

important, both parties explicitly acknowledged their own and the public interest in arriving at noninflationary wage settlements.

Primary Importance of Wage Compression Issue

Although we deal first with the general wage question, we regard it as subordinate to the issue of wage compression. The Board believes that at the core of the differences between the organizations and the carriers is an industry practice, terminated in 1964, of negotiating flat cents per hour across-the-board wage adjustments for all employees. One consequence was that wage differentials between the more and the less skilled within the industry were unduly narrowed; another was that wage rates of the higher skilled shopcraft employees lagged behind the gains of employees of comparable skills in other industries. At this stage the Board merely concludes that an increase in general wage rates would be neither an effective nor an appropriate response to these two aspects of wage compression. Specific recommendations covering existing inequities and disparities are set forth in the following section of this report.

The 5 Percent Level

Whether a 5 percent general wage increase is economically justifiable is not in issue before the Board; the carriers have already made a 5 percent offer and it would be unrealistic for the Board to attempt to reexamine it.

On the general wage rate issue we recommend that the shopcraft employees accept a 5 percent increase for 1967 partly because most of the railroad employees have already settled on this basis but primarily because a general wage increase of more than 5 percent is not justified by the record before us. Although we do not question the right of the federated shopcrafts to seek a higher rate, we believe that a settlement above the 5 percent level would probably nurture employee dissatisfaction and catch-up demands, and hamper collective bargaining and the negotiation of future contracts.

Comparative Wage Rate and Earnings Data

The Board has carefully reviewed the more recent data made available to it comparing the earnings of railroad nonoperating employees with the earnings of production workers in manufacturing industries. These data show that in recent years the earnings of both groups have moved in the same direction and at about the same pace. We believe that for 1967 a 5 percent adjustment in wage rates will keep the earnings of the shopcraft employees well abreast of the general increases of workers outside the railroad industry.

If we examine the estimated annual rates of increase in hourly costs of wage and benefit changes negotiated in the key 1966 collective