

**The Determinants of
Bargaining Structure:
The AT&T Divestiture Case**

**by Marianne J. Koch,
David Lewin,
and Donna Sockell**

**Do not quote without the permission of the author.
©1985 Columbia Institute for Tele-Information**

**Columbia Institute for Tele-Information
Graduate School of Business
Columbia University
809 Uris Hall
New York, NY 10027
(212)854-4222**

THE DETERMINANTS OF BARGAINING
STRUCTURE: THE AT&T DIVESTITURE CASE

by

Marianne J. Koch
David Lewin
Donna Sockell

Columbia University
Graduate School of Business

1985

This is a draft copy of a working paper which will be published in final version in a volume entitled Advances in Industrial and Labor Relations, D. Lewin, D. Sockell and D.P. Lipsky, eds.

Research Working Paper Series. Not for citation, quotation, reproduction, or distribution without written permission. All papers represent the author's view only and not necessarily that of the Research Program or its affiliates.

The Determinants of Bargaining Structure:
The AT&T Divestiture Case

by

Marianne J. Koch

David Lewin

Donna Sockell*

Graduate School of Business
Columbia University

May 1985

Prepared for presentation at the conference on "Employment Issues in the Information Age," Columbia University, June 12, 1985.

*The authors are respectively Ph.D. student, Professor of Business, and Assistant Professor of Business, Graduate School of Business, Columbia University.

Not for citation, quotation, reproduction or distribution without written permission.

The Determinants of Bargaining Structures:
The A.T.&T. Divestiture Case

I: Introduction

Bargaining structure, the number and types of workers covered by a collective bargaining agreement and the locus of decision making in the bargaining process, is a critical variable affecting the outcomes of the bargaining process. Recently, the structure of collective bargaining in the United States appears to be undergoing significant changes in many industries. The pace of union mergers has quickened and has brought about more centralized bargaining in some industries, for example, retail foods (supermarkets). In the steel industry, in contrast, bargaining has become increasingly decentralized and promises to be even more so with the recent dissolution of the industry's multi-employer bargaining arm, the Steel Companies Coordinating Committee. Bargaining has also become more decentralized in the trucking industry, in large part reflecting the impact of deregulation; and numerous employers and unions in the electrical products, chemical and auto parts industries have altered their bargaining structures to negotiate plant-by-plant labor agreements. In the public sector, the nation's largest municipal government, that of New York City, recently altered the structure of bargaining by collapsing 80 separate bargaining units into a union coalition with which it negotiated a master contract (Lewin and McCormick 1981); however, there already are signs of this

coalition dissolving and collective bargaining returning to a less centralized structure.

A major industry in which changes in bargaining structure are bound to occur is that of telephone service. On January 1, 1984, the American Telephone and Telegraph (A.T.&T.) was required to divest itself of its Bell operating companies, the providers of local telephone service. The creation of seven separate holding companies in the wake of divestiture appears likely to affect the highly centralized structure of collective bargaining that prevails at A.T.&T. The cycle of negotiations in the "Bell system" has been such that a nationwide collective agreement was negotiated in 1983, shortly before the divestiture took effect, and the next bargaining round is scheduled for 1986. The importance of these events was recently signalled by the President of the Communications Workers of America (CWA), who vacated his position, effective July 1, 1985, in order to give his successor one full year to prepare for the 1986 negotiations.

These developments provide a rare opportunity to study changes in bargaining structure prior to the negotiation of a "first" contract under new organizational arrangements. Like other industries, the bargaining structure (or structures) adopted in the telephone industry may affect bargaining outcomes. Bargaining outcomes are hypothesized to be determined by bargaining power (Kochan and Block 1977) which is, in part, a function of bargaining structure. For the scope of bargaining to change from national to local, in the case of the telephone industry, could mean that wide regional variation in compensation

will replace nationally uniform wage and benefit outcomes. Since the unionized portion of the telephone industry encompasses roughly 700,000 employees, changes in compensation outcomes for this industry would have a significant impact on the national economy.

It is the purpose of this paper to investigate the effect of hypothesized determinants of bargaining structure on the choice of bargaining structure; 1) over the course of bargaining history in the telephone industry (pre-divestiture A.T.&T) and 2) on the eve of the first round of negotiations in the post-divestiture era.

The remainder of the paper is organized as follows. Section II reviews prior research in which theoretical determinants of bargaining structure have been identified. Section III describes four levels in the management organization at which bargaining may occur, by summarizing key aspects of the A.T.&T. divestiture. Section IV outlines historical and post-divestiture methods used to analyze the determinants of bargaining structure. Section V presents the results of the historical analysis; pre-divestiture changes in bargaining structure at A.T.&T. during the 20th century are examined in the context of the determinants of bargaining structure identified in Section III. Section VI reports the results of interviews and predictions about the development of bargaining structure in the early post-divestiture period. In Section VII, a research agenda for studying bargaining outcomes in the Bell system in light of changes in bargaining structure is proposed.

II: Research on Bargaining Structure

Most early studies of bargaining structure used anecdotal evidence to identify the determinants of bargaining structure (see, for example, Chamberlain 1961, Weber 1961, 1967). Among the variables suggested to be important are environmental and institutional factors, including competition, labor costs, product market dispersion, product homogeneity, firm size, industry concentration, and union concentration. More recent research has attempted to empirically measure the relationships between bargaining structure and a number of these variables (see Greenberg 1967, Deaton and Beaumont 1980, Hendricks and Kahn 1982, 1984). The findings of these studies are summarized in Table 1 in terms of the influence of economic and organizational determinants of bargaining structure on union and employer preferences for multi-employer bargaining structure.

Table 1 : Determinants of Bargaining Structure

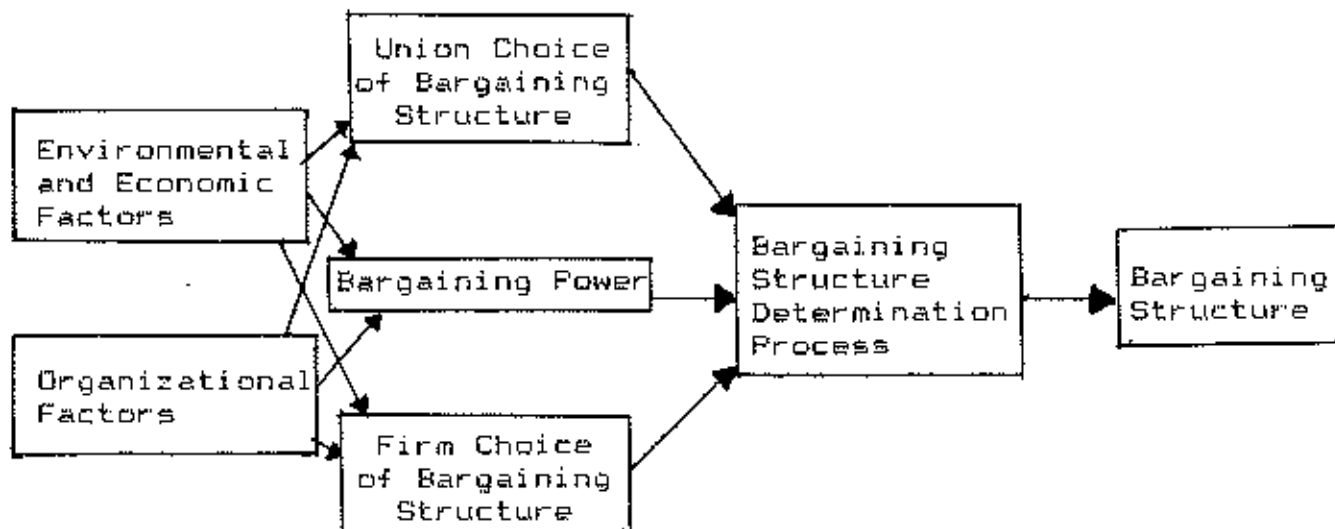
<u>ECONOMIC & ENVIRONMENT FACTORS</u>	<u>PREFERENCE FOR MULTI-EMPLOYER BARGAINING STRUCTURE</u>	
	<u>Union</u>	<u>Firm</u>
Competition in the industry (b,d,e)	+	+
Labor costs (a-e)	-	+
Labor supply (b-e)	+	+
Pressure from the non-union sector (a)	?	-
Number of Unions (c,d,e)	?	+
Product Market dispersion (a,b,d,e)	+	-
Geographic concentration of firms (a,c-e)	?	+
Homogeneity of product (a,d,e)	?	+
Government policy (exogenous) (b)		
<u>ORGANIZATIONAL FACTORS</u>		
Firm size (c,d,e)	+	-
Firm Concentration (a-e)	+	-
Vertical integration (a,e)	-	+
Union size (c,d,e)	-	+
Union concentration (a-e)	+	+

Sources: (a)=Greenberg 1967, (b)=Weber 1961,
(c)=Deaton & Beaumont 1980, (d)=Hendricks & Kahn 1982,
(e)=Hendricks & Kahn 1984.

We can derive a temporal model of bargaining structure useful to describe the focus of extant research. In terms of this model, presented in Figure 1 below, most research on bargaining structure has focused on the relationships between the environmental, economic and organizational factors and the firm's and union's choice of bargaining structure, using industry data. Some studies have attempted to operationalize and measure bargaining power (Kochan and Block 1977) as an indicator of bargaining outcomes. It has been suggested that bargaining power is derived from environmental, economic, organizational and

structural factors (Kochan 1980). It is noteworthy that while some have recognized that the bargaining structure determination process is critical to the bargaining structure adopted (that is, which party's preference for structure prevails and/or how are compromises struck between the parties), little attention has focused on this stage of the model.

Figure 1 : Temporal Model of the Determinants of Bargaining Structure



In short, prior research has provided strong indications about the various factors likely to account for bargaining structures adopted, but has failed to capture several important interrelationships and yield an overall picture. We attempt to provide some insight into this overall picture by examining how the hypothesized determinants of bargaining structure have

actually influenced bargaining structure at A.T.&T. and by considering interrelationships not previously receiving attention.

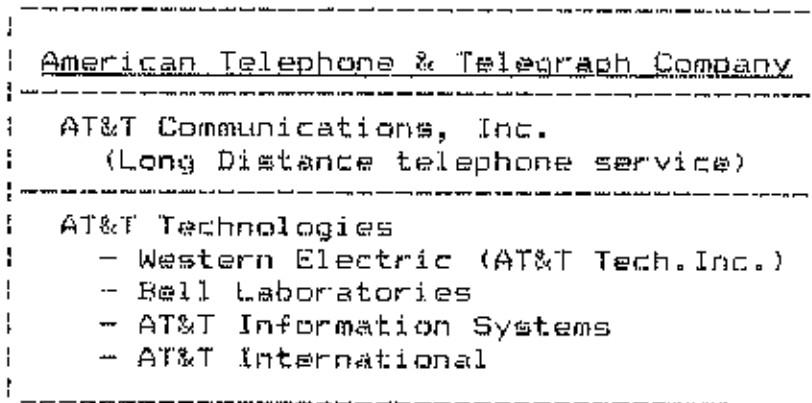
While we focus only on A.T.&T., there are several reasons that this is both a rich and desirable way to investigate the determinants of bargaining structure. First, unlike most prior bargaining structure research, we can explore decisions made within the firm and within the industry. By focusing on the firm, we are able to explore the bargaining structure determination process, which prior quantitative research has been unable to investigate. Second, a study of the telephone industry is of particular appeal since the hypothesized determinants of bargaining structure exhibit great variation at present, offering a rich setting to investigate their effects on bargaining structure. Third, unlike most case studies, more than one observation or research site is available. Here, management must make eight decisions regarding bargaining structure, which constitute eight separate tests of the determinants of bargaining structure within one case study. To understand where bargaining has and is likely to occur in the future at A.T.&T., it is first necessary to review key aspects of the A.T.&T. divestiture.

III: Management and Union Organizations and the A.T.&T. Divestiture

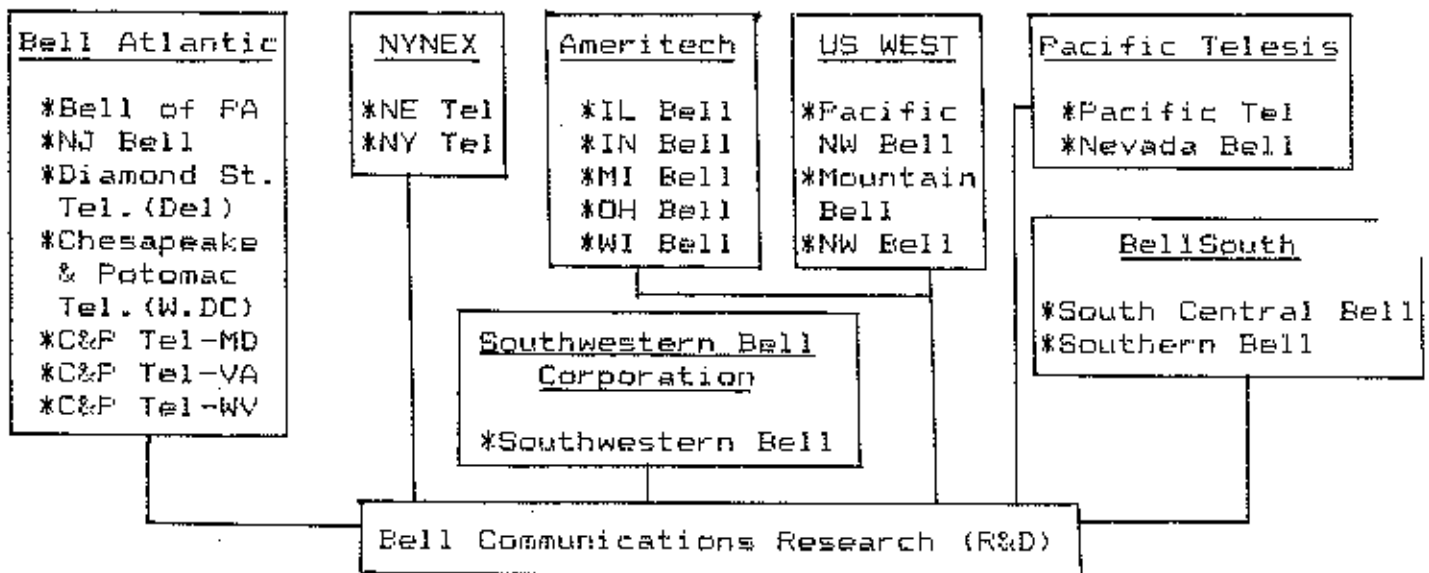
The divestiture of the American Telephone and Telegraph Company on January 1, 1984 brought about major organizational

changes in the largest American utility and one of the world's largest companies; the resultant organization structure is shown in Figure 2. From a collective bargaining standpoint, the importance of this restructuring rests with its potential impact on the level at which contract negotiations will subsequently be carried out. Since 1974, collective bargaining agreements in the Bell system have been negotiated on a national basis. To illustrate, in 1983, national master contracts were concluded between A.T.&T. and each of the three national unions representing Bell system employees, namely, the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW), and the Telecommunications International Union (TIU).

Figure 2 : AT&T and the Regional Holding Companies - Post-Divestiture



The Regional Holding Companies (RHCs)



Prior to 1974, contracts were negotiated locally and regionally with each of the unions. This meant that the Bell system operating companies and regional union organizations and affiliates were important loci of bargaining and bargaining power. With the advent of national bargaining, the corporate office of A.T.&T. and the national offices and officials of the

CWA, IBEW, and TIU assumed greater importance and power in the bargaining process and in Bell system labor relations more broadly. Wage standardization accompanied national bargaining in the telephone industry, much as it did in other industries, such as trucking, where centralized bargaining structures evolved.

In terms of the management organization for bargaining under divestiture, four levels are conceptually relevant: the national level, the regional holding company (RHC) level, the operating company level, and the plant and facility level. At the national level, for the new A.T.&T., A.T.&T. Communications (long distance service) and A.T.&T. Technologies are the relevant organizations, employing some 200,000 personnel. The regional holding companies (RHCs) -- Bell Atlantic, NYNEX, Ameritech, US WEST, Pacific Telesis, BellSouth, and Southwestern Bell Corporation -- are the new entities created by divestiture; they are allowed to develop new businesses which are competitive and unregulated. Each regional holding company has one or more Bell operating companies. These operating companies, which will continue to provide local telephone service under government regulation, constitute the third management level. The fourth management level consists of the plants and facilities of each operating company and of new businesses developed by the RHCs. Historically, these plants and facilities have not had responsibility for contract negotiations with any of the Bell system unions. Of course, whether this will be so in the future is problematic and will be considered later.

As to the structure of the union organizations, we will

focus on the CWA since it is the largest organization¹. This union maintained thirteen regional or district offices prior to divestiture. Primary among their functions was the responsibility for developing initial bargaining agendas. The regional offices were also responsible for negotiating supplemental (local) agreements with the operating companies to deal with issues not taken up in national bargaining. These district organizations are not directly affected by divestiture -- they are not mandated to change by the divestiture agreement, per se -- but the creation of new RHCs implies a restructuring of the CWA's district offices. Thus, the realignment of bargaining structure in the post-divestiture period is likely to involve organizational changes in both the management and union organizations.

IV: Methodology for Examining the Determinants of Bargaining Structure

The determinants of bargaining structure in the telephone industry are examined in two ways. First, by identifying and observing the changes in the theoretical determinants of bargaining structure over the course of collective bargaining history in this industry, it is possible to see if these variables have had their hypothesized effects on bargaining

¹ The CWA accounts for approximately 85% of total union membership in the telephone industry (Collective Bargaining in the Telephone Industry 1980).

structure. In other words, the change from regional bargaining (between the operating companies and the unions) to national bargaining in 1974, is proposed to have been brought about by changes in the determinants of bargaining structure favoring centralized bargaining. In order to verify if this was in fact the case, a history of the bargaining structure in the Bell system prior to divestiture is outlined in Section V.

Second, in an attempt to examine the changes in bargaining structure precipitated by the break up of the Bell system on January 1, 1984, the determinants of bargaining structure were investigated through semistructured interviews with persons from both parties involved in the first post-divestiture negotiations in 1986.

Thirty-one people were interviewed by telephone or in person between April and June of 1985. In all interviews the following questions were posed:

1. Has the bargaining structure already been determined, and if so, what is it?
2. (If yes) How was that decided?
3. By whom?
4. (If no) What do you think the structure will be?
5. What would you like it to be? Why?
6. Who will make that decision? How?
7. What are (were) the determinants of bargaining structure?

Interviewees were from A.T.&T., NYNEX, Bell Atlantic, Ameritech, Pacific Telesis, Southwestern Bell Corporation, US

WEST, BellSouth, nine of the Bell operating companies, Bell Communications Research, and the Communications Workers of America. We spoke with Corporate Vice Presidents, Vice Presidents for Human Resources, Vice Presidents for Labor Relations, District Managers for Labor Relations, researchers and policy analysts from both the union and management parties, and regional leaders from the union.

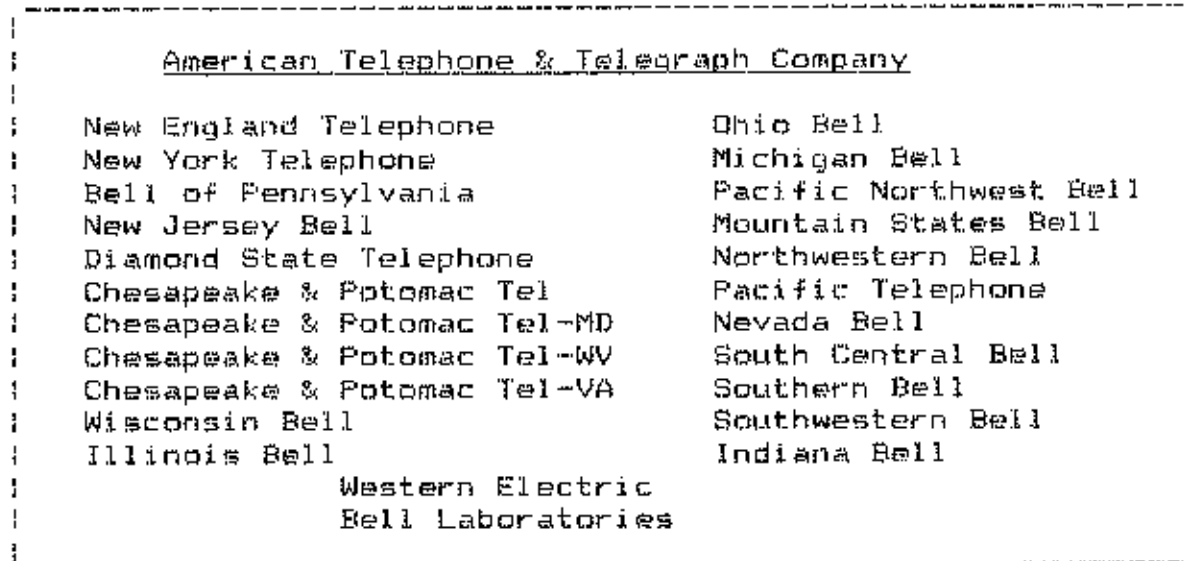
The interviews were designed to enable us to observe the bargaining determination process in progress and to discover if there are any determinants of bargaining structure that research has not yet identified. The next two sections offer the results of the historical analysis and the interviews.

V: The Evolution of Bargaining Structure at A.T.&T.

Incorporated in 1885, A.T.&T.'s main purpose was to develop long distance service to link separate Bell Telephone Companies. These companies (as they existed just prior to divestiture) are listed in Figure 3. The companies provided local telephone service to customers in their respective geographical areas, and A.T.&T. became the holding company for the Bell operating companies not long after it was incorporated. In addition, A.T.&T. operated the Western Electric Company, the manufacturing arm of the Bell system, also Bell Laboratories, the company's research and development organization (see Figure 3). With the advent of a holding company form of organization, decision making on all aspects of the telephone business became increasingly

centralized within A.T.&T. As an example, nationwide pension and personnel management systems were established in 1912.

Figure 3 : AT&T Prior to Divestiture



The first collective bargaining agreement in the Bell system was concluded on July 18, 1940 between the New York Telephone Company and an affiliate of the National Federation of Telephone Workers (NFTW). The NFTW was a coalition of independent unions, each of which bargained with individual BOCs. According to Brooks (1977), the NFTW affiliates felt that their individual interests were sufficiently dissimilar to warrant company-by-company bargaining. However, the NFTW leadership believed that bargaining policy and bargaining objectives were increasingly being determined by AT&T, not the individual BOCs. Consequently, some of these leaders sought -- but did not achieve --

centralized bargaining with the Bell system's corporate-wide (or parent) organization. Internal disputes over the issue of bargaining structure led to the disaffiliation of some constituent unions, with the result that the NFTW membership declined by several thousand members to a total of about 122,000 in 1944.

During World War II, government policy toward collective bargaining favored pattern setting and pattern following. The "little steel" formula set the pattern for manufacturing sector wage increases, and the telephone workers were included in the pattern. To an important extent, bargaining structure (and bargaining outcomes) in the telephone industry during this period was determined very largely by exogenous forces, rather than by product and labor market forces, or by the union and management organizations.

In the immediate post-World War II period, A.T.&T. gained further, almost total, control of the market for telephone service and displayed vast monopoly power. In fact, the first antitrust suit against A.T.&T. and Western Electric was brought by the government in 1949. On the union side, the NFTW leadership threatened to conduct the first national strike against the Bell system in 1946. Inclusion of the Long Lines Telephone Workers (LLTW) affiliate in the threatened stoppage meant that no other NFTW affiliate would cross the long distance workers' picket lines. A work stoppage would have effectively shut down the service market because, in 1946, all long distance calls required operator assistance and less than 60% of all telephones were of

the direct dial type. So potentially damaging to national welfare was the threatened strike that the Secretary of Labor prepared to take over the Bell system. The UFTW President at the time, Joseph Beirne, commented that "what would avert the strike would be for the companies to consider all the disputes as one, and that any pattern developed be applied in all cases" (Brooks 1977 p.107). Just hours before the strike was to commence, A.T.&T. Vice President Craig, UFTW President Beirne, and Secretary of Labor Schwollenbach negotiated a settlement for the LLTW, and the pattern was followed by all other BOCs and unionized workers. Here was the first major step on the road to national bargaining in the Bell system.

The influence of internal organizational factors on bargaining structure in the Bell system was further demonstrated in the 1946-47 period, specifically by disputes over the affiliation of the telephone workers' unions with the major labor federations, namely, the AFL and the CIO. The successor organization to the NFTW, the Communications Workers of America (CWA) put to the membership the question of whether to affiliate with the AFL or the CIO. Complicating the choice was the existence of the International Brotherhood of Electrical Workers (IBEW), which represented telephone workers in some BOCs and which was affiliated with the AFL. The CWA was told that, in order to affiliate with the AFL, the union would have to merge with the IBEW, whereas the CIO offered the CWA full (inter)national status without the need of merger. This matter was debated during the CWA's 1947 convention at which the union decided to remain

unaffiliated. However, the Telephone Workers' Organizing Committee (TWOC), a splinter group, broke off from the CWA, took the Long Lines (LLTW) with them, and joined the CIO. With this restructuring, CWA membership dropped by about 12,000 members to less than 150,000 in 1948, or some 42 percent of all Bell system employees. Of the remaining work force, approximately 15 percent were represented by non-affiliated, independent unions (located mainly in Pennsylvania, New York, and the New England states).

The fractionalization of union organization in the Bell system was important to A.T.&T. management in determining its collective bargaining posture, including its preferences regarding bargaining structure. In the 1947 bargaining round, A.T.&T. and the BOCs held out for separate union contracts. Union opposition ensued, and a strike of all 325,000 organized Bell system workers began on April 8, 1947. Though the strike lasted for several months, it did not result in a reversion to national bargaining; individual contracts between the CWA (and other Bell system unions) and the BOCs were subsequently concluded. It is interesting to note that, on average, the wage settlements in these contracts were below those negotiated in steel and autos, despite management indications that the auto and steel settlements would establish the pattern for the Bell system. Not only were telephone contract settlements well below those reached elsewhere in the manufacturing sector, collective bargaining agreements concluded in the Bell system in 1947 had different termination dates. Thus, the CWA (and other Bell system unions) could not effectively shut the company down, as

appeared likely just a year earlier. Indeed, the Bell system was well able to weather strikes at individual operating companies during 1947 and 1948.

With respect to the determinants of bargaining structure (see Table 1), these historical events underscore the role of organizational factors. In 1946, national bargaining seemed to be reality in the Bell system and a centralized bargaining structure had emerged. Just one year later, the surfacing of divergent union interests and management responsiveness to this divergence produced a highly decentralized bargaining structure in the Bell system. This is not to say that organizational variables exclusively determine bargaining structure. As noted earlier, government policy played an especially prominent role in Bell system labor relations in 1946.

During the 1950s and 1960s, the CWA renewed its efforts to achieve national bargaining in the Bell system. The union affiliated with the CIO in 1949 and reacquired the TWOC. Nevertheless, the BOCs successfully warded off centralized -- that is, companywide -- bargaining, and the parent organization, A.T.&T., refused to recognize the CWA. Strike activity increased during these years, but so, too, did automation of the telephone system. The percentage of (non-operator assisted) dial telephones increased from 75 in 1950 to 97 in 1960, and the number of telephones in use rose from 35 million in 1950 to more than 60 million ten years later. Meanwhile, the number of telephone operators employed by the Bell system peaked at about 163,000 in 1950, and declined thereafter to 139,000 in 1960. The

increasing automation of telephone service signalled a decline in the proportion of labor costs to total costs, and the bargaining power of the CWA concomitantly declined. At the same time, A.T.&T. revenues and profits grew to record levels.

During the 1960s, the CWA continued to pursue national bargaining in the Bell system and it achieved some important steps in this direction. One was the negotiation, in 1965, of wage increases linked to cost of living increases for workers it represented throughout the Bell system. Another was the shift in CWA bargaining policy from one of "equal pay for equal work" to and "equal standard of living for equal work". The latter policy and slogan seemed better able to rally CWA members behind a policy of wage equalization throughout the Bell system. Furthermore, in 1971, the CWA negotiated its first contract covering two BOCs, which marked an important, if limited, departure from strict company-by-company bargaining. Also in 1971, nationwide strikes of telephone workers took place and while most of these stoppages were of short duration, the one in New York state lasted for seven months. At the conclusion of the dispute, A.T.&T. agreed as a matter of policy to include agency shop provisions in labor agreements with the CWA. This arrangement provided the CWA with financial security and presaged the introduction of national bargaining in the Bell system in 1974. Beginning that year, national master agreements covering wages, fringe benefits and certain other conditions of employment were inaugurated, along with separate agreements covering non-economic issues at the operating company level. Furthermore, national

bargaining quickly came to encompass other Bell system unions, namely, the IBEW and the Telephone International Union (TIU), a conglomerate of independent unaffiliated unions.

Concerning product and labor market conditions in the telephone industry during the 1970s, high levels of both firm and union concentration prevailed. Little competition was evident in the industry, although a few new specialized telephone service and equipment firms emerged. The CWA represented about 85 percent of nonsupervisory employees in A.T.&T. and therefore dominated other unions that had members in the Bell system. Nevertheless, glimmerings of change soon emerged and more were on the horizon. In 1975, for example, Microwave Communications Incorporated (MCI) was created and began offering long distance service in competition with A.T.&T. More important, the Justice Department initiated a suit that was to culminate in the consent decree requiring the phased divestiture of A.T.&T. Additionally, public perception of the "monopoly" position of A.T.&T. and of firms in other regulated industries appeared to have shifted. The costs of regulation began to receive significant popular and political attention, in contrast to the earlier emphasis on the need for and benefits of regulation. Initiatives for the deregulation of the airline, trucking and other industries emerged and were enacted into law by the Congress.

In the telephone industry, attention focused on the "high" wages of Bell system employees, and wage (and other employment) issues became subjects of debate in state public utility hearings on telephone company rate increases and rates of return on

investment. Pressures from (non-union) banks, insurance companies and other types of firms, typically located in the South, were brought to bear on A.T.&T. to abandon national bargaining with the CWA. Such bargaining, it was charged, increased telephone worker wages and benefits well beyond those normally paid in largely unorganized industries and communities.

The weight of these forces together with the impending divestiture brought about changes in management's collective bargaining behavior in 1983, even though negotiations continued to be conducted on a national basis. For the first time, company negotiators compared A.T.&T.'s pay and benefit rates with those of its major competitors. Previously, comparisons were made to employees of private industry in general in an effort to demonstrate the favorable position of Bell system workers.

The more specific compensation comparisons made in 1983 reflected the onset of more competitive forces in the telephone industry, including the entrance of nonunion firms. These and other determinants of bargaining structure shown in Table 1 are almost certain to change in such a way as to bring about more decentralized bargaining in the Bell system, in the wake of divestiture. The shape of such changes and the structural realignment of post-divestiture bargaining as reported in interviews are taken up in the next section.

VI: Bargaining Structure in the Post-Divestiture Era

As noted earlier, four levels of the management organization

are relevant to the consideration of bargaining structure in the new Bell system: the national, regional, operating company and plant/facility levels. To help in analyzing which of these bargaining levels will be adopted in the post-divestiture era, as well as to shed light on the process by which these decisions are made interviews with management officials at the national, regional holding company, and operating company levels, and with national and regional officers of the CWA. Because of its size and importance in the industry, the CWA is the only union organization considered here.

As shown in Figure 1, under divestiture A.T.&T. continues to provide long distance telephone service as it always has, in a regulated environment. The new part of A.T.&T., A.T.&T. Technologies, however, can now, by virtue of the consent decree, compete with other firms in the unregulated market. A.T.&T. Technologies contains Western Electric, Bell Laboratories, and the two new subsidiaries, A.T.&T. Information Systems, and A.T.&T. International. In the upcoming bargaining round, negotiations with the CWA are very likely to be centralized and remain national in scope. While a smaller number of employees, about 200,000, will be covered under such bargaining in the post- compared to the pre-divestiture period, the restructuring provisions of the divestiture agreement are such that 80,000 workers covered by 40 different contracts in 22 operating companies have moved to the new A.T.&T. corporate entity. Ironically, therefore, bargaining between A.T.&T. and the CWA may, in terms of the number of workers covered by the collective

agreement, be even more centralized following divestiture than preceding it. Not only will a national agreement (if reached in 1986) provide for wages and working conditions on a national basis, it will have to address such matters as grievance handling, seniority, etc. for a large group of workers who previously were covered by local contracts and who previously dealt with local and regional union officials on these matters. In other words, two-tier bargaining in the form of a national master agreement covering wages and benefits and supplemental local agreements covering non-economic issues will no longer be a reality for more than 15 percent of the Bell system employees historically represented by the CWA.

Moreover, the fact that A.T.&T. Communications Inc. handles only one business -- long distance telephone service -- along with the fact that this business remains regulated, imply that centralized bargaining will be relatively easier to maintain there than in A.T.&T. Technologies. The latter company is responsible for four separate lines of business, each of which encompass (or are likely to encompass) numerous plants and facilities, including in one case (A.T.&T. International) foreign operations. Even if a national agreement between A.T.&T. Technologies and the CWA were to be negotiated in 1986 -- and officials of both organizations have indicated that this is what will occur -- market and organizational forces seem destined to bring about pressures for more decentralized bargaining thereafter.

The greatest realignment of bargaining structure, however,

is likely to occur at the regional holding company (RHC) level. While the RHCs continue to operate local telephone companies, they are permitted to develop new and unregulated businesses. Some of these new business ventures are listed in Table 2. These new ventures and subsidiaries involve the RHCs in product markets in which competition is higher and firm and union concentration are lower than in the telephone business. In fact, the pace of competition and new business development facing some of these entities are such that both firm and union concentration are very likely to decrease in the near future. Such market forces suggest that there will be significant pressure for bargaining structure to become increasingly decentralized at the RHC level.

=====
Table 2 : New Subsidiaries of the Regional Holding Companies

<u>Regional Holding Company</u>	<u>New Ventures</u>
1. NYNEX	Communications terminal and office equipment; retail computer marketing.
2. Bell Atlantic	Cable TV installation and transmission; DTS systems; office equipment financing; computer repair services; paging services.
3. Southwestern Bell	Local packet switching systems; national marketing of cordless phones.
4. BellSouth	Computer software marketing.
5. US WEST	Real estate development and management; national communications consulting services; cellular radio network building in Gulf of Mexico; office equipment financing.
6. Pacific Telesis	Overseas ventures; real estate development and management; office equipment marketing.
7. Ameritech	Cellular radio and paging services; overseas consulting; cable TV installation; teleconferencing equipment marketing; home and office security systems.

*Sources: Special Report, Business Week, December 3, 1984, p.112; The New York Times, The Wall Street Journal, and Bolter p.15-16.
=====

Counteracting these forces are the efforts of the CWA's leaders to preserve national bargaining. These efforts initially were directed at convincing the seven RHCs to bargain as a single association, similar to previous national negotiations. Not only

were these efforts unsuccessful, some of the RHCs' managements expressed a desire to operate in a union-free environment (much like that of their competitors). Nevertheless, subsequent "negotiations" resulted in CWA recognition by three of the RHCs -- BellSouth, Southwestern Bell, and NYNEX -- and, in addition, an agreement in principle for regional bargaining in 1986 in these RHCs as well as with Pacific Telesis. At Ameritech, US WEST, and Bell Atlantic, however, the RHCs have insisted that bargaining in 1986 take place on an operating company basis -- which means on a state-by-state basis (see Figure 1).

BellSouth's decision to bargain centrally with the CWA on behalf of its two operating companies was reported to be motivated by management's desire to avoid whipsawing, and from a belief that the two operating companies face similar labor supplies, service markets and share the same company "politics". In the case of NYNEX, company management intends to replicate two-tier bargaining as it was prior to divestiture, with a master contract covering wages and benefits negotiated at the RHC level and supplemental agreements covering non-economic issues negotiated in each operating company. At Pacific Telesis, the larger of the two operating companies, Pacific Telephone, will bargain on behalf of the other operating company, and the RHC will not take part in the actual negotiations themselves. However, the RHC plans to provide strategy and research support for the operating companies. Hence, bargaining at Pacific Telesis will take on a modified regional structure. Southwestern Bell has but one operating company, so that regional bargaining will

performance occur in this RHC. Nevertheless, operating company management rather than RHC management at Southwestern Bell will bear responsibility for negotiating with the CWA.

In the cases of Ameritech, Bell Atlantic, and US WEST, the clear management preference is for decentralized, company-by-company bargaining. Among the arguments for decentralized bargaining offered by the managers of these RHCs are that (1) each component operating company is its own profit center, possessing independent financial responsibility and, thus, should conduct its own labor negotiations; (2) major differences in labor supply and community wage rates exist among the operating companies; and (3) they seek to reduce the bargaining leverage of the union. Therefore, bargaining structure seems likely to be variegated in the near future, with some negotiations taking place at the RHC level, others at the operating company level within the RHCs, and still others (such as at Pacific Telesis) "between" the RHC and operating company levels.

In terms of its own organizational arrangements, the CWA is responding to divestiture and to management's organizational arrangements by consolidating and reducing from 13 to 10 its regional offices. Seven of these offices correspond to the seven RHCs; in addition, separate regional organizations will be maintained in Pennsylvania, New Jersey, and Delaware. The early retirement of a major union president, effectuated for the purpose of giving his successor time to prepare for the next bargaining round, suggests the seriousness with which the union is approaching the matter of bargaining structure.

While plant/facility level bargaining in the post-divestiture era is highly unlikely to occur in the existing operating companies, it is more likely to emerge in new businesses developed by the RHCs -- provided that the CWA or other unions organize the employees. Assuming that some unionization of new computing, office equipment, real estate, cable television, and home security system businesses operated by the RHCs is achieved, bargaining units are likely to be smaller and narrower than those presently prevailing in the telephone companies. Managements of the new RHCs can be expected to press for plant/facility level bargaining units, and to contest other, broader units sought by the CWA. The new RHC ventures face highly competitive product and labor market conditions, substitutable products and services, numerous producers and sellers and pressure from non-union firms.

To summarize, the structure of collective bargaining in A.T.&T and the RHCs is likely to become more decentralized. While the predicted decentralization of bargaining structure may in part be countervailed by the efforts of the CWA to preserve national bargaining and to consolidate its own internal organization to assist in achieving this goal, union officials have already conceded to certain elements of decentralized bargaining. True, national wage bargaining between A.T.&T. and the CWA will take place in 1986, but wage bargaining for the largest portion of CWA members will occur at the RHC and operating company levels, and will continue to be supplemented by local bargaining over non-economic issues.

Beyond 1986, the prospects are for further thrusts toward decentralized bargaining. As the RHCs develop their new ventures, the products and services they offer will become more diverse and these employer organizations will likely become more dissimilar; their individual interests will not be well served by banding together for bargaining purposes.

VII: Studying Bargaining Outcomes

Whereas the focus of this paper has been on the determinants of bargaining structure, further research should take this one step further to consider the effect of bargaining structure on bargaining outcomes. Some research suggestions for studying bargaining outcomes in the Bell system and A.T.&T. in light of what has been learned about bargaining process and the determinants of bargaining structure are offered in this conclusion.

Earlier it was suggested that bargaining structure will vary considerably among the RHCs and A.T.&T. In other words, in the post-divestiture era there will be several units rather than a single unit of analysis for the study of bargaining outcomes. The fact of multiple units of analysis and multiple negotiations in 1986 will permit comparisons of pay levels and pay changes resulting from bargaining at the operating company, RHC, and national levels, respectively.

Moreover, within a particular structure of bargaining, say the regional level, negotiated pay and benefit changes can be

examined for significant differences. To the extent that such differences emerge, they will constitute evidence of wage dispersion under divestiture. It will then also be possible to compare the extent of wage dispersion that occurs under regional bargaining with that resulting from bargaining at the operating company level. Similarly, comparisons of the scope of bargainable issues, work rules and productivity arrangements, the use of joint labor-management committees, pay for time not worked, and other non-economic issues can be made among regional companies, operating companies, and A.T.&T. In cases where bargaining takes place at the operating company level, it will be possible to test the union's actual as opposed to intended achievement of pattern bargaining by analyzing resultant pay and benefit rates and non-economic terms and conditions of employment among the operating companies within a RMC as well as across RMCs.

Also, as the costs of telephone service are reallocated among residential, small business, and large corporate customers in the post-divestiture period, state regulatory commissions conceivably will become more involved in pay and benefit determination via collective bargaining. Comparative pay issues and calls for pay restraint were occasionally raised in state regulatory hearings prior to divestiture (see Ehrenburg 1976), but were not heeded. More attention is likely to be given to such issues in the post-divestiture era and, in any case, we believe it will be possible to isolate the effects of state level regulation on telephone (and other) worker pay in the operating

companies. In other words, regulatory variables will have to be controlled in order to assess the effects of variation in bargaining structure on economic and non-economic bargaining outcomes in the telephone industry in 1986, and thereafter.

Furthermore, divestiture provides researchers an opportunity to study the effects of bargaining structure and other important variables on the economic performance of the RHCs and the operating companies. Especially in an era of lessening regulation, it is appropriate to ask how different industrial relations and bargaining policies, practices and institutional structures affect organizational performance. Given the creation of the RHCs, the inauguration of new businesses within them, and the growth of additional competitive pressures on existing telephone businesses, substantial variation in economic performance can be expected to occur in the remainder of the 1980s. Relating such performance differences to industrial relations variables, including bargaining structure, looms as a worthwhile task.

In conclusion, the divestiture of A.T.&T. converts a single case into a collection of companies or observations that will allow researchers to study the bargaining process, determinants of bargaining structure, and eventually, the variation in bargaining outcomes. The case study approach used in this study enabled the examination of bargaining structure decisions at the level at which bargaining actually occurs -- an approach not taken by previous research on bargaining structure. This paper has intended in part to study further the determinants of

bargaining structure by taking advantage of the dismantling of one of the world's largest companies.

REFERENCES

- Bolter, Walter G. "Restructuring in Telecommunications and Regulatory Adjustment," Public Utilities Fortnightly, July 5, 1984, 15-22.
- Brooks, Thomas R., Communications Workers of America, Mason/Charter, NY, 1977.
- Chamberlain, Neil W. "Determinants of Collective Bargaining Structures," in Arnold R. Weber (ed.), The Structure of Collective Bargaining, Free Press of Glencoe, New York, NY, 1961, 3-19.
- , and James W. Kuhn, Collective Bargaining, 3rd edition, McGraw-Hill, NY, NY, 1985.
- Collective Bargaining in the Telephone Industry, Report 607, U.S. Department of Labor, Bureau of Labor Statistics, June 1980.
- Deaton, D.R., and P.B. Beaumont, "The Determinants of Bargaining Structures: Some Large Scale Survey Evidence for Britain", British Journal of Labor Relations, Vol.18, No.2, (July 1980), pp.201-216.
- Feuille, Peter, Harvey Juris, Ralph Jones, and Michael Jay Jedel, "Multiemployer Negotiations Among Local Governments," in David Lewin, Peter Feuille, and Thomas A. Kochan (eds.), Public Sector Labor Relations, Sun Lakes, AZ: Thomas Horton and Daughters, 1st edition, 1977, 131-138.
- , Charles Maxey, Harvey Juris and Margaret Levi, "Determinants of Multi-Employer Bargaining in Metropolitan Hospitals", The Employee Relations Law Journal, Vol.4, No.1, (Summer 1978).
- Greenberg, David H., "The Structure of Collective Bargaining and Some of Its Determinants", Proceedings of the Nineteenth Annual Winter Meeting of the Industrial Relations Research Association 1966, Madison, WI, IRRRA, 1967, pp.343-353.
- Hendricks, Wallace E., "Labor Market Structure and Union Wage Levels", Economic Inquiry, Vol.13, No.3, (September 1975), pp.401-416.
- , "Conglomerate Mergers and Collective Bargaining", Industrial Relations, Vol.15, No.1, (February 1976), pp.75-87.

- Hendricks, Wallace E. and Lawrence M. Kahn, "The Determinants of Bargaining Structure in U.S. Manufacturing Industries", Industrial and Labor Relations Review, Vol.35, No.2, (January 1982), pp.181-195.
- , "The Demand for Labor Market Structure: An Economic Approach", Journal of Labor Economics, Vol.2, No.3, 1984, pp.412-438.
- Kochan, Thomas A., Collective Bargaining and Industrial Relations, Richard D. Irwin, Inc., Homewood, IL, 1980.
- , and Block, Richard, "An Inter-industry Analysis of Bargaining Outcomes: Preliminary Evidence from Two-Digit Industries", Quarterly Journal of Economics, Vol.91, No.3, (August 1977), pp.431-452.
- Lewin, David, Peter Feuille, and Thomas A. Kochan (eds.), Public Sector Labor Relations, Sun Lakes, AZ: Thomas Horton and Daughters, 2nd edition, 1981.
- Lewin, David, and Mary McCormick, "Coalition Bargaining in Municipal Government: The New York City Experience," Volume 34, Industrial and Labor Relations Review, January 1981, 175-190.
- Mills, Daniel Quinn, Labor Management Relations, 1st edition, McGraw-Hill, New York, NY, 1978.
- Straw, Ronnie J. "The Effect of Divestiture on Collective Bargaining," paper presented at the Annual Meeting of the Industrial Relations Research Association, Dallas, TX, December 30, 1984.
- Weber, Arnold, (editor), The Structure of Collective Bargaining, Free Press of Glencoe, New York, NY, 1961.
- Weber, Arnold, "Stability and Change in the Structure of Collective Bargaining", in Ulman, Lloyd (editor), Challenges to Collective Bargaining, Prentice Hall, Englewood Cliffs, NJ, 1967, pp.13-36.

