract rates.
What effects of controls remained after controls were over?

In the short run, two effects seem clear. One is that the kind of wage and salary standards that were in effect in 1971-74 induced the parties to substitute fringe benefit increases for wage increases. This effect has no clear implications for costs, but may help to moderate current consumer demand. The second effect is a clear inducement for the parties to negotiate shorter agreements, with the unions hoping that controls would be relaxed or removed by the time of contract expiration.

In the longer run there are two outcomes of some importance. The first is that modest progress was made in rationalizing wage structures and eliminating wage differentials within local areas that did not serve any purpose. These rationalized structures are likely to be preserved through free collective bargaining and will reduce the amount of leapfrogging in future wage settlements.

A second, more tangible outcome was the formation in March, 1974, of the Retail Food Industry Labor Management Committee, a voluntary private committee representing several major retail food chains, and three international unions (the Teamsters, retail clerks, and meat cutters). The neutral chairman and public member is Wayne Horvitz, who was the second chairman of the Tripartite Food Wage and Salary Committee. The new committee has a broader representation of employers in the retail food industry than the Tripartite Food Wage and Salary Committee had. It is engaged in collecting data on wage settlements in the industry that will be useful to negotiators on both sides. Through regular meetings, it is serving as a forum for the discussion of industry problems and as a means of improving communication between retail food chains and the international
unions and in recommending better procedures for collective bargaining to local parties. The increased understanding generated by this process should lead to more constructive labor relations.

At the beginning of this paper, questions were raised about the usefulness of tripartite administration of wage controls. What does the experience of the food committee suggest? I think it suggests that a tripartite machinery will be somewhat less successful in holding tightly to a general wage and salary standard than an all-governmental body. It may therefore be less appropriate in administering temporary controls under crisis conditions. On the other hand, tripartite machinery will be more successful than an all-government body in allowing for the intricacies of collective bargaining and differences in local conditions. For this reason it may be more conducive to the development or preservation of workable wage structures when wage controls are in effect for more than a few months.
1. I am indebted to Wayne L. Horvitz and William H. Vaughn for helpful
   comments on an earlier draft of this paper. However, they do not
   necessarily share the views expressed here.

2. The original public members were Wayne L. Horvitz, Albert Rees, and
   Laurence E. Selbel. The two additional public members were Harten
   Estey and Father Leo Brown.

   The original management members were Robert O. Aders, Kroger Company;
   Robert E. Palenchar, Swift and Company; Darrell Stiffler, The Great
   Atlantic and Pacific Tea Company; and Herman Weber, Safeway Stores.
   Mr. Weber was later replaced by Ernest Joyce, Colonial Stores.
   Robert E. Fox, Food Employers Council, Inc. was added as an alternate
   employer member.

   The original labor members were Daniel E. Conway, Bakery and Con-
   fectionary Workers International Union; Richard C. McAllister, Retail
   Clerks International Association; Harry E. Poole, Amalgamated Meat
   Cutters and Butcher Workmen; and Abraham Weiss, International Brother-
   hood of Teamsters. Mr. Weiss was later replaced as representative
   of the teamsters by John J. Greeley. Alvin E. Heaps, Retail, Whole-
   sale and Department Store Union, was added as an alternate labor
   member.

   Throughout the life of the committee, William H. Vaughn was executive
   director.

3. The statement in the text refers to the original composition of the
   committee. Later a second retail chain was represented by its chief
   executive officer.

4. For a detailed discussion of the treatment of fringe benefits in
   Phase II, see Daniel J. B. Mitchell, "Phase II Wage Controls,"
   Industrial and Labor Relations Review, Vol. 27 (April, 1974),
   pp. 355-57.