

Baumol's Disease

Baumol's Disease Remedies

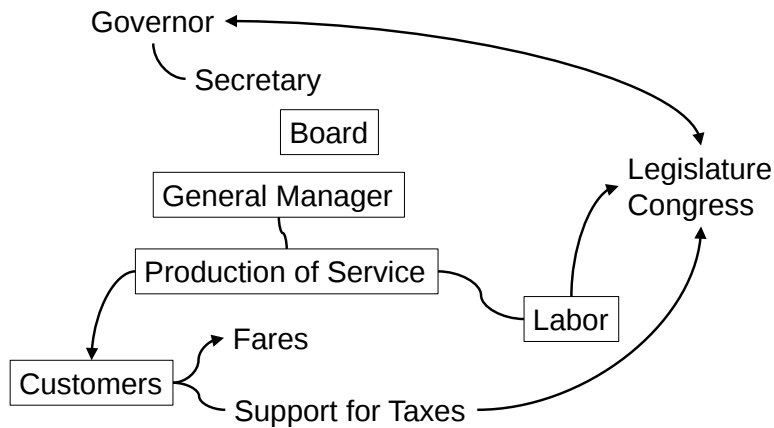
- Productivity
- Growth in subsidy
- Growth in system
- Secure funding support of growth constituencies
- Contract out for discipline

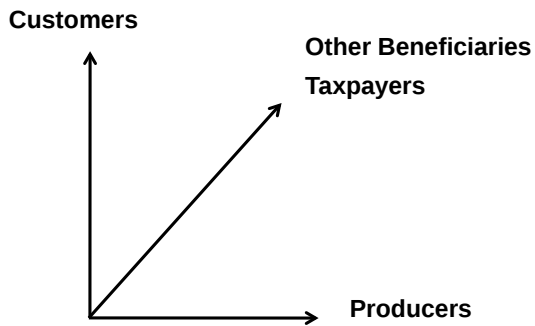
Baumol Remedy and Labor Leverage

Public Transportation and Labor Relations

History of Labor Movement

- 1912 Carmen's Union, 8-hour day
- 1913 "Bread * Roses" Lawrence strike, 8-hour day
- Immigrant labor, ethnic divisions
- Leverage, closed shop, union shop, strikes, sit-down strikes, reverse strike, sabotage
- World War I, labor shortage, immigration constraints
- Boston Elevated Railway Company - public subsidy
- 1935 Wagner Act
- World War II: labor shortage, wage & price control, employer-based health care
- Post-war: Taft Hartley Act, right-to-work states





IF TRANSIT IS TO GROW ...

It is essential to build political will, to increase tax support

- a) growth requires expanding service into lower fare recovery ratios (services, areas, times of day)
- b) excessive fare increases run counter to building ridership
- c) ridership growth is never instantaneous
 1. winter service
 2. sports events

Labor can be an important ally in the legislative process

In today's climate, labor bashing is defined (by some) as a precondition of support "reform before revenue"

Producer interest = managers and labor

Labor relations include ...

- a. Periodic negotiations for wages, benefits, hours, work rules
 - 1. strike possibility
 - 2. slowdown and work stoppage
 - 3. binding arbitration
- b. Living with the contract day-to-day
- c. 13C processes

Are lower pay scale and health & pension benefits part of the solution or part of the problem?

"Culture eats policy for breakfast"

- a. culture of union
- b. culture of managers
- c. culture of General Manager
- d. culture of the organization

Contracting out

- a. to save money
- b. to get better product
- c. as punishment to labor

Boston

- a. MTA (1947): public agency, 14 cities & towns
- b. MBTA (1964): Labor member on board, binding arbitration, permanent contract
- c. Section 13C: MBTA, Eastern Mass street railway
- d. 1973: MBTA Financial restructuring, State finance 50% subsidy

Boston

Legislative changes in the rules

1. 1977 binding arbitration change
2. Management rights
3. 1983 Police and starters
4. Binding arbitration modification (failed)
5. 1993 Pacheco law, comparable cost
6. 2000 Forward funding (sales tax)
7. 2009 Reform of pension, health care, one DOT
8. Today Governor's proposal – control board
repeal Pacheco

Specific Issues

- a. Arbitration terms
- b. Contracting out
 1. to save money?
 2. to get better protection?
 3. to punish or leverage in-house?
- c. Part-time operators
 1. to save money?
 2. to change culture?
- d. Training
- e. Affirmative Action

TRANSIT LABOR

OUTLINE

1. General Transit Labor Context
2. Labor-Management Innovations
3. Typical Operator Contract Terms
4. Part-Time Operators
5. MBTA Management Rights Legislation

(Source: Harsh Jr., W, "Innovative Labor-Management Practices." TCRP Project F-2, Final Report, 1995)

(This discussion is heavily based on TCRP Report 68: "Part-Time Transit Operators: The Trends and Impacts," by Charles River Associates, 2001.)

General Transit Labor Context in the US

- Transit labor is heavily unionized: ATU, TWU, UTU, Teamsters
- Union structure is important at national and local levels
- Labor protection clause in Federal legislation: 13(c)
- Protection of private operators from subsidized competition
- Traditionally adversarial relations between Labor and Management
- Labor side in large city contract negotiations has generally been more effective

The Range of Labor-Management Innovations

Category	Criteria
Collective Bargaining	Joint determination of wages and working conditions
Quality of Work Life and Employee Involvement	Quality of Work Life, Quality Circles, Working Conditions, Employee Involvement
Work Redesign, Socio-technical Systems, Self-Directed Work Teams	Autonomous Teams, Semi-autonomous Teams, Socio-technical Work Systems, High-Involvement Teams
Labor-Management Partnership and Co-determination	Labor-Management Cooperation, Joint Labor-Management Structures, Joint Committees, Employee Involvement/Participation, Employee Ownership

Typical Operator Contract Terms and Provisions

- A. Operator Hiring and Training
 - operators work in a "closed shop"
 - training typically takes 3-6 weeks
 - overall hiring process often takes several months
 - higher turnover rates imply higher costs
- B. Wage Rates and Progression
 - maybe different rates for part-timers and full-timers
 - "progression" is sequence from entry wage to top rate,
 - typically over 1-3 years
 - seniority privileges are key in rewarding long tenure

Typical Operator Contract Terms and Provisions

- C. Part-Time Operators
 - typically limited in the contract by share of all positions
 - relations between part-time and full-time status
- D. Vacations
 - vacation time increases with seniority
 - vacation time is picked in order of seniority
 - single days versus weeks of vacations
- E. Run Picking
 - typically by seniority in the US
 - may be "cafeteria style" or by "roster"

Typical Operator Contract Terms and Provisions

- F. Split Runs, spread time, travel time, guarantee time, overtime
 - definition of legal run types
 - maximum percentage of runs by type
 - pay premiums for non-straight runs
- G. Disciplinary and Grievance Procedures
 - progressive discipline
 - steps in appealing actions and sanctions

Part-Time Operators

- A. The Need
 - Large difference between peak and base service requirements
 - Full-time operators have daily guarantees significantly greater than peak service hours
 - The spread between the start of the AM Peak and the end of the PM Peak is greater than a typical work day
 - Split shift premiums, overtime pay and/or guarantee pay mean that peak period operating costs with full-time operators are very expensive

Part-Time Operators

- B. The Solution
 - Hire a new class of part-time operators to work just the peak periods, with lower unit costs
 - Part-time operators began to be introduced in the US in the late 1970s
- C. Ancillary Benefits
 - Potentially increases the transit labor pool

Part-Time Operator Findings: Cost

Net cost savings range from 1-10% of operating costs, depending on:

- peak/base service ratio
- restrictiveness of full-time operator work rules
- extent of concessions made in negotiations to win right to use part-timers

Cost savings come from:

- reduced premium and guaranteed pay
- lower part-timer wages
- lower part-timer fringe benefits

Part-Time Operator Findings: General

- Other impacts are on agency "morale" and labor relations overall
- Uncertain impacts on accident rates, attrition, and absenteeism
- Agencies have tended not to develop a staff of long-term part-timers
- Typically a part-time shift is a short day covering both peaks without spread premiums being paid

Part-Time Operator Findings: General

- Little diversity of part-time shifts
- No guarantee that the desired type of shift will be available in the future
- Training conducted during normal daytime hours
- Part-time positions are not attractive in good economic times:
 - low pay and poor benefits
 - difficult working hours make it hard to find other jobs
 - uncertain time before "promotion" to full-time status

Part-Time Operator Benefits — Percentage of Agencies

Benefit	1996 PTO Benefits Compared to FTO (per hours worked)		
	Same	Lower	None
Sick leave	15%	8%	77%
Holiday pay	15%	35%	50%
Vacation	19%	23%	58%
Health insurance	13%	33%	54%
Retirement	25%	17%	58%

Recommendations

- Restructure caps on part-timers in terms of hours rather than bodies
- Create work rules and procedures to attract those who want long-term part-time employment:
 - stability in schedules across run cuts
 - offer flexible working hours and tailored duties
 - move to one-piece duties from two-piece duties
 - develop some weekend part-time work
 - provide training in evenings and on weekends
- Move to dual hiring process into part-time and full-time ranks

MBTA Management Rights Context

- Budgetary crisis at the MBTA
- Deep differences between the MBTA, the Advisory Board, and the legislature
- Extensive media coverage of high MBTA costs
- MBTA ran out of money and shut down on December 6, 1980
- On December 7, 1980, the Management Rights legislation was passed

MBTA Management Rights Legislation*

Enacted in 1980 (under Section 8 of Chapter 581), gives to the MBTA Board of Directors the following inherent management rights:

1. to direct, appoint, employ, assign, and promote officers, agents, and employees and to determine the standards therefore;
2. to discharge and terminate employees except on the basis of race, color, religion, sex, age, etc.
3. to plan and determine the levels of service provided by the authority

** Source: Warner, Marc G., "Transit Management Rights: A Critical Appraisal and Assessment of Prospects." Transportation Quarterly, Vol. 42, No. 1, January 1988 (43-62).*

MBTA Management Rights Legislation (cont'd)

inherent management rights ...

4. to direct and evaluate the units and programs of the authority; to classify the various positions, and to ascribe duties and standards of productivity;
5. to develop and determine levels of staffing and training;
6. to determine whether goods or services should be made, leased, contracted for, or purchased on either a temporary or permanent basis;
7. to assign and apportion overtime;
8. to hire part-time employees.

MBTA Management Rights Legislation (cont'd)

The law also imposed two more restrictions on the scope of collective bargaining. These limits, in the form of management prohibition rather than rights, included:

9. no pension benefit payments determined in a manner that includes an employee's amount of overtime earnings; and,
10. no automatic cost-of-living salary adjustment based on changes in the Consumer Price Index or other similar adjustments

As with the management rights, the subjects of these two restrictions could not become part of any management and labor agreements.

MBTA Management Rights Follow-up

- The MBTA faced 25 court challenges involving Management Rights: all were unsuccessful
- Bases were:
 - law abrogated existing negotiated contracts
 - labor protection under 13(c)
- Georgia implemented a similar law to apply to MARTA but it was repealed after successful union challenge under 13(c)



**Massachusetts State House (front steps)
TOMORROW Wednesday, May 17th, @ 9:30AM
RSVP here!**

We are rallying to call on legislators and the MBTA Fiscal Management Control Board to reject proposals that would outsource core MBTA bus maintenance services to corporations like TransDev, which recently came under fire for major service failures around the globe. Mechanics and supporters are speaking out for long overdue investments in public transit and against the MBTA surrendering control of core services to for-profit corporations.

A recent report from the INVEST NOW coalition showed that the MBTA spends a smaller percentage of its budget on maintenance salaries than most large transit agencies. The report debunked misleading claims from the right-wing Pioneer Institute and showed that, adjusted for cost of living, MBTA bus maintenance workers received pay that is in line with national averages (just 2 percent above), according to public data.

Join us as we stand together for a public transit system that works for all of us.

"Riders have suffered enough under Keolis and other for-profit operators who aren't accountable to the public. Masquerading as reform, a growing list of privatization disasters have done damage to our transit system and to the state budget. It's time to start talking about revenue and public transit investment for the benefit of Massachusetts riders, businesses, workers, and taxpayers."

- Mike Vartabedian, IAM Local 264 representative with more than 20-years experience fixing MBTA vehicles.

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