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Collective Bargaining and Labor Relations

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The Future of Labor–Management Relations and Collective Bargaining

Attempting to predict the future of labor-management relations has always been difficult, because forecasts depend on numerous decisions that are being made by employers, employees, unions, the general public, and the government. These actors will all affect the labor–management relations scene in the 1990s and beyond. One safe prediction that can be made, however, is that, like today, the rich diversity of practices will continue to represent our future industrial relations system.

Anticipating the evolution of labor relations can help one prepare for the challenges that inevitably accompany change. It may be that some of the very students reading this book will have the opportunity to help shape employer–employee relations in the future.

UNITED STATES INDUSTRIAL RELATIONS SYSTEM: AN INTERNATIONAL PERSPECTIVE

When considering the future of the U.S. industrial relations system it is necessary to review the status of the U.S. labor movement. It may also be instructive to examine union membership trends in other countries. The question can be

asked whether the steady decline in union membership observed in this country (see Chapter 2) is unique to the United States, or is it part of a global pattern? The answer to this question may shed some light on the reasons for the American decline in union membership and therefore provide some clues regarding the future prospects for unions in this country.

The pattern of union membership during the 1970s and most of the 1980s for a broad group of industrialized democracies is illustrated in Figure 16.1. The most striking feature of this figure is the relatively low level of union membership in the United States as compared to other countries. As of the late 1980s, the United States had the smallest percentage of its work force unionized of any of the countries included in Figure 16.1.

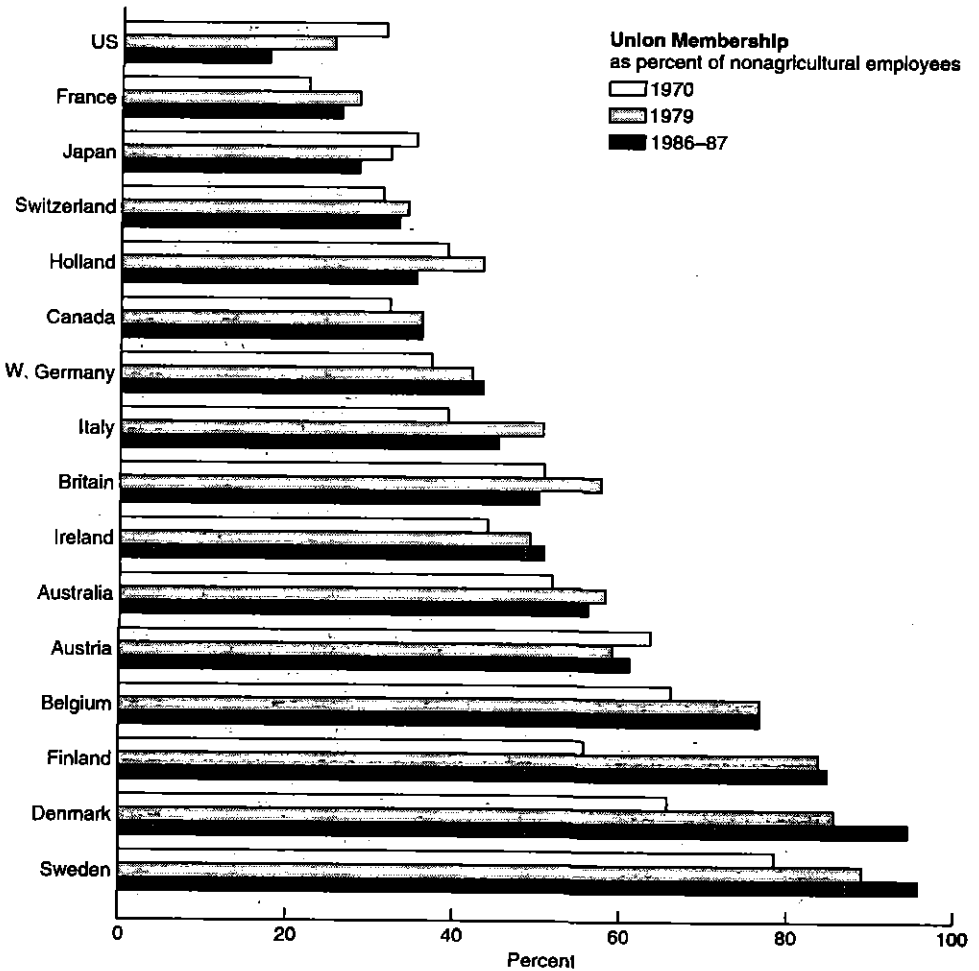
A review of membership trends over time indicates that out of the 16 countries presented in Figure 16.1, unions in the United States and Japan were the only ones experiencing continuous membership losses since 1970. Union membership in Japan, however, dropped by a smaller percentage than in the United States.

Some analysts suggest that unionization has been dropping in the United States relative to other comparable countries because of greater management resistance to unionization in this country.¹ According to this view, the reason for the vigorous resistance can be attributed to high union wages in the United States. Thus the more successful unions are in increasing wages of their constituents over nonunion workers, the more incentive there may be for management to oppose unionization. If this view is correct, unions are confronted with a paradox: the more successful they are in achieving their traditional goals of increasing wages and benefits, the more likely they are to experience decreases in membership strength.

A quite different perspective of union membership trends across countries is offered by a researcher who analyzed and separated public- and private-sector membership figures.² In several of the countries shown to be increasing total union membership in Figure 16.1, research shows that this result is due to rapidly growing public-sector membership coupled with declines in the private sector (see Table 16.1).³ The author of that study also concludes that most of the trends responsible for the decreasing international private-sector unionization totals can be explained by structural changes from goods- to service-producing industries. These changes reduced the number of union members in the traditionally heavily unionized manufacturing sector. This development is described as a symptom of postindustrial economies. The U.S. economy may have experienced these structural changes earlier than Canada and some of the western European countries. This is offered as a possible explanation for the earlier declines of union membership in the U.S. private sector as compared with developments in other countries.

The U.S. total membership declines have also been more severe because a significantly larger percentage of our work force as compared with other countries is employed in the private sector. Furthermore, private-sector union mem-

Figure 16.1 International comparison of union membership trends, 1970-1987



*The Economist estimates

Sources: Graphics from *The Economist*, August 18, 1990, p. 57. Data from David G. Blanchflower and Richard B. Freeman, "Going Different Ways: Unionism in the U.S. and Other O.E.C.D. Countries," National Bureau of Economic Research Working Paper No. 3342 (Cambridge, Mass.: NBER, 1990), Table 1, p. 42. Permission to reprint granted by Basil Blackwell, Inc., Cambridge, Mass.

bership represents a larger share of total membership in the United States than in most other comparable countries.⁴ To better understand union membership trends in the United States as compared to Europe, it is also necessary to recognize differences between European and North American labor movements and industrial relations systems. To pursue this topic further, the reader is directed to an excellent discussion on this subject by Roy J. Adams.⁵

TABLE 16.1 Union Density in "Market" (or Private) and Public Sectors in the Atlantic Community, 1970-1985

	Market	Public		Market	Public
<i>Austria</i>			<i>Denmark</i>		
1971	57.0%	84.0%	Previous yr. not available		
1985	52.0%	71.0%	1984	81.0%	82.0%
<i>France</i>			<i>Germany</i>		
1975	13.0%	42.0%	1979	30.0%	59.0%
1985	n.a.	n.a.	1985	28.0%	58.0%
<i>Italy</i>			<i>Netherlands</i>		
1981	46.0%	50.0%	1979	26.0%	52.0%
1985	39.0%	49.0%	1985	17.0%	46.0%
<i>Norway</i>			<i>Sweden</i>		
1970	52.0%	87.0%	1980	77.0%	81.0%
1985	50.0%	95.0%	1985	77.0%	87.0%
<i>Switzerland</i>			<i>Great Britain</i>		
1980	27.0%	62.0%	1979	44.0%	82.0%
1985	25.0%	61.0%	1985	38.0%	81.0%
<i>U.S.</i>			<i>Canada</i>		
1975	26.3%	39.6%	1975	25.7%	47.8%
1985	14.6%	35.8%	1985	20.7%	66.2%

Sources: For European countries, except Great Britain in 1985, the figures are from Visser (1988, Table 4, p. 60); Great Britain in 1985 is from Incomes Data Services, *Public Sector Digest* (London: undated).

U.S., 1975, Troy Sheflin; 1985, BLS.

Canada, Table 4.

Leo Troy, "Is the U.S. Unique in the Decline of Private Sector Unionism?" *Journal of Labor Research* 11 (Spring 1990), p. 135.

LABOR-MANAGEMENT RELATIONS AT A CROSSROADS: WHAT WILL THE FUTURE HOLD?

Although the data comparing union membership statistics among countries are subject to different interpretations, each has implications for the future. Some authors suggest that if the current trends continue, unionization in the United States could drop below the 10 percent level of the work force before 1995.⁶ Under such a scenario, unions would retain strength only in a few selected private-sector industries as well as in the public sector.

To prevent further declines in membership as a percentage of the total work force, it will be necessary for unions to address and understand better the reasons for the current circumstances. As noted, one of the causes of the downward trend may be increased management resistance to unionization. There are a number of potential remedies for reducing such resistance and thus slow or even reverse the current decreases in union membership.

One development that may soften management's future resistance to unionization could be the recent lowering of union demands for wage and benefit increases. During the decade of the 1980s, unions moderated their demands

at the bargaining table. In fact, between 1983 and 1990, total compensation increases for nonunion employees rose faster than for union members.⁷ There were several factors responsible for these occurrences, such as: increased national and international competition and its economic implications, an unfriendly (to unions) legal environment, declines in union membership, and decreased union bargaining power. Furthermore, unions, rather than emphasizing wages in contract negotiations, have been stressing such things as job security and flexibility, improvements in working conditions, and better grievance procedures. The restructuring of union bargaining priorities may make unions less threatening to management in the future.⁸

Individual unions as well as the AFL–CIO have also been experimenting with new forms of associate union membership that would not involve collective bargaining. Associate members could be provided with such benefits as low-interest-rate credit cards, access to legal aid, and help in job training and placement.⁹ In 1991, the AFL–CIO began test marketing an associate membership program, trying to get the general public to join an organization called the National Association of Working Americans.

In recent years, rapidly escalating health care costs have been a major cause of conflict in union–management relations. Eventually, the enactment of a national health insurance plan would remove this point of friction from the bargaining table and thus reduce the union/nonunion benefit differential. Employers may become less hostile to unions when unionization would not imply higher health care costs for the unionized firm.

Management's ability to resist unionization could also be decreased by changes in labor law. United States labor law has been criticized as being slow, weak, and ineffective in punishing employers who violate workers' rights to form unions and bargain collectively.¹⁰ One proposed legal remedy would be an amendment of the Taft–Hartley Act that would prohibit the hiring of permanent replacements during economic strikes.¹¹

The enactment of two prolabor statutes during the 1930s, the Norris–LaGuardia Act and the Wagner Act, were accompanied by significant public support. For Congress to enact now a prolabor amendment of the Taft–Hartley Act would again require substantial support and pressure from the public at large. To generate such support and to mobilize public opinion, labor unions have been working on their public image. Currently, the AFL–CIO is engaged in a major advertising campaign under the heading "Union Yes." It is too early to assess the effectiveness of this campaign.

Some writers have suggested that the traditional image of unions as representing goods-producing manual workers impedes their ability to organize the growing number of employees in high technology and service-type industries. Therefore, unions or other types of associations not affiliated with traditional labor organizations may be more successful in appealing to the more highly educated and professional employees.¹²

Another potential method for increasing union membership would be to follow the approach of western European countries and abandon the traditional American notion of exclusive representation. Under the current U.S. legal sys-

tem, before a union can be certified, a majority of the employees in the appropriate bargaining unit must vote for representation.¹³ Although giving up exclusive representation rights may threaten the security of some unions, it may also enhance the quantity and perhaps quality of representation received by workers. This may make union membership more attractive to employees.

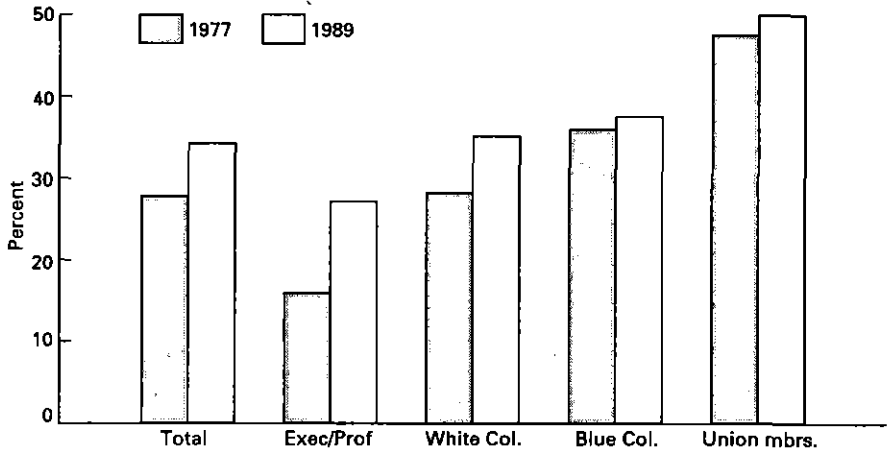
The following question may be posed: Will unions take some of the bold steps that may be required of them to remain an important labor market institution in the decade of the 1990s and in the next century? If history is any guide, the answer is yes, eventually. Unions, like any other institution, may be reluctant to risk major changes. For change to occur, labor leaders themselves, and not just interested academic observers, must feel that restructuring is in their best interest and that it is necessary for survival.

As the declines in union membership became more severe in recent years, the labor movement began the long process of critical self-examination and experimentation.¹⁴ Out of this process unions may evolve in some of the directions suggested above. The long-term prospect for labor organizations to continue representing the interests of employees remains good. Our capitalist system provides strong incentives for management to maximize profits and minimize costs. Workers, on the other hand, have an interest in protecting wages, working conditions, and their job security. This basic conflict of interest between employers and employees creates conditions that are conducive to collective action by workers. Even if management, out of a desire to remain nonunion, chooses to protect and treat its work force well, when the threat of unionization diminishes or hard times come, there is always the temptation to reduce labor costs through layoffs or erosion of real wages.

A 1989 poll conducted by the Roper Organization provides evidence that the public image of organized labor has been improving. Figure 16.2 shows that an increasing percentage of Americans would side with unions in a strike. In 1977 only 28 percent initially sided with unions, compared to 32 percent siding with management. By 1988 these figures were reversed, with 33 percent for labor and 25 percent for management. Perhaps more importantly, the greatest increase in labor sympathies was among professionals and white-collar employees.¹⁵ These are the very employees unions must attract to regain their vitality.

Another poll shows an increase in the percentage of Americans who approve of unions from a low of 55 percent in 1979 and 1981 to 61 percent in 1988. Interestingly, the more contact people had with unions, the more likely they were to approve of them. Unions had a 68 percent approval rating among people who had at one time worked in a unionized setting and an 89 percent rating where the survey respondent had a family member who was a current union member; among current union members themselves, 91 percent approve of unions.¹⁶ These figures would seem to indicate a general satisfaction with the job unions are doing for their current members. Perhaps most important for the future of union organizing, 90 percent of all adults polled agreed with the statement that employees should have "an organization of co-workers to discuss and resolve legitimate concerns with their employer."¹⁷ This finding is clear evidence

Figure 16.2 Percentage of Americans who initially side with unions in a strike.



Source: Thomas A. W. Miller, "Labor Makes A Comeback," *The Public Pulse* 4 (December 1989), p. 3.

that a market for employee representation exists. The question for organized labor is can unions successfully fill this demand?

The future character of labor-management relations may be determined by the results of experiments in labor-management cooperation that are currently underway. In the introductory chapter of this book, we discussed the cooperative relationship between the management of Saturn Corporation, a division of General Motors, and the United Automobile Workers. We also contrasted it with the bitter relations at the *New York Daily News* between management and the 9 unions representing its workers.

Clearly, no individual experience between unions and management, no matter how good or bad, will itself determine the future direction of industrial relations. Experiments in employee involvement or participation among unionized workers and management are being tried by various companies.¹⁸

There is a study comparing the performance of a sample of corporations employing three alternative strategies in their labor relations: cooperation, union avoidance, and a mixed strategy. Table 16.2 summarizes one of the findings of that research. It indicates that those corporations adopting a strategy of labor-management cooperation had a 1.39 percent increase in return-on-sales over the 10 years from the mid-1970s to the mid-1980s. During that same period, companies using a union-avoidance strategy increased return-on-sales by only 0.52 percent. The differences between these two strategies are even more pronounced for the percentage change in value added per employee. Labor-management cooperation was associated with an 18.6 percent increase in value added, whereas firms attempting to avoid unionization suffered a 15.1 percent decrease. The performance results of companies pursuing a mixed strategy were also below those of firms employing a cooperative strategy (see Table 16.2).¹⁹

Although these results are impressive, there are several caveats to consider

TABLE 16.2 Estimated Cumulative Effects of Strategic Activities on Performance by Grand Strategy (1974-1975 to 1984-1985)

Strategy	Percent change in return-on-sales	Percent change in added value per employee (nominal \$)
Union-avoidance	0.52	-15.1
Cooperation	1.39	18.6
Mixed	0.57	1.7

Source: William N. Cooke, *Labor-Management Cooperation* (Kalamazoo, Mich.: W. E. Upjohn Institute, 1990), Table 4.1, p. 108.

in interpreting Table 16.2. First, return-on-sales and value added per employee are only two measures of a firm's performance. There are numerous other ways to measure performance, such as return-on-assets, return-on-equity, and market-to-book value ratios. Another difficulty involves the time period examined. It is possible that all the returns from union avoidance or cooperation have not occurred during the 10-year period. The effects of these strategies may be different over a longer period of time.²⁰

Despite the difficulties of gauging results, it is possible to conclude that the employers' policies toward labor relations can have important implications for financial and organizational performance. The economic outcomes of current experiments in labor-management cooperation will largely determine whether the current interest in such efforts represents a passing fad or a necessary and creative response to strong competitive pressures that are likely to continue in the future.

The future of U.S. labor organizations will depend on their ability to adapt and respond to the major technological and product market changes that we have witnessed in the last decade. In a 1990 book, John T. Dunlop,²¹ a well-known scholar of labor-management relations, states that until recent years most labor organizations have not introduced such basic modern managerial methods as long-range strategic planning, comprehensive budgetary plans, recruitment and selection procedures for attracting top-quality office and staff personnel, and effective two-way communication and feedback systems within the unions. Furthermore, according to Dunlop, unions have not given sufficient attention to "... adaptation in structure suitable to new problems and opportunities. . . ."²²

Dunlop acknowledges that some labor organizations, including the AFL-CIO, responded constructively to new economic developments.²³ Internal changes within employer organizations and external pressures provided an incentive for some unions to study the implications of new realities. In 1981 the Communications Workers of America (CWA) appointed a "Committee on the Future."²⁴ The charge of the Committee was to: "... Analyze strategic options open to the Union. . . . Present strategic recommendations and propose a plan for structural changes if any were necessary. . . ." The Committee completed its work and issued a report in 1983. The report recommended new initiatives in

the areas of negotiations and conflict avoidance, organizing, and changes in the operation and structure of the union. The report also addressed such areas as the transitional implications of moving from the industrial to the information age, changes in the work force and of work patterns, and the effect of these changes on the union.²⁵

The International Union of Bricklayers and Allied Craftsmen (BAC) is another union responding to economic developments. In 1984 the union established the "Committee on the Year 2000."²⁶ The assignment of the committee was to propose "a blueprint to guide the Union over the next decade and a half . . . to undertake a long-range planning effort, an organizational strategy."²⁷ In its 1985 report the Committee made recommendations in such areas as organizing, membership, structure, administration, and collective bargaining. The report stated that the union ". . . must adopt and implement structural changes that will enable (the) Union and its resources to be administered and managed more effectively. . . ."

In the area of collective bargaining the report recommended ". . . support for the disputes settlement plan and productivity/quality of work life project of [the] . . . Labor/Management Relations program."²⁸ Although the Committee recognized that all of their recommendations cannot be implemented at once, it stated that ". . . all of them must be implemented in the near term . . . in order to assure the future of the Union."²⁹

Dunlop points out that strategic plans were also developed by other unions, but these plans were not as comprehensive as those of the CWA and the BAC. The survival and growth of organizations, and labor unions are no exception, depend on the responses and adaptation of leaders to changing conditions. Under present circumstances this requires the development of longer-term strategic plans. According to Dunlop, each strategic plan, whether for business, government, academia, or labor unions, should contain the following five elements: (1) An "environmental assessment," which would include an evaluation of the extent to which the organization can be changed and is ready for change; (2) "setting goals and priorities" for the organization; (3) "the shaping of the structure of an organization and its operation." One issue under this heading is centralization versus decentralization; (4) a plan of action for "the selection and development of people"; (5) the establishment of a process for "the introduction of innovation and change."³⁰

One of the authors of this text was fortunate to attend a seminar conducted by Professor Dunlop for union leaders at the 1991 Trade Union Program at Harvard University.³¹ During the seminar Professor Dunlop developed at some length the concepts and significance of strategic planning. The union leaders present were very receptive to his ideas and will probably consider them for implementation in their respective unions. In the future many more unions will most likely develop strategic plans partially modeled on the CWA and the BAC plans.

Strategic planning by unions can revitalize our industrial relations system and assist in its transformation. According to Kochan and McKersie, distinguished industrial relations scholars, such transformation "can be beneficial for

the interests of the unions as institutions. . . ." The transformation implies "human resource innovations, . . . new concepts of work organization, . . . giving voice to employees at all levels of organizational decision making. . . ." ³² The future of labor-management relations and the status of unions in the decade of the nineteen-nineties and beyond will be determined by the strategic responses of union leaders to the major challenges presently confronting the labor movement.

NOTES

- ¹ DAVID G. BLANCHFLOWER and RICHARD B. FREEMAN, "Going Different Ways: Unionism in the U.S. and Other Advanced O.E.C.D. Countries," National Bureau of Economic Research Working Paper No. 3342 (Cambridge, Mass.: NBER, 1990), pp. 21-23.
- ² LEO TROY, "Is the U.S. Unique in the Decline of Private Sector Unionism?" *Journal of Labor Research* 11 (Spring 1990), pp. 111-143.
- ³ *Ibid.*, Table 9, p. 135.
- ⁴ *Ibid.*, pp. 115-116, 137.
- ⁵ ROY J. ADAMS, "Industrial Relations Systems: Canada in Comparative Perspective," ch. 17 in J. Anderson, M. Gunderson & A. Poniak (eds.), *Union-Management Relations in Canada* (Toronto: Addison-Wesley, 1989).
- ⁶ BLANCHFLOWER and FREEMAN, *op. cit.*, p. 29.
- ⁷ Bureau of Labor Statistics, *Employment Cost Indexes and Levels, 1975-1989* (Washington, D.C.: U.S. Government Printing Office, 1989), Chart 6, p. 7 and Bureau of Labor Statistics, *Employment and Earnings*, 38 (January 1991), p. 230. The data for 1990 refer only to wages because total compensation data were not available at the time this book went to press.
- ⁸ *Ibid.*, pp. 30-31.
- ⁹ CASEY ICHNIOWSKI and JEFFREY S. ZAX, "Today's Associations, Tomorrow's Unions," *Industrial and Labor Relations Review* 43 (January 1990), pp. 191-208. Paul Jarley and Jack Fiorito, "Associate Membership Unionism or Consumerism," *Industrial and Labor Relations Review* 43 (January 1990), pp. 209-224.
- ¹⁰ PAUL C. WEILER, *Governing the Workplace: The Future of Labor and Employment Law* (New York: Basic Books, 1990), pp. 39-40; Paul C. Weiler, "Promises to Keep: Securing Workers' Rights to Self-Organization Under the NLRA," *Harvard Law Review* 96 (1983); Paul C. Weiler, "Striking a New Balance: Freedom of Contract and the Prospects for Union Representation," *Harvard Law Review* 98 (1984).
- ¹¹ H.R. 2969 before the House of Representatives Committee on Education and Labor, 101st Congress.
- ¹² BLANCHFLOWER and FREEMAN, *op. cit.*, p. 31.
- ¹³ CHARLES C. HECKSCHER, *The New Unionism: Employee Involvement in the Changing Corporation* (New York: Basic Books, 1988), p. 174.
- ¹⁴ AFL-CIO Committee on the Evolution of Work, "The Changing Situation of Workers and Their Unions," (Washington, D.C.: AFL-CIO, 1985), pp. 1-34.
- ¹⁵ THOMAS A. W. MILLER, ed., "Labor Makes A Comeback," *The Public Pulse*, Vol. 4, No. 12 (December 1989), p. 3.

- ¹⁶ "1988 Gallup Survey of Public Opinion About Labor Unions," Results of a poll undertaken on behalf of the AFL-CIO, June 1988, p. 2.
- ¹⁷ *Ibid.*, p. 3.
- ¹⁸ JOHN THOMAS DELANEY, DAVID LEWIN, and CASEY ICHNIOWSKI, *Human Resource Policies and Practices in American Firms*, (Washington, D.C.: U.S. Department of Labor, 1989). Paula Voos, "Managerial Perceptions of the Economic Impact of Labor Relations Programs," *Industrial and Labor Relations Review* 40 (January 1987), pp. 195-208. Thomas A. Kochan, Robert B. McKersie, and John Chalykoff, "The Effects of Corporate Strategy and Workplace Innovations on Union Representation," *Industrial and Labor Relations Review* 39 (July 1986), pp. 487-501.
- ¹⁹ WILLIAM N. COOKE, *Labor-Management Cooperation* (Kalamazoo, Mich.: W. E. Upjohn Institute, 1990), p. 108.
- ²⁰ *Ibid.*, p. 109.
- ²¹ JOHN T. DUNLOP, *The Management of Labor Unions* (Lexington, Mass.: Lexington Books, 1990).
- ²² *Ibid.*, p. 6.
- ²³ *Ibid.*, p. 7.
- ²⁴ Communications Workers of America, Committee on the Future Report (Washington, D.C.: CWA, March 1983). Source: Dunlop, *op. cit.*, p. 36.
- ²⁵ DUNLOP, *op. cit.*, pp. 26-36.
- ²⁶ Project 2000 Committee, *Report and Recommendations*, International Union of Bricklayers and Allied Craftsmen (Washington, D.C., International Union of Bricklayers and Allied Craftsmen, 1985). Source: Dunlop, *op. cit.*, p. 42.
- ²⁷ DUNLOP, *op. cit.*, p. 37.
- ²⁸ *Ibid.*, pp. 39-40.
- ²⁹ *Ibid.*, p. 41.
- ³⁰ *Ibid.*, p. 25.
- ³¹ 1991 Trade Union Program at Harvard University, January 31, 1991.
- ³² THOMAS A. KOCHAN and ROBERT B. MCKERSIE, "Human Resources, Organizational Governance and Public Policy: Lessons from a Decade of Experimentation." Working Paper, Alfred P. Sloan School of Management, Massachusetts Institute of Technology, July, 1990, WP#: 3184-90-BPS, pp. 7, 23.