

Report

TO

THE PRESIDENT

BY THE

EMERGENCY BOARD

APPOINTED BY EXECUTIVE ORDER 10286 DATED  
SEPTEMBER 6, 1951, PURSUANT TO SECTION 10  
OF THE RAILWAY LABOR ACT, AS AMENDED

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To Investigate an Unadjusted Dispute Between the  
Pullman Co., a Carrier, and Certain of Its Employees  
Represented by the Order of Railway Conductors,  
a Labor Organization.

(NMB Case No. A-3637)

CHICAGO, ILL.  
OCTOBER 3, 1951

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(No. 96)

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CHICAGO, ILLINOIS, *October 3, 1951.*

The PRESIDENT,  
*The White House,*  
*Washington, D. C.*

Mr. PRESIDENT: The Emergency Board created by your Executive Order No. 10286 of September 6, 1941, pursuant to the provisions of Section 10 of the Railway Labor Act, as amended, and appointed by you on September 7, 1951, to investigate an unsettled dispute between The Pullman Co., a carrier, and certain of its employees represented by the Order of Railway Conductors, a labor organization, has the honor to submit herewith its unanimous report.

The report contains a summary of the position taken by the parties on the issues in dispute, together with the Board's findings and recommendations to the parties as to fair and equitable terms of settlement.

Very respectfully,

CARROLL R. DAUGHERTY, *Chairman.*  
ANDREW JACKSON, *Member.*  
GEORGE CHENEY, *Member.*

(II)

# TABLE OF CONTENTS

	Page
Letter of transmittal to the President.....	II
I. Introduction.....	1
II. The dispute, its background and development.....	2
A. The parties and the services they render.....	2
B. Origin of the present controversy.....	5
C. Statement of the issues.....	6
III. The issue of a general wage-rate increase.....	7
A. The position of the organization.....	7
1. The appropriate time period for the pullman conductors rate of pay.....	7
2. Allegations of inequities.....	8
a. Pullman conductors and other pullman employees....	8
(1) Money earnings and rates.....	9
(2) Real earnings and rates.....	9
b. Pullman conductors and railroad employees.....	9
(1) Money earnings and rates.....	9
(2) Real earnings and rates.....	11
c. The question of a wage-increase pattern in the Pullman Co. and in the railroad industry.....	11
d. Workers in nonrailroad industries.....	13
e. The ability of the Company to pay the union- demanded increase.....	13
f. Inequities in respect to the sellers of all other products and services. Pullman conductors wages and the cost of living.....	14
3. Increases permissible under the Government's wage- stabilization program.....	15
B. The position of the Company.....	16
1. The appropriate rate for pullman conductors.....	16
2. Wage-rate inequities for pullman conductors.....	17
a. Inequities vis-à-vis other groups of employees.....	17
b. The Company's ability to pay the increase.....	19
c. Inequities in terms of cost of living.....	20
3. The Company's offer in the light of the wage-stabilization program.....	21
C. The Board's findings and recommendations on rates of pay..	22
1. Inequities in relation to other employees.....	22
a. Intra-company and -industry inequities.....	23
(1) Pullman conductors vs. passenger conductors..	23
(2) Pullman conductors vs. other pullman and railroad employees.....	24
b. Cost-of-living inequities.....	25
c. The improvement factor.....	25
2. The Company's offer in relation to wage stabilization....	26
3. Recommendation on wage rates.....	26
IV. Moratorium issue.....	27
A. Position of the parties.....	27
B. Discussion.....	27
1. Wage moratorium.....	27
2. Rules moratorium.....	28
C. Findings and recommendations.....	30

**REPORT TO THE PRESIDENT BY THE EMERGENCY  
BOARD CREATED BY EXECUTIVE ORDER 10286 DATED  
SEPTEMBER 6, 1951, PURSUANT TO SECTION 10 OF THE  
RAILWAY LABOR ACT, AS AMENDED, TO INVESTIGATE  
AN UNADJUSTED DISPUTE BETWEEN THE PULLMAN  
CO. AND CERTAIN OF ITS EMPLOYEES REPRESENTED  
BY THE ORDER OF RAILWAY CONDUCTORS**

**I. INTRODUCTION**

An unadjusted dispute between the Pullman Co., a carrier, hereinafter referred to as the Company, and certain of its employees, the conductors on sleeping cars, represented by the Order of Railway Conductors, hereinafter referred to as the Organization, resulted in the creation of this Emergency Board (No. 96) on September 6, 1951, through Executive Order No. 10286 by the President.

The text of the Executive Order follows:

Whereas a dispute exists between the Pullman Co., a carrier, and certain of its employees represented by the Order of Railway Conductors of America, a labor organization; and

Whereas this dispute has not heretofore been adjusted under the provisions of the Railway Labor Act, as amended; and

Whereas this dispute in the judgment of the National Mediation Board, threatens substantially to interrupt interstate commerce to a degree such as to deprive the country of essential transportation service:

Now, therefore, by virtue of the authority vested in me by section 10 of the Railway Labor Act, as amended (45 U. S. C. 160), I hereby create a board of three members, to be appointed by me, to investigate the said dispute. No member of the said board shall be pecuniarily or otherwise interested in any organization of employees or any carrier.

The board shall report its findings to the President with respect to the said dispute within 30 days from the date of this order.

As provided by section 10 of the Railway Labor Act, as amended, from this date and for 30 days after the board has made its report to the President, no change, except by agreement, shall be made by the Pullman Co. or its employees in the conditions out of which the said dispute arose.

In performing its functions under this order the Board shall comply with the requirements of section 502 of the Defense Production Act of 1950, as amended.

On September 7, 1951, the President appointed as Chairman of the Board Carroll R. Daugherty of Illinois and as members also representing the public Andrew Jackson of New York and George Cheney of California.

The Board first met, for organizational purposes, at 9:30 a. m. on September 10, 1951, at 32 West Randolph Street, Chicago, Ill. It was decided that the hearings should be public. The appointment of Johnston & King, Court Reporters of Washington, D. C., as the Board's reporters of the proceedings was confirmed.

At 10 o'clock on that morning, and at that address, the public hearings on the issue in dispute began. They extended from September 10 to September 26, inclusive. The record of the proceedings consisted of 13 volumes of transcript, comprising 1,969 pages, together with numerous voluminous exhibits presented by the parties. The whole record is made a part of this report, and the findings and recommendations of the Board are based on this record.

Toward the end of the hearings the Board informally offered its services to the parties for the purpose of mediating the dispute or of obtaining the parties' agreement to submit the dispute to an arbitration board for final and binding determination. Our efforts in these respects were not successful. At the conclusion of the hearings the Board proceeded to develop its findings and recommendations and to write this Report embodying them.

For the Company the following appearances were entered:

Members of the Conference (Negotiating) Committee:

F. J. Boeckelman, manager, Employee Relations.

H. R. Lary, supervisor, Labor Relations.

C. G. Rogers, assistant to assistant vice-president.

C. B. Olson, assistant to supervisor, Labor Relations.

Counsel for the Committee: D. S. Dugan, general solicitor.

Of Counsel: Howard Neitzert, of Sidley, Austin, Burgess & Smith, Chicago.

Statisticians: J. E. Monroe, assistant vice president, Association of American Railroads.

For the Organization the following appearances were entered:

H. E. Wilmarth, attorney, Cedar Rapids, Iowa.

A. G. Wise, executive vice president, Order of Railway Conductors.

E. L. Oliver, statistician, Labor Bureau of Middle West.

Pullman Conductors, members of the Conference (Negotiating) Committee:

J. R. Deckard, H. C. Kohler, J. K. Durst, G. T. McKenna, R. Harkness.

The Board is pleased to take this occasion to record its appreciation of the unvarying helpfulness and courtesy of both parties during these proceedings.

## II. THE DISPUTE, ITS BACKGROUND AND DEVELOPMENT

### A. The Parties and the Services They Render

The present industrial controversy affects the Pullman Co., a corporation, presently engaged in owning, leasing, and operating sleeping cars, parlor cars, and other similar cars, designed to transport

passengers by rail. Also involved is a segment of its employees, namely, the pullman conductors, for whom the Order of Railway Conductors, Pullman System, act as bargaining agent.

The principal function of the Pullman Co. has always been the furnishing of through sleeping car service, whereby between most points passengers may travel uninterruptedly from their point of origin through to destination. The Pullman Co. presently possesses operating contracts with 59 railroad companies and railroad systems, pursuant to which pullman service is offered over about 104,000 miles of railroad track. Such service extends over a large part of the passenger-carrying railroads of the United States, Canada, and Mexico.

The Company's annual report to the Interstate Commerce Commission covering the year 1950, discloses the number of cars in service at the close of this calendar year (including cars leased to the Pullman Co. for operation under leases granted by their owners, the various railroads of the United States) to be 6,226 cars.

Shops and laundries owned and operated by the Company are also substantial. The Company owns and operates six repair shops, which are equipped with the requisite machinery and material for the continuing and complete maintenance and repair of pullman cars. In addition, for laundering its linens and blankets, the Pullman Co. owns and operates 10 altogether modern laundries.

The Company employs about 23,700 workers, all of whom (except about 1,000) belong to 11 labor organizations, 8 affiliated with the A. F. of L., 2 independent, and 1 affiliated with the C. I. O. In 1918 the pullman conductors were organized by the Order of Sleeping Car Conductors which became, in 1942, an autonomous unit within the Order of Railway Conductors. The porters were organized by the Brotherhood of Sleeping Car Porters, which organization was recognized by the Company in 1935. The remaining 11,700 employees belong to 9 labor organizations which have been recognized by the Company over the past 5 years.

Pullman conductors discharged a great variety of duties in connection with their employer's business, succinctly described as "furnishing the traveling public with facilities for sleeping while traveling, and travel while sleeping." More particularly, the pullman conductor is the contact man of the Pullman Co. in relation to the traveling public, and his first task is the lifting of the passenger's ticket either en route or before he boards the train. The performance of this function may involve passengers on anywhere from 1 to 12 cars, housing not an inconsiderable number of individuals. Obviously, this implies familiarity with both railroad and pullman fares, passes,

half rate orders, Government transportation requests, cash fares, State and Federal transportation taxes, etc. At the time the tickets are lifted, the pullman conductor must make certain the traveler is in the space assigned to him, and that the train stops to discharge passengers at the point the particular passenger desires to leave it. The pullman conductor also must have currency and silver money on hand to make change en route, if refunds are in order for passengers under unusual circumstances.

In addition, the pullman conductor also discharges a variety of supervisory functions. He is the immediate superior of all porters on the several pullman cars of the train. He must see to it that these porters get up at the hours they are required to, that they perform certain duties assigned to them, and that they observe proper decorum en route.

The pullman conductor also must check and make certain that intoxicants sold in pullman cars are dispensed only in States permitting their sale and at such times as State laws permit. Furthermore, it is not unusual for pullman conductors to be asked to accord special supervisory care to unaccompanied children, junior females, and aged or disabled persons placed aboard by friends or families. Equal or superior supervision must be accorded passengers becoming ill en route.

The pullman conductor is also charged with certain equipment supervision. He must make certain that air-conditioning and heating equipment functions properly, and if not, he must arrange for emergency repairs. The same is true with respect to lighting equipment. If disturbing noises or rattles appear en route in connection with any car under his supervision, it is his duty to ascertain their source and report the same to the Pullman Co. for correction. Public toilets on each pullman car must be checked and porters required to maintain them in sanitary condition.

Attention must also be directed to the service the pullman conductor renders his employer and the traveling public, namely, selling passengers more desirable and expensive space while the train is in operation. Often he finds such space open after departure, and he is authorized to solicit passengers and sell them any more desirable space available. This manifestly increases the revenues of his employer, the Pullman Co.

In summary, the evidence amply demonstrates that the duties and tasks performed by pullman conductors vary from those of acting as a company contact man concerned with good public relations, through clerical tasks and the discharge of supervisory functions, to those concerned with the sale of more desirable and remunerative travel accommodations to the traveling public en route.

Pullman conductors were classified by the Company as at or near the top of the semiskilled group of employees. As to hourly rates of pay, the pullman conductors received 158.3 cents as an average in 1950. The top hourly rate was 239.9 cents for train dispatchers and the minimum rate was 116.2. There were 14 classes of employees who received rates of pay less than pullman conductors and 14 classes who received rates above the pullman conductors.

Of the roughly 1,900 pullman conductors employed by the Company, approximately 1,400 work on what is known as "regular assignments," and approximately 500, on the "extra board," generally work on what is known as "irregular assignments." Regularly assigned conductors have first choice of regular runs, and if their assignments are for less than the regular work-month of 210 hours, they nevertheless receive a full month's pay. Extra board men normally do not work on regular runs, and they are paid only for the hours actually credited to them.

#### **B. Origin of the Present Controversy**

The developments originating the present controversy began on December 7, 1950, with a letter serving notice on the Company of the Organization's desire to have the existing monthly rates of pay of pullman conductors increased an additional \$90 a month, with corresponding increases in hourly rates, effective as of January 8, 1951.

On January 5, 1951, the first negotiating meeting took place between representatives of the Organization and the Pullman Co. From the outset, an early agreement appeared unlikely. Consequently, shortly after the first meeting of January 5, the Order of Railway Conductors requested the services and good offices of the National Mediation Board. This Board assigned a mediator to assist the parties in resolving their differences; and, in addition, meetings were held by members of the Board with the interested parties.

Unfortunately, the conferences which took place at that time were unproductive, and the Chairman of the National Mediation Board on or about July 24, 1951, suggested to the parties that it appeared appropriate for the Board to recommend that the President of the United States create an Emergency Board, to investigate the facts and report on this dispute to the President. Prior to taking this step, however, and in accordance with the provisions of the Railway Labor Act, the National Mediation Board proposed arbitration to the parties. The Company and the Organization gave serious consideration to this suggestion, but they were unable to agree upon the terms of a submission agreement. Consequently, no arbitration has taken place thus far in this controversy. Then followed the issuance of Executive Order 10286 and the appointment of this Board.



## C. Statement of the Issues

The original notice served by the Organization on the Pullman Co. raises only a wage level issue, as the following quotation from the initial letter of A. G. Wise, general chairman of the Organization, to M. B. Osborn, vice president of the Company, discloses:

Effective January 8, 1951, all rates per month now appearing in rule 1 (a) of the agreement effective September 1, 1945, revised, effective January 1, 1948, be increased \$90 per month. Rates per hour to be correspondingly increased.

During the collective bargaining sessions between the interested parties, and particularly during mediation and the proceedings before this Emergency Board, the issues have been expanded. The Organization continues to press only its original request as heretofore quoted. The Pullman Co., however, requests the following:

1. Recommendation of the acceptance by the Organization of the Company's wage offer as being just and equitable and not unstabilizing under the Defense Production Act of 1950, as amended, and the Rules and Regulations of the Wage Stabilization Board made pursuant to the statute (an explanation of the details of this offer follows).

2. Recommendation of a cost-of-living wage escalation provision, as well as of an annual wage improvement provision, if and when permissible under Government wage stabilization.

3. Recommendations of a moratorium provision on future proposals for changes in rates of pay, rules, and working conditions until October 1, 1953.

In connection with the first-mentioned subject, attention must be invited to a specific injunction made by the President of the United States to this Board, which is contained in Executive Order No. 10286, and reads as follows:

In performing its functions under this order, the Board shall comply with the requirements of Section 502 of the Defense Production Act of 1950 as amended.

In order to give pullman conductors advantages equal to but not greater than those enjoyed by other classes of pullman employees, the Company has made a wage offer, retroactive in part to January 1, 1951, and which, according to the Company follows the so-called pattern of fourth-round postwar wage increases:

Jan. 1, 1951.	2 cents per hour increase on 210 hours.....	\$4. 20
Mar. 1, 1951.	12½ cents per hour increase on 210 hours.....	\$26. 25
	Less 30 hours (240-210) at 10 cents per hour.....	3. 00
	Less \$4.20 per month paid Jan. 1, 1951.....	4. 20
	Net Mar. 1, 1951.....	19. 05
Apr. 1, 1951.	Escalator adjustment (6 cents×210 hours).....	12. 60
July 1, 1951.	Escalator adjustment (1 cent×210 hours).....	2. 10
		37. 95

### III. THE ISSUE OF A GENERAL WAGE RATE INCREASE

In order to facilitate a comparison of the opposing arguments of the Organization and the Company on the wage issue, as well as better to understand the Board's findings and recommendations thereon, it seems desirable to have an outline or frame of reference common to all of them. Accordingly, in this section of the report we shall consider that the Organization, the Company, and the Board have addressed themselves to the following broad question: *Have the pullman conductors been, and are they now, in an inequitable position in respect to wages?*

"Inequitable" in the field of labor economics is a word that implies and requires a comparison of one person's or group's economic position with that of one or more other persons or groups. Both the Organization and the Company did in fact compare the pullman conductors' wage rate and income position with those of other groups. In determining this dispute the Board is bound to do likewise.

It is these comparisons with other groups that provide the main body of our outline or frame of reference. They are seven in number: (a) Other crafts whose members are employed by the Company; (b) other crafts whose members are employed by Class I railroads; (c) workers in nonrailroad industries; (d) the Pullman Co. as an organizational entity; (e) the owners of the Pullman Co. (the railroads); (f) the consumers of the services created by the Company; and (g) all other income receivers in the economy.

In addition to these comparisons, there are two other matters that were considered by the parties and the Board: (1) In making the comparisons is the appropriate yardstick the pullman conductors' monthly rate of pay, or is it the hourly rate? (2) How do any results or conclusions arising from the comparisons stand in relation to the Government's current program of wage stabilization?

#### A. The Position of the Organization

##### 1. THE APPROPRIATE TIME PERIOD FOR THE PULLMAN CONDUCTOR'S RATE OF PAY

The Organization contended that the basic rate of pay for pullman conductors has always been the monthly rate and not the hourly rate. The latter, it asserted, is nothing but a "derived" rate. That is, the hourly wage rate is obtained by dividing the monthly rate by the number of hours in the basic work-month. The Organization agreed that (a) for a number of years most of the wage increases for railroad employees and pullman conductors have first been determined in cents per hour; and (b) the hourly wage rate can be used to compute the take-home pay of extra or irregularly assigned conductors, as well as

to compute the overtime pay of regularly assigned conductors and to calculate the less-than-standard monthly pay of such conductors when they lose time through sickness or similar reasons. But the Organization declared that the negotiation of a wage increase in cents per hour is merely a step in the calculation of the rise in the basic monthly rate. (Thus, if the agreed-on increase in the hourly rate is 10 cents and the length of the basic work-month is 210 hours, the amount to be added to the previous monthly rates of the respective length-of-service groups is \$21.) And the pay of conductors working on the extra board, as well as overtime pay and deductions from the pay of regularly assigned conductors, can be computed without the use of the derived hourly rates. It can be done by using a conductor's total credited hours for a given month as the numerator of a fraction whose denominator is the length of the basic work-month (currently 210 hours) and then multiplying this fraction times the appropriate monthly pay rate of the conductor.

The Organization buttressed its position on this point by citing the discussions and findings of certain previous Emergency Boards for railroad employees and by pointing out that in earlier years its written agreements (like certain ones of other railroad organizations today) contained no listing of the derived hourly rates alongside the monthly rates.

The Organization appears to have made this contention mainly because it has steadfastly held that in listing past increases in wage rates, no one should consider reductions in the length of the basic work-month (as on January 1, 1951, when it was changed from 225 to 210 hours) as involving increases in pay rates. This argument was used by the Organization not only to help support its claim of how much of a monthly increase it was entitled to for the redress of inequities but also to establish how much would be permissible under the Government's current wage stabilization program.

## 2. ALLEGATIONS OF INEQUITIES

The Organization presented exhibits comparing over a number of years the money and real average hourly, weekly, and monthly earnings and rates of pullman conductors with those of other pullman employees, railway employees, and nonrailway employees. A summary of its presentation follows:

### *a. Pullman conductors and other pullman employees*

(1) *Monthly earnings and rates.*—The Organization asserted that, according to Interstate Commerce Commission figures, average monthly *money earnings* of pullman conductors rose by only 87.5 per-

cent from 1936 to 1950, whereas those of all pullman employees (including the conductors) increased 149.2 percent. From 1941 to 1950 the respective increases were said to be 77 percent and 114 percent, from 1946 to 1950 about 27 percent and 34 percent, and from 1948 to 1950 about 4 and 8 percent.

From data supplied by the Railway Employees' Department of the A. F. of L., it was also stated that, whereas in 1941 the differential between the average hourly *rate* of pullman shop employees and the derived hourly *rate* of pullman conductors having more than 15 years of service was 0.6 cent in favor of the former, by 1951 this differential had risen to 23.7 cents. Similarly, in 1939 the long-service pullman conductors enjoyed a 33.4 cents differential over the highest *rate* paid to pullman car cleaners, but by 1951 this margin had fallen to 13.5 cents. Again, in 1937 and 1941, the monthly money rate differential between the pullman porters and the first-year (lowest rate) pullman conductor was \$82.50 in favor of the latter; but by July 1951 this differential had narrowed to \$49.78. The Organization held that except in respect to the porters, a considerably higher increase for the conductors than the Company's offer of 18.07 cents per hour would be necessary to restore these historical money differentials.

(2) *Real earnings and rates.*—The Organization also asserted that the pullman conductors had fallen behind other pullman employees in the matter of average real monthly earnings. It was stated that by 1950 the average real monthly earnings of the former had risen only 8.5 percent over 1936, only about 9 percent over 1941, only about 3 percent over 1946, and only about 5 percent over 1948. This is to be compared with respective increases for these years of 44 percent, 31 percent, 9 percent, and 8 percent for all pullman employees.

The Organization stated that, if the Company's offer of \$37.95 had been put into effect in June 1951, the pullman conductors' average real monthly earnings for July 1951 would still have been only 11 percent higher than in 1936. Such an increase, it was asserted, would fall far short of achieving real-wage parity in terms of percentage changes.

#### b. *Pullman conductors and railroad employees*

(1) *Money earnings and rates.*—The Organization also compared over a period of years the money earnings and rates of pullman conductors with those of other employees in the railroad industry. It stressed in particular the dollar differentials between pullman conductors' monthly rates and those of Class I line-haul railway passenger conductors, under whose general supervision the former work and with whom they are especially closely associated in respect to collecting tickets from pullman passengers.

The percentage increases in actual average monthly money earnings from 1936, 1941, 1946, and 1948 to 1950 for pullman conductors were presented in the preceding section (2). For *all* Class I line-haul railway employees the percentage increases given by the Organization for those years were, respectively, 117 percent, 84 percent, 23 percent, and 5 percent. For passenger conductors the respective percentage increases for those years were said to be 91 percent, 70 percent, 20 percent, and 8 percent.

In July 1951 the average monthly money earnings of pullman conductors were said to be \$361.84. To this figure the Organization added \$37.95, the amount of monthly-rate increase offered by the Company, giving a total of \$399.79 for that month if the proposed increase had been in effect. This total would have been 107 percent above the 1936 average for pullman conductors, 95 percent above the 1941 average, 40 percent above 1946, and 15 percent above 1948.

During 1951 the railroads offered an increase of \$57.58 to be applied to the minimum monthly guaranteed rate of passenger conductors. (These conductors are on a dual, mileage-hours system of compensation, which, the Organization said, made for greater increases in earnings than are found among crafts paid on a straight-time basis.) The offer was rejected by the Order of Railway Conductors. The Organization stated that if the offer had been accepted, the earnings of passenger conductors in July 1951 would have been \$552.82. This amount would have meant a 113-percent increase over 1936, 88 percent over 1941, 34 percent over 1946, and 21 percent over 1948.

The Organization showed that the amounts by which the average monthly money earnings of passenger conductors exceeded those of pullman conductors had increased from \$66.02 in 1936 to \$86.20 in 1941, \$125.67 in 1946, \$111.96 in 1948, and \$133.40 in 1950. If the Pullman Co.'s 1951 offer to its conductors and the railroads' 1951 offer to passenger conductors had been in effect in July 1951, the differential would have been \$153.03 in that month, according to the Organization. It was stated that a main reason for the rising *earnings* spread was the fact that the basis on which pullman conductors are paid is an hours-worked one, while the passenger conductors have the dual basis mentioned above, common to the "big four" train-operating Brotherhoods.

Data were also offered to establish that the differentials between the pullman conductors' monthly *rates* and those of passenger conductors, assistant passenger conductors, baggage men, and brakemen had, with the exception of 1937, always been the same dollar amounts from 1926 to 1950. It was asserted that, in the light of the 1950-51

increases offered to these four groups by the railroads and accepted by the latter two, acceptance of the \$37.95 offered by the Company to the pullman conductors would result in widening all these differentials. For example, the differential between the first-year pullman conductors' rate and the minimum monthly guarantee of the passenger conductors had always, except in 1937, been \$56. But if the former were to accept the Company's offer and the latter the railroads', the spread would widen to \$64.85.

Hourly-rate comparisons purporting to establish the same sort of conclusion—namely, widening of rate and earnings differentials and inadequacy of the Company offer to effect a return to previous money differentials—were also offered in respect to railway express messengers and other nonoperating railway employees.

(2) *Real earnings and rates.*—The two comparisons stressed by the Organization in respect to the trend in the *real* wage position of pullman conductors were concerned with all Class I line-haul railway employees and with Class I line-haul passenger conductors. The percentage increases of pullman conductors' 1950 real monthly earnings over those of 1936, 1941, 1946, and 1948, as stated by the Organization, were set forth above in section a (2). For all railway employees, real monthly earnings were 25.5 percent higher in 1950 than in 1936, 13 percent higher than in 1941, about the same as in 1946, and about 5 percent higher than in 1948. Passenger conductors' real earnings were 11 percent higher than in 1936, 5 percent higher than in 1941, 1 percent lower than in 1946, and 8 percent higher than in 1948.

The Organization estimated that, if the Company's offer had been in effect in July 1951, the pullman conductors' real monthly earnings would have been only 11 percent higher than in 1936. If the railroads' offer to the passenger conductors had been in effect during that month, the latter's real monthly earnings then would have been up 14 percent over 1936. The Organization asserted that for the period 1936 to July 1951, real-wage parity with the passenger conductors could be obtained for the pullman conductors only by a wage increase of \$49.84 for the latter group. In short, for such a purpose the Company's offer was said to be almost \$12 too little.

c. *The question of a wage increase pattern in the Pullman Co. and in the railroad industry*

As will be shown later on, the Company defended its offer to raise the pullman conductors' monthly rates by \$37.95 as rather strictly conforming to a pattern of increases (12.5 cents per hour plus, to date, 7 cents under escalator provisions) that had already been accepted by and put into effect for unions representing the great majority of pull-

man and railroad employees. In the instant case, the Organization denied that there had been any such thoroughgoing, well-defined, uniform sort of wage rate movement in 1950-51. It pointed out that the conductors, locomotive engineers, and locomotive firemen had refused to accept such increases and that the pullman conductors were an important part of the conductors' organization. It also called attention to the recent award (August 13, 1951) of the so-called Douglass board of arbitration, which gave to the members of the American Train Dispatchers' Association, 5.4 cents per hour in excess of the alleged pattern of 19.5 cents per hour. Other variations were said to have been accepted and put into effect for the yardmasters represented by the Railroad Yardmasters of America and by the Brotherhood of Railroad Trainmen and for the yard employees (switchmen and others) represented by the Switchmen's Union of North America and by the Brotherhood of Railroad Trainmen.

As noted in part II of this report, the Company's offer of \$37.95 per month falls \$3 short of applying the 19.5 cent per hour increase, agreed on by unions representing most of the railroad employees, to the pullman conductors 210-hour work-month (19.5 cents times 210 hours equals \$40.95). The Company defended this deduction on the ground that (1) when the 1948 pattern increase of 10 cents per hour for such employees was put into effect for the pullman conductors in October of that year, the 10-cent increase was applied to a 240-hour work-month even though the pullman conductors were then on a 225-hour month; (2) this application has continued to date even though the pullman conductors obtained a 210-hour month in January 1951; (3) the whole 1948-51 hours-wage pattern had the effect of providing for such deductions, one Emergency Board (the so-called McDonough Board) having recommended a deduction three times as large; and (4) a deduction of the general magnitude offered by the Company has been agreed to by organizations representing the dining car stewards, the dining car cooks and waiters, and the pullman porters, with which employees the pullman conductors are in daily close contact.

In this case, the Organization denied that there was any such pattern justifying such a deduction. It contended that the McDonough Board's recommendation on this matter constituted a departure from the pattern established by the recommendations of earlier and later Emergency Boards (such as the Tipton Board of 1950). It asserted that by such a deduction the Company was trying to take away something it had previously agreed to and was thereby using a reduction in hours as a device for reducing the conductors' monthly rate.

d. *Workers in nonrailroad industries*

The Organization also compared the 1936-51 trends in money and real straight-time average hourly earnings, actual weekly earnings, and full-time weekly earnings for pullman conductors with those for workers in nonrailroad industries—manufacturing as a whole, various manufacturing industries, and various nonmanufacturing industries. In an effort to avoid over-extending this report, this Board deems it desirable to refrain from attempting even a summary of the many statistical series that were presented. Suffice it to say that in the view of the Organization, the comparisons presented were almost wholly to the disadvantage of the present wage position of pullman conductors and for the most part raised serious question of the adequacy of the Company's offer of \$37.95 per month.

An important part of this segment of the Organization's presentation was an emphasis on the trend that began in 1949 toward giving skilled workers in various nonrailroad industries higher cents-per-hour increases than those received by the semiskilled and unskilled workers. This was a reversal of the trend, which began before and received great impetus during and after World War II, under which uniform wage rate increases in terms of cents per hour had been given across the board to all grades of employees. Such raises had, of course, given higher percentage increases to the less skilled workers. The recent change in this trend has been effected either by giving uniform percentage changes to all classes of workers or by providing specially high cents-per-hour raises for the skilled groups.

The Organization argued that this principle should be adopted for its conductors, as a relatively skilled grade of employee. Specifically, it asked for a percentage increase approximating those already made for or offered recently to such skilled railroad employees as passenger conductors, train dispatchers, and so on.

e. *The ability of the Company to pay the union-demanded increases*

The Organization did not defend its request for a \$90 monthly wage rate increase in specific terms. That is, it did not develop its statistics or arguments so as to rationalize this particular amount. Apart from saying that this figure represented the consensus of the local representatives of a rank and file that had been smarting under a keen sense of inequitable treatment, the Organization limited itself to describing various aspects of the inequity (some summarized above, others below) and to maintaining that the Company was able to pay increases larger than the one offered.

As will be shown below, the Company asserted that it was in a difficult financial position as an organizational entity; that for many



years, even during the postwar prosperous ones, its operations had been relatively unprofitable.

The Organization's reply to these allegations was that (1) the Pullman Co. is owned by 59 railroads; (2) some of its costs are the result of arbitrary accounting allocations of costs jointly incurred by the railroads and the Company (e. g., maintenance of way); and (3) in any case the ultimate ability of the Company to afford any wage rate increase depends on the owner-railroad's ability to do so.

The Organization claimed no inequity vis-à-vis the owners of the railroads, who in turn own the Pullman Co. That is, the railroad stockholders were not held to have profited unduly in relation to the wage rates and incomes of employees working for the railroads or for the Pullman Co. Nor did the Organization contend that the Company or the railroad managements had retained for the corporations as entities inequitably high amounts of net revenues. These points were not in issue. However, the Organization agreed that revenues per pullman-mile had increased less since 1939 than the prices of other goods. In other words, the Company and the railroads and their owners (and to some extent their employees) might be said to have reached an inequitable position in respect to the consumers of pullman and railroad services and in respect to the companies and owners of nonrailroad products whose prices had risen so much higher.

In addition to making the points just reviewed on the Company's own ability to bear a sizable wage rate increase for its conductors, the Organization talked at some length on the ability of the economy as a whole to afford it. That is, it dealt with the general increase in labor-hour productivity for the economy as a whole and stressed that all groups' real wage rates should keep pace with such general increase. Presumably, the Organization favored raising its own men's wage rates on this basis rather than on the basis of possible productivity increases in the Pullman Co.'s operations. For it raised doubt as to one's ability to measure productivity changes in these operations. In any case, the Organization asked for a productivity wage rate increase related to the known national average change in man-hour output of 3 to 4 percent per year, uncompounded, or 2 to 3 percent per year, compounded.

f. *Inequities in respect to the sellers of all other products and services.*

*Pullman conductors' wage rates and the cost of living*

This leads us finally to consider the price position of pullman conductors in relation to that of all other sellers of goods and services. The index of changes in the so-called cost of living is a measure of changes in the prices received by all the sellers of the products included

in the cost of living. These prices include the prices of the labor and materials used in producing the products. The most widely accepted index of changes in these product prices is the United States Bureau of Labor Statistics Consumers' Price Index, which tries to measure quarterly changes in the prices of a modest but adequate budget of goods and services used by big-city wage-earners' families of four persons (two adults and two dependent children). The price of pullman passenger service is not specifically included in this budget. Therefore, if over a period of years this Consumers' Price Index rises by a higher percentage than the wage rate or average hourly earnings received by pullman conductors during the same period, the conductors may be said to be in an inequitable position.

The Organization asserted that its members are in fact in such a position. To establish this, it made special comparisons for two periods: (1) June 1946 to June 1951; and (2) January 1950 to June 1951. For the comparison it used the top conductor monthly rate—the one paid to men of over 15 years of service. (The reasons given for the use of this rate in this as well as other arguments by the Organization was that, as in the case of the operators in the municipal transit industry, it may be regarded as the key or most important wage rate among all pullman conductors rates.) From June 1946 to June 1951 this rate in money terms was said to have increased 20.7 percent while the Consumers' Price Index rose 39.2 percent; in other words, during this period the real wage rate of these men fell by 13.3 percent. It was then asserted that the monthly rate needed to maintain parity with the rise in the Consumers' Price Index would be \$410.64, a rise of \$54.44 over the existing one of \$356.20.

In respect to the other comparison, the rise in the top monthly money rate since January 1950 was said to be zero, whereas the Consumers' Price Index had risen 11.1 percent by June 1951. This inequity could be expressed as a fall of 10 percent in these men's real wage rate during the 18-month period. The money rate needed to restore January 1950 purchasing power (i. e., remove the cost-of-living kind of inequity) was said to be \$395.74, an increase of \$39.54 over the top existing rate. This is \$1.59 higher than the Company's offer.

### 3. INCREASES PERMISSIBLE UNDER THE GOVERNMENT'S WAGE STABILIZATION PROGRAM.

The Company made the main presentation on the permissibility of wage rate increases for pullman conductors under General Wage Regulations Nos. 6 and 8 (revised) of the wage stabilization program. The Organization's chief difference with the Company arose over the deduction from the gross allowance permissible under General Wage Regulation No. 6 of the hourly wage rate increase that resulted

in January 1951 from the decrease in the length of the work-month from 225 to 210 hours. The Organization contended that no such deduction was required. And in support of its assertion it cited a press release issued September 19, 1951, by the Wage Stabilization Board, wherein the Board was said to have decided, in respect to wage rate increases negotiated in the maritime industry, that a reduction in the length of the work-week from 48 to 40 hours during 1951, does not constitute an hourly wage rate increase within the meaning and intent of existing wage stabilization principles.

### **B. The Position of the Company**

The Organization's main arguments were summarized above in some detail to provide the framework for the Company's rebuttal and for the Board's findings, analysis, and recommendation. The Company's arguments may, for the most part, be reviewed here in briefer fashion.

#### **1. THE APPROPRIATE RATE FOR PULLMAN CONDUCTORS.**

Fundamentally, the Company did not dispute the Organization's contention that the pullman conductor's basic rate of pay is a monthly one and that the hourly rate is derived therefrom by dividing the monthly rate by the number of hours in the basic work-month. But the Company did lay great stress on four points: (a) Since before 1937, increases in the wage rates of all pullman and railroad workers, whether paid on a monthly or hourly basis, have first been made or granted on an hourly basis. Then, if the basic rate is a monthly one, the increases therein have been calculated by multiplying the increase in the hourly amount by the number of hours in the basic work-month. (b) The hourly rate is used for calculating many wage payments, as shown above to have been admitted by the Organization. The average percentage which payments calculated on an hourly basis were of the total pullman conductor payroll for 2 months in 1951 (January, a 31-day month, and April, a 30-day month) was 22.5 percent; the remaining 77.5 percent of total wage payments were computed by using the monthly rate. (c) It is improper to use the top conductor monthly, or hourly) rate for making any comparison with the rates of other employees in the same or other industries or with changes in the cost of living. Fifty-six percent of all conductors in active service in May 1951 were in the 5-10 years-of-service group. Only 36 percent had more than 15 years of service. It was said to be much more appropriate to use for all purposes either the average actual monthly money earnings of all conductors or the weighted average monthly rate of all conductors. (d) Reductions in the number of hours in the basic

work-month which were granted with no change in basic monthly pay rates should be considered in telling the story of increases in hourly rates. That is, under these circumstances the conductors receive increases in their hourly pay rates; and these increases, like the one which became effective in January 1951, when the work-month was reduced from 225 to 210 hours, must be considered in totaling the hourly increases from any given year, such as 1937 or 1948, and in determining offsets against the gross allowance permissible under General Wage Regulation No. 6 of the Wage Stabilization Board.

## 2. WAGE RATE INEQUITIES FOR PULLMAN CONDUCTORS

### a. *Inequities vis-a-vis other groups of employees*

The Company did not disagree with the Organization that the pullman conductors were suffering from wage rate inequities and that these should be redressed by a wage rate increase. The principal area of disagreement between the parties lay in the definition and extent of the inequity and, thereby, in the amount of wage rate increase required for redress. Thus the Company contended that, in trying to measure the extent of the inequity for these employees, it is improper to compare changes in their money and real wage rates and earnings with changes in those of nonrailroad workers. The various crafts within the huge railway industry are much more closely related to each other, it was asserted, than to any group of outside employees. Only in a "lead" case initiating a new round of wage-rate changes in the railroad industry would it be proper to make such a comparison. But the instant case is not such a one. A fourth-round pattern of wage rate increases has already been accepted within the railroad industry by organizations representing 88.5 percent of all railroad employees. And 91.5 percent of all pullman employees have already been covered by this pattern. It follows, then, said the Company, that the pullman conductors' inequity must be measured by the amount needed to bring their wage rates into conformity with the pattern. This amount is contained precisely in the Company's offer to the Organization—a \$37.95 increase in all monthly rates, or an average of 18.07 cents for each of the 210 hours in the basic work-month.

In further support of the claimed fairness of this offer, the Company made the following additional points:

(1) The Organization is in error when it states that certain railroad unions (cited above) have recently received increases that exceed the general fourth-round (1950-51) pattern set by the nonoperating organizations and the Brotherhood of Railroad Trainmen. The Organization cites in particular the recent arbitration award in the

Train Dispatchers' case. It is true that the total amount granted there (\$49.76) is almost a 5.5 cents in excess of the general 19.5 cent pattern for the fourth round. But, the Company claimed, this larger amount was given in recognition of the great importance of that craft's work: The direction of the various trains on the road is a job of extreme responsibility, and the dispatchers in reality are a group of subordinate railroad officials.

(2) The report of the special temporary Railway Labor Panel of the Wage Stabilization Board, as well as the figures on hourly increases made in the railroad industry since 1937, demonstrates that, once a given cents-per-hour wage rate increase is set by a lead case in the industry, this increase sets a pattern which is followed without much variation by all the other crafts in the industry, including the employees of the Pullman Co. Up until 1948 there was virtually no variation in the amounts of the increases agreed on by the several unions. But in that year the successful hours-reduction movement of the nonoperating unions, plus those of several other organizations, had the effect of varying somewhat the hourly and monthly increases because the lengths of the work-week, or work-months, of the different groups were not reduced uniformly. For example, from 1948 to 1951, the work-month of the dining car stewards represented by the Brotherhood of Railroad Trainmen was reduced from 240 to 205 hours, whereas the reduction for the pullman conductors represented by the Order of Railway Conductors was from 240 to 210 hours. Uniform monthly-rate increases for the two crafts would produce different hourly rate increases because of the difference in the monthly-hour divisors; uniform hourly increases would result in different monthly rate increases because of the difference in the monthly-hour multipliers.

(3) The Company estimated that its offer, if accepted, would have increased the average monthly earnings of pullman conductors in July 1951 from \$381.59 to \$422.01. (The latter figure is about \$2.50 higher than the \$381.59 plus the \$37.95 offer because of calculated increased overtime payments.) The \$422.01 earnings would have given the pullman conductors a higher *money* increase over their 1936 average monthly earnings than would have been experienced over the same period by pullman employees as a whole or by railroad employees as a whole. The July 1, 1951, figure of \$422.01 would also have given the pullman conductors a higher *percentage* (but not money) increase over their 1936 average than that which would have been obtained over the same period by the passenger conductors if the latter had accepted the railroads' recent offer. Although believing that comparisons with nonrailroad employees are not valid for this case, the Company also presented data showing that the Company's offer would

have operated to provide for the pullman conductors higher dollar increases from 1936 and 1948 to June and July 1951 than those received by workers in most manufacturing industries.

(4) As previously noted, the Company's offer amounted to 18.07 cents per hour on a 210-hour month rather than the 19.5 cents which was said to be the fourth-round pattern covering most other railroad employees. The reason for this difference has already been explained as caused by the successive reductions in monthly hours from 240 to 225 to 210: The increase of 10 cents per hour of October 16, 1948, was applied to 240 hours even though the pullman conductors were then working only 225 hours. Then in January 1951 the monthly hours were reduced to 210, with the 1948 increase still applicable to 240 hours. This, in accordance with the pattern already established with certain other pullman and railroad employees, the Company now proposed to change or rectify, by multiplying the difference between 240 hours and 210 hours by the 10 cents of 1948. Then \$3 divided by the present work-month of 210 hours, equals 1.43 cents. And the pattern amount of 19.5 cents minus 1.43 cents equals 18.07 cents, the Company's proposal. Thus, this amount, the Company contended, is the result of a joint hours-wage rate pattern from 1948 to 1951.

In short, the Company purported to show that, in terms of average monthly (or weekly or hours) *earnings*, its offer would have more than redressed any inequities suffered by its conductors within the Company itself, the railroad industry as a whole, and manufacturing in general. In terms of monthly and hourly *rates* of pay, the Company contended that its offer was in strict accord with the 1948-51 hours-wage rate movements and patterns in the railroad industry and thereby would fully redress its conductors' inequities within the Company and the industry.

#### b. *The Company's ability to pay the increase*

Rather voluminous evidence was introduced by the Company bearing on the question of possible inequities in terms of relative returns and net incomes between its employees on the one hand, and the Company as an entity and the railroad owners of the Company, on the other hand. We shall not go into the financial relationships between the carriers and the Company except to say that (1) the latter's stock is owned completely by the former; (2) some pullman cars are owned by the Company and some were bought and are owned by the railroads; (3) the railroad-owned cars are leased back to the Company; (4) there is a uniform contract between the Company and the railroads providing for payments by the Company for leased cars and payments by the railroads for various services performed by the Com-

pany in respect to the leased cars operated on the railroads; (5) when the Company makes profits, it shares them with the railroads on a preagreed basis; and (6) when the Company runs a deficit, the railroads make it up, i. e., subsidize the Company on a preagreed basis.

In respect to its ability to continue paying higher wage rates, the Company emphasized the following points: (1) Railroad passenger and especially pullman traffic and revenue have suffered increasingly over the years as a result of the competition of alternative modes of travel. (2) The ratio of total wages and salaries to total sales value is higher for the Pullman Co. than for firms in almost any other industry. For example, from 1946 to 1950 the total wages and salaries paid by the Company averaged 69 percent of its total passenger revenue, and for the first 6 months of 1951 the percentage stood at 78. In other words, labor cost is an unusually high fraction of total cost. And a given percentage increase in wage rates is reflected in an unusually large percentage increase in total cost. (3) The Company's offer was estimated to involve a 12-percent increase in the total wage bill of pullman conductors. (4) In four of the five generally prosperous years of 1946-50, the Company had an operating deficit before receiving contract payments from the railroads and before taxes. The deficits were particularly high in 1950 and 1951. (5) The fact that the railroads subsidize these deficits makes the railroads uncommonly sensitive to unprofitable lines of pullman service. In recent years pullman service on numerous runs has been abandoned by the railroads. The Company fears further losses of this sort. (6) The financial positions of the railroad-owners of the Company are much less favorable than those of most nonrailroad firms. The railroads' ability to bear wage rate increases is far from unlimited in view of their insecure competitive position in the whole transportation situation.

The Company does not seriously resist paying higher wage rates on an "annual improvement factor" or increase in man-hour productivity for the country as a whole (rather than for the Pullman Co., as such). It had included such increases as part of its offer, to become effective when and if permitted under the Government's wage stabilization program.

### *c. Inequities in terms of the cost of living*

The Company denied that its offered increase was insufficient to keep its conductors abreast of rising living costs. On the contrary, it contended that the monthly earnings which would have resulted from acceptance of the offer would have been higher relative to those of any previous base date than the cost of living in such recent month

compared with that of the same previous base date. In other words, the Company asserted that acceptance of its offer would have provided and will continue to provide a substantial rise in real earnings relative to the real earnings in any year since 1935. Thus, in 1946 average monthly money earnings were \$295.21. The average money earnings that would have developed in July 1951 under the Company's offer are \$422.01, an increase of 48 percent. Over the same period the Consumers' Price Index rose only 33 percent.

### 3. THE COMPANY'S OFFER IN THE LIGHT OF THE WAGE STABILIZATION PROGRAM

The Company took the position that its offered increase is not automatically approvable under the General Wage Regulation 6 and General Wage Regulation 8 (revised) of the Government's wage stabilization program. General Wage Regulation 6 permits, without the necessity for applying to the Wage Stabilization Board for approval, a gross general increase of 10 percent over the average straight-time hourly earnings that existed for a unit of employees on the payroll date nearest to January 15, 1950. If between that date and January 25, 1951, a general increase had already been given to the unit, the amount of this increase must be subtracted from the amount found by the multiplication by 10 percent; this is the net increase allowable without special application to the Board.

As of January 15, 1950, the average straight-time hourly earnings of pullman conductors as a group were said to have been \$1.579. Ten percent of this amount gives \$0.1579 as the gross permissible adjustment. But the Company contended that the reduction in monthly hours from 225 to 210 effective January 1, 1951, produced a weighted average hourly rate increase of \$0.1112 because monthly rates were left unchanged at that time; and this amount must be deducted from the gross allowable increase just mentioned. If this is done, only 4.67 cents remain as permissible without approval. But the Company's offer pertaining to General Wage Regulation 6 is 11.07 cents (the total offer of 18.07 cents minus the 7 cents available under the wage escalator offer). Therefore, an excess of 6.4 cents (11.07 minus 4.67 cents) remains and requires approval by the wage stabilization authorities.

Under General Wage Regulation 8 (revised), new (post-January 1951) wage rate escalator clauses of labor agreements are permissible without formal application for approval if the percentage escalation in wage rates does not exceed the percentage increase in the cost of living as shown by some authoritative index thereof such as the Bureau of Labor Statistics' Consumers' Price Index. Like other



escalator provisions adopted in the railroad industry, the Company's proposal provides for a 1 cent hourly wage rate increase for each rise of one point in the Consumers' Price Index. This means that the wage rate percentage increase for pullman conductors would be higher than the percentage increase in the Consumers' Price Index. Thus, from January 15, 1951, to July 15, 1951, the Consumers' Price Index, Old Series, went up from 181.6 to 185.8, or 2.3 percent. This percentage of the weighted average hourly rate of about \$1.67 existing in January 1951, yields only about 3.8 cents. But the Company's escalator proposal begins with 178.0 points in the Consumers' Price Index. By July the index had risen 7 points, providing 7 cents, or an excess of 3.2 cents over the amount automatically approvable. Therefore, the Company held, formal approval by the authorities is required.

The Company did not contend that its proposed wage rate increase would not be approved. It simply insisted that such approval was necessary.

### C. The Board's Findings and Recommendations on Rates of Pay

#### 1. INEQUITIES IN RELATION TO OTHER EMPLOYEES

In making findings and recommendations that the Board hopes will be helpful in resolving this wage dispute between the Pullman Co. and its conductors, the Board has tried to bear in mind and give effect to the following principles and concepts: This is a dispute involving the redress of wage rate inequities. In trying to correct this kind of inequity it is always important to make certain that such action does not create more inequities than it redresses. There are five main kinds of inequities that are important to any group of employees and these must be considered not only as of any one moment, but also in respect to changes over periods of time: (a) Inequities based on comparisons of the group's wage rates with those being paid to other groups of workers in the *same* plant or firm; (b) inequities based on comparisons of the group's rates with those of *other* groups in other plants and firms in the same industry; (c) inequities based on comparisons of the group's rates with those of other groups in other industries; (d) inequities felt because the group's wage rates or hourly earnings have not kept pace with the prices received by *all other* income-receivers (owners of productive agents); and (e) inequities based on a comparison of the group's position with that of nonlabor groups in the *same* company (e. g., the position of stockholders, who receive profits, and of bondholders, who receive interest). Of all these five possible kinds of inequities, those mentioned under (a), (b), and (d) above are usually the most keenly felt. That given

under (e) is not an issue to the Organization in this case (although naturally of extreme importance to the Company). That given under (c) is not deemed of crucial significance by the Board in this case because of the special circumstances under which the case arose and was brought to the Board.

The Board accordingly has focused its attention on the human-relations importance of keeping the wage rates of the Organization's members abreast of general changes in the wage rates of other employees with whom they work on the railroads and in the Pullman Co. and also abreast of changes in the cost of living. These three matters are in (a), (b), and (d) above.

a. *Intra- company and industry inequities*

(1) *Pullman conductors versus passenger conductors.*—Among all the exhibits and arguments introduced by the Organization, the Board was especially interested in those having to do with the average spread of earnings and rates between the pullman conductors and railroad passenger conductors. On any one passenger train the members of these two groups are in particularly close contact; for example, in the lifting of tickets the pullman conductor and the passenger conductor go through the pullman cars together. The Organization showed that (a) from 1926 to date there has almost always been a uniform dollar spread between the passenger conductors' guaranteed minimum monthly *rate* and the monthly *rate* of any one of the length-of-service classifications among the pullman conductors; (b) if the railroads' recent offer to the passenger conductors and the Pullman Co.'s offer to its own conductors were put into effect, this dollar differential would be considerably widened to the disadvantage of the pullman conductors; and (c) from 1936 to date the dollar spread between the actual average monthly *earnings* of passenger and pullman conductors has widened to the even greater disadvantage of the pullman conductor.

On the surface, these facts appear to represent a serious "intraplant" inequity for the latter group. But analysis leads the Board to question the validity of such a conclusion. It appears that the lack of uniformity in the changes in the lengths of work periods since 1948 has begun to work havoc in the railroad wage rate structure, hourly as well as monthly. In the case before this Board the pullman conductors have a 210-hour month, which makes for a 48-hour week. And their weekly and monthly take-home pay is based on these work periods. But the passenger conductors have a 240-hour month for the purposes of calculating their minimum monthly pay guarantee. This fact provides the chief explanation of the widened rate spread mentioned in (b) above. The same hourly increase for both crafts

would, of course, widen the monthly pay-rate spread because the multiplier for pullman conductors is 210 hours and that for passenger conductors is 240 hours.

In respect to the widening dollar spread between the monthly *earnings* of the two groups, the explanation lies in the fact that the passenger conductors are in a much better earnings position. They have the well-known dual basis of pay—hours or mileage, whichever works to their greater advantage. And with the increase in train speed this system of pay is bound to raise their earnings disproportionately to those of the pullman conductors.

If an inequity between the rates and earnings of pullman conductors and passenger conductors does exist, the circumstances producing such an inequity would seem to be beyond the reach of any recommendations that this Board is empowered to make.

(2) *Pullman conductors versus other pullman and railroad employees.*—In respect to the other employees of the Pullman Co. and in respect to the overwhelming majority of railroad employees (including the nonoperating groups and the employees represented by the Brotherhood of Railroad Trainmen but not including the operating employees represented by the organizations, among which was the Order of Railway Conductors, whose general chairmen refused to ratify the so-called White House Agreement of December 21, 1950, which was supposed to set or confirm the 1950–51, fourth-round wage increase pattern), no reasonable person could avoid being impressed by the fact that roughly 90 percent of such employees have already been covered by this pattern. The Board is impressed by this fact, introduced by the Company and not in substance denied by the Organization.

It appears to be true that some variations in the pattern do exist. But almost all of them seem to stem from a belated effort to conform to the hours-wages pattern begun in the 1948 hours-of-work-reduction movements. In respect to the arbitration award in the train dispatchers' case, there appears to be no reason for believing that the wage rate determined for this group should set a definite pattern which should be followed instead of the one agreed on by the representatives of the vast majority of railway employees.

Accordingly, the Board finds as follows: (a) In relation to 90 percent of railroad and pullman employees, the conductors serving the Pullman Co. are subject to an inequity in monthly and hourly wage rates. (b) This inequity will be redressed if the fourth-round pattern of wage rate increases is applied to the pullman conductors. (c) The Pullman Co.'s offer of \$37.95 per month, or 18.07 cents per hour, is in conformity with this pattern of increase if the Company's complete application of the 1948–51 hours-wages pattern is considered.

b. *Cost-of-living inequities*

The Organization showed, without contradiction from the Company, that from June 1946 to June 1951 and from January 1950 to June 1951 the monthly money *rate* of the longest-service class of pullman conductors increased less than the cost of living as measured by the Bureau of Labor Statistics Consumers' Price Index. The Board's calculations indicate that this was true for all pullman conductors, no matter what their length-of-service class was. In other words, for these periods the real monthly wage *rates* of these men fell. However, it appears that, if the Company's offered increase in monthly rates were added to the existing 1951 rates, the new money rates would be only slightly behind the rise in living costs.

The parties also compared for these same periods the rise in actual average monthly money *earnings* with the rise in the Consumers' Price Index. Here, too, the Organization showed, without contradiction, that for these dates there was a fall in real average monthly earnings. But the Company also showed, without successful refutation by the Organization, that if the Company's offered increase had been in effect during June and July of 1951, there would have been a rise in real average monthly earnings over those periods. Furthermore, if the monthly real earnings of other years (such as 1936 and 1950) are compared, no loss in real wages appears, even without addition of the amount offered by the Company. In other words, for such comparisons the selection of the base year often significantly influences the result one wishes to portray.

In view of these circumstances the Board finds that the Company's offer of an increase of \$37.95 in monthly rates is not too small to redress any cost-of-living inequities that pullman conductors have been or are now suffering. This finding is buttressed by the fact that the Company's offer includes an escalator provision which, by reason of the 1-cent-for-one point arrangement, promises to raise monthly rates by larger percentages in the future than the percentage increases in living costs.

c. *The improvement factor*

The Organization argued that pullman conductors should share in and benefit from increases in productivity, as measured usually through indexes of output per labor hour. Without such sharing, workers are subject to a serious inequity. The Organization also indicated that it was willing to have its members' wage rates raised in proportion to increases in labor productivity for the economy as a whole rather than for the Pullman Co. as such. The average annual increase, in compound terms, for the economy is perhaps 2.5 percent.

In spite of its emphasis on its unfavorable competitive and financial position, the Company did not assert that it was unable to pay a wage rate increase based on the general ability of the economy to bear such an increase. On the contrary, the Company included in its offer a provision for an "improvement factor" to be paid when and if the Government's wage stabilization program permits it.

The Board finds that on this matter, the Organization and the Company agree in principle. The Board finds further that the application of this principle will contribute importantly to a redress of the inequities to which the pullman conductors may be subject.

## 2. THE COMPANY'S OFFER IN RELATION TO WAGE STABILIZATION

As previously noted, the Executive order creating this Emergency Board contained a paragraph admonishing the Board, in effect, not to make recommendations inconsistent with the Government's wage stabilization decisions and policies.

The Company and the Organization took opposing views in respect to the necessity for deducting from the gross allowance automatically allowable under General Wage Regulation 6 of the Wage Stabilization Board the amount of increase in hourly rates resulting from the reduction of the basic work-month to 210 hours in January 1951. The Organization appeared to agree with the Company that the escalator offer, which conforms to the railroad pattern, is not of the sort that can be put into effect automatically under General Wage Regulation 8 (revised) without the specific approval of the stabilization authorities.

This Board is not the agency to make a definitive finding on the approvability, automatic or otherwise, of the wage rate increases provided by the Company's offer. The Board is required, however, to express an opinion on the matter. In view of the previous decisions by the stabilization authorities on similar wage matters in the railroad industry the Board believes there can be little question about the approvability of the Company's offer *in toto*. But the Board also believes that, if the parties agree on the Company's offer, specific approval will have to be requested from the appropriate agencies.

## 3. RECOMMENDATION ON WAGE RATES

In the light of the above discussion and findings and on the basis of the entire record in this case, the Board recommends to the parties that they change the wage rate provisions of their existing agreement only to the extent necessary to incorporate the whole of the Company's proposal on wage rates as presented and explained to the Board in these proceedings.

#### IV. MORATORIUM ISSUES

##### A. Position of the Parties

In connection with its offer of a wage increase, the Pullman Co. insists that there be a moratorium on wages, rules, and working conditions, until October 1, 1953.

In support of this position, the Carrier argues that the moratorium on wages is part of the pattern, and points out that such a moratorium has been accepted by about 92 percent of all pullman employees and about 88 percent of all the railroad employees. The Carrier argues further that the moratorium on rules should be recommended, inasmuch as the pullman conductors are in the category of those who have recently initiated and progressed demands for rules changes. In support of its argument, the Company points out that of the 12 movements initiated and progressed by the Organization since 1943, 6 were rules movements, 2 of which ultimately reached Emergency Boards and 2 of which are still pending.

The Organization opposed both contentions of the Pullman Co., especially as to a moratorium on rules changes. It objects to any moratorium on wages, urging that there is no wage moratorium pattern. As to a moratorium on rules, it urges that there is no connection between the Organization's request for a wage increase and the Carrier's attempt to condition its offer upon a moratorium on rules. It urges further that any such recommendation by this Board would not be in keeping with the Railway Labor Act in that such a moratorium would constitute a change in rules, without the giving of proper notice under the Railway Labor Act.

##### B. Discussion

###### 1. WAGE MORATORIUM

Following the rejection by the Order of Railway Conductors and the Brotherhood of Railroad Trainmen of the recommendations of the so-called McDonough Board, the National Mediation Board attempted unsuccessfully during late July and early August 1950 to settle this dispute. Thereupon, John R. Steelman, the Assistant to the President, endeavored to bring the parties together. On August 9, he submitted seven written proposals to the parties for settlement of the dispute, the seventh providing:

7. In consideration of above, agreement to be effective until October 1, 1953, at which time either party may serve notice of desired changes in accordance with Railway Labor Act.

This proposal was not satisfactory to the Order of Railway Conductors and the Brotherhood of Railroad Trainmen.

However, on September 21, 1950, the Switchmen's Union of North America and the Western Carriers' Conference Committee settled their dispute; and the agreement between the parties contained a provision calling for a moratorium until October 1, 1953, on rates of pay, rules, and working conditions. The Yardmasters and the Carriers settled their dispute on the same basis on November 2, 1950.

Under date of December 21, 1950, a Memorandum of Agreement was entered into at the White House, between the Carriers' representatives and the presidents of the four operating organizations, setting forth nine principles of settlement later to be incorporated in written agreements. The ninth principle follows:

9. In consideration of above, agreement to be made effective until October 1, 1953. In the meantime, except for notices for changes in rules or working conditions initiated prior to June 1, 1950, there shall be a moratorium on proposals for changes in rules and wages. If, however, as a result of Government wage stabilization ruling, workers generally have been permitted to receive so-called annual improvements increases, the parties may meet with Dr. Steelman on or after July 1, 1952, to discuss whether or not further wage adjustments are justified, in addition to the increases received under the cost-of-living formula. In the event of disagreement on this latter issue the matter shall be referred to a referee for decision.

This agreement was not ratified by the general chairmen of the organizations.

As to a moratorium on rates, the nonoperating railway labor organizations agreed to one in their agreement of March 1, 1951. In the national settlement with the Brotherhood of Railroad Trainmen, there was a moratorium until October 1, 1953, on proposals for changes in rates of pay, as well as rules and working conditions. This moratorium covers dining car stewards.

And finally, with the exception of the pullman conductors, the 10 organizations with whom the Pullman Co. has contracts, including the pullman porters, have followed the same pattern as to a moratorium on proposals for rates of pay.

## 2. RULES MORATORIUM

In 1944 the pullman conductors initiated their first rules movement suggesting changes in 35 rules, the creation of 8 new rules, and the elimination of 5 rules. The request included one for reducing the work-month from 240 to 210 hours. The Carrier estimated that the cost of granting the rules changes would be \$4,771,860. The movement was progressed until it arrived before an Emergency Board, the so-called first Tipton Board, which rendered its 64-page report on April 23, 1945. There were 42 issues before that Board. Following that Board report which recommended *inter alia* a reduction in the

work-month from 240 hours to 225 hours, the parties negotiated an agreement which became effective September 1, 1945.

On July 17, 1947, the Organization served notice on the Carrier for changes in practically all the 65 rules in the agreement. The proposals were contained in a 46-page document. They were about 85 separate issues involved. The Carrier estimated the cost of these proposals at about \$6,852,200. However, the parties ultimately agreed to a wage increase of \$37.20 a month, effective November 1, 1947, and the Organization withdrew its rules demands. The rules that had been agreed upon during the negotiations were embodied in a document dated December 6, 1947.

On May 24, 1949, the Organization served notice on the Carrier for a revision in the rules relating to vacations. This demand was settled through negotiations on the property.

In September 1949 the Organization served another demand on the Carrier for changes in numerous rules by a 60-page document. This demand was likewise progressed to an Emergency Board which had before it 69 separate issues. This Board (the so-called second Tipton Board) handed in its 213-page report on November 3, 1950, recommending *inter alia* reduction in the work-month from 225 to 210 hours. This is the only rule involving additional conductor expense which the Board recommended changing.

In February 1951 the Organization served on the Pullman Co., a request for a "union shop" agreement, and in August 1951, the Organization, together with several others, jointly requested the Pullman Co. to enter into what is known as the "Washington Job Agreement of 1936." These two proposals are still pending.

Since 1937, the nonoperating organizations have initiated and progressed seven movements, six of which have ultimately resulted in issues involving wages only.

As to the operating organizations, since 1937 and until the current complicated situation which commenced in 1949, six movements have been initiated and progressed, four of which have involved wage issues only.

The Organization, on behalf of the pullman conductors, has initiated and progressed 12 movements. As a result of the initiation and progression of these movements by the pullman conductors, the Company states that "during the period from January 25, 1943, to date there have been only 24 months in which we have not been involved with the conductors organization in either a wage or rules case." And the Organization is 1 of 11 with which the Company has agreements and represents only 8½ percent of the total number of employees.



### C. Findings and Recommendations

We find that—in the interest of maintaining industrial peace, in view of the pattern in the industry, and in the light of our recommendations as to the escalator clause and the so-called annual improvement wage increase clause—a moratorium until October 1, 1953, on proposals for changes in rates of pay, rules, and working conditions should be contained in the agreement between the parties. To that end, we recommend the adoption of the following clause:

No proposals for changes in rates of pay, rules, or working conditions will be initiated or progressed by the employees against the Pullman Co. or by the Pullman Co. against its employees, parties hereto, within a period of 2 years from October 1, 1951, except such proposals for changes in rules or working conditions which may have been initiated prior to September 1, 1951. Provided, however, that if Government wage stabilization policy permits so-called annual improvement wage increases, the parties may meet with the President of the United States, or such other person as he may designate, on or after July 1, 1952, to discuss whether or not further wage adjustments for employees covered by this agreement are justified, in addition to increases received under the cost-of-living formula. At the request of either party for such a meeting, the President or his representative shall fix the time and place for such meeting. The President or his representative and the parties may secure information from the wage stabilization authorities or other Government agencies. If the parties are unable to agree at such conferences whether or not further wage adjustments are justified they shall ask the President of the United States to appoint a referee who shall sit with them and consider all pertinent information, and decide promptly whether further wage increases are justified and, if so, what such increases should be, and the effective date thereof. The carrier representatives shall have one vote, the employee representatives shall have one vote and the referee shall have one vote.

Dated: October 3, 1951.

Respectfully submitted,

CARROLL R. DAUGHERTY, *Chairman.*

ANDREW JACKSON, *Member.*

GEORGE CHENEY, *Member.*