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Interest Arbitration Impasse Rates

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Interest arbitration is an important tool in public sector bargaining, since public safety workers are prohibited from striking. There is concern, however, over the effects of interest arbitration on impasse rates, most notably theorized by the so-called "chilling" and "narcotic" effects. Overall, interest arbitration has been associated with an increase in impasse rates compared to situations where workers are allowed to go on strike, but the reasons and extent to which this is the case are debatable. Previous theoretical work suggests a strong chilling effect on negotiations when interest arbitration is an option, but the empirical support for this theory is limited. As well, empirical support for a narcotic effect is weak, at least after the first three years of bargaining under interest arbitration. Although we are generally in a period retrenchment of bargaining rights, this issue remains an important one, particularly in states where the extension of interest arbitration to new groups (e.g. teachers) is being debated and in light of the interest arbitration provisions of recent Employee Free Choice Act.

In U.S. labor relations, two parties come together to negotiate a contract. In the overwhelming number of cases a settlement is reached without impasse. There are, however, times when the process breaks down. In the private sector, when an agreement cannot be reached, a job action may occur: workers may strike or the employer may lock out. In the public sector, strikes and lockouts are widely prohibited. And this is universally true for public safety workers, hence the need for an orderly process to deal with negotiations impasses.

Currently, the most popular process to settle public safety workers' contracts is interest arbitration. With interest arbitration a single third-party neutral or tripartite panel decides, in accordance with statute and/or regulation, what the terms of new agreement will be. The threat of interest arbitration is meant to urge the two parties to come up with a mutual agreement rather than face terms imposed by a third party.

In that interest arbitration may be less costly than a strike or lockout, there is some question as to the strength of the threat of interest arbitration. However, there does not appear to be a readily available method of impasse resolution that is better than interest arbitration in most cases.

Given that interest arbitration is the most common method for ending impasses among public safety employees, it is important to look at whether or not this system works as it is intended. The main question concerns the practice's impact on impasse rates. When the two parties come together to negotiate a contract, does the threat of interest arbitration move them to be more likely to settle through negotiations, or to use interest arbitration? There are multiple factors that affect a negotiator's mindset, however this paper attempts to discover what impact interest arbitration has on settlement rates. There is also the question of what form of interest arbitration has the least impact on impasse rates, be it conventional arbitration or "final offer" arbitration. These two forms are the most commonly used forms of interest arbitration, so knowing which one is more effective at persuading the parties to come to an agreement on their own is important.

FRAMEWORK AND MODEL

Types of Interest Arbitration

At its core, interest arbitration is a process wherein an arbitrator or panel of arbitrators takes evidence from both the employer and the union and ultimately fashions a collective bargaining

agreement. The arbitrator uses information such as past agreements, similar agreement, and the parties' current offers to decide on an appropriate contract. Like a grievance procedure that ends in arbitration, the hope is that both parties will be able to come to an agreement before the final step, i.e. a third party decision, is necessary.

In practice, there are two types of Interest arbitration. The first type of interest arbitration is generally referred to as "conventional" interest arbitration. This form forces the arbitrator to make a decision that is somewhere *within* the bounds of the final offers of the two parties. The second type is known as "final offer" or "last best offer" arbitration. With final offer arbitration, the arbitrator must choose one of the parties' final offers. These different methods are important in that they each have a distinct effect on the negotiation process.

Conventional Interest Arbitration. In conventional interest arbitration, the arbitrator is free to give an award that is either one side's final offer, or somewhere in between the final offers. This method gives the widest range of possibilities for a contract. It is also the most commonly practiced form of interest arbitration. The idea behind this structure is that there is uncertainty on where between the final offers the arbitrator will decide. This is somewhat undermined by the fact that many states require in their law that an arbitrator base his/her decision on a rigid equation including ability to pay and comparability to other agreements. It is important to note that this method has been seen to provide less of a chilling effect than final offer arbitration has in observational studies (Dickinson, 2004). Of the two methods of interest arbitration, this approach seems to lead to the best chance of a negotiated settlement.

Final Offer Arbitration. Final offer arbitration is newer than conventional interest arbitration, as it was first developed in 1966 (Hanany, Kilgour, & Gerchak, 2007) and first used in 1971 in Oregon (Subbarao, 1978). This method is further divided into two different approaches. One of these approaches is to look at the full final offers from both sides, and to choose one of them as being the best option. The other method is to look at each outstanding issue and to choose one side's over the others on an issue by issue basis. One issue with final offer arbitration is that it has a tendency to force both sides into Nash's equilibrium, leaving both sides unwilling to move adjust their stances in order to settle the contract. The arbitrator will decide which side has the fairest offer, so if both sides believe that theirs is fair and stand nothing to gain from any concession, they will not likely arrive at a negotiated settlement.

Legal Framework

One important point is that each state (and, in some cases, municipalities or agencies) has the ability to make its own rules regarding interest arbitration. Employees covered by interest arbitration statutes are generally public safety workers in a particular state, so it is up to that state to make the rules surrounding settling negotiations. Most states that use interest arbitration have a system where arbitrators are allowed, and even encouraged, to mediate the disagreement throughout the arbitration proceedings (Malin, 2013). Other states see arbitration as more of a legal proceeding, where there are strict rules regarding how each section of the contract is awarded (Malin, 2013). In these states, there are instances of judges overturning contracts due to not placing emphasis on certain criteria over others.

Additional differences in state statutes include who is arbitrating. In states such as New York and Pennsylvania, the parties use a tripartite panel (Malin, 2013). Such panels consist of a neutral and one person representing each party. Each side, therefore, has an opportunity to communicate with the neutral arbitrator through their representatives throughout the process. Other states, such as New Jersey and Nebraska, have just one arbitrator make a decision on the contract (Malin, 2013). The statutes in place in those two states are stricter in how the arbitrator makes decisions than in states with the tripartite system.

It is important to note that not all states allow for or require interest arbitration. There are states that do not allow public sector bargaining, so they

would not even have a need for interest arbitration. Even in states that do allow public sector bargaining, there are other ways to resolve impasse. For some states, when two parties do not come to an agreement, the contract will be given up to the legislature to decide what will be the appropriate contract. In most other situations, the two parties will simply live under the previous contract until they can agree a new one. Because having public safety workers go on strike is so dangerous for the general public, this method is still better than allowing them to go on strike.

Theoretical Framework

In addressing problems with interest arbitration, scholars have tested both the chilling and narcotic effect of the practice. These theories were developed as ways to explain or predict interest arbitration impasse behaviors. Nash's equilibrium influences these mid-level theories in that it provides an underlying theory of impasses. However, Nash's equilibrium does not take into account many of the other variables that could lead to impasse, so it is not particularly useful as an all-encompassing theory of collective bargaining behavior. Nonetheless, it is important to have a basic understanding of it in order to see that impasse may occur even without outside factors pressuring the bargaining partners, and as such it is important for finding the potential root of the chilling effect or the narcotic effect.

Nash's Equilibrium. When two parties negotiate, there is potential for them never to come to an agreement. In game theory, when two parties have reached a point where changing their position would render no benefit to them given what the other party has offered, this is called Nash's equilibrium (Champlin & Bognanno, 1985). Nash's equilibrium is an important concept for interest arbitration, as the point at which this equilibrium is reached can lead to impasse, and, therefore, interest arbitration. This theory is necessary to understand before talking about the chilling and narcotic effects because it explains how an impasse may develop. Impasse due to Nash's equilibrium, however, is an impasse that relies on purely rational actors in a bargaining scenario. A completely rational actor is an impossible idea in collective bargaining, as there are many other factors that go into negotiations besides the economic factors, and there isn't always perfect information between the parties.

Chilling and Narcotic Effects.

The most popular theories concerning problems with interest arbitration are the chilling effect and the narcotic effect. Each of these effects has been studied to understand how interest arbitration influences negotiations.

The chilling effect occurs when parties favor an early impasse instead of bargaining to a settlement. The idea is that the negotiators feel that they cannot possibly get a good settlement, and that there will be no loss of productivity or money due to the interest arbitration system, so they might as well arbitrate rather than settle. Outside factors are not account for in the theory. Rather, in order for the chilling effect to be operative, the parties must stop negotiating due to their ability to achieve a contract through arbitration that is more beneficial than a contract through a negotiated settlement. This means that parties would not be subject to a chilling effect, per se, if they favor an early impasse due to political or other outside pressures. This definition of the chilling effect is both beneficial and unfortunate, because it is precise yet constrained. It is beneficial in the fact that it can be tested in experiments and through observation. The problem, however, is that the definition does not take into account other factors that often affect impasses in negotiations. Unfortunately, there is no other theory in the literature that does incorporate outside factors.

The narcotic effect is defined as a consistent recurring use of interest arbitration—that is, the parties have become addicted to interest arbitration. Reliance on arbitration rather than negotiations is an abuse of a practice that is intended to be used only in exceptional circumstances. This abuse may occur when interest arbitration is perceived as having a low cost or low risk.

The problem with the narcotic effect is that it allows for lazy negotiating, where parties only

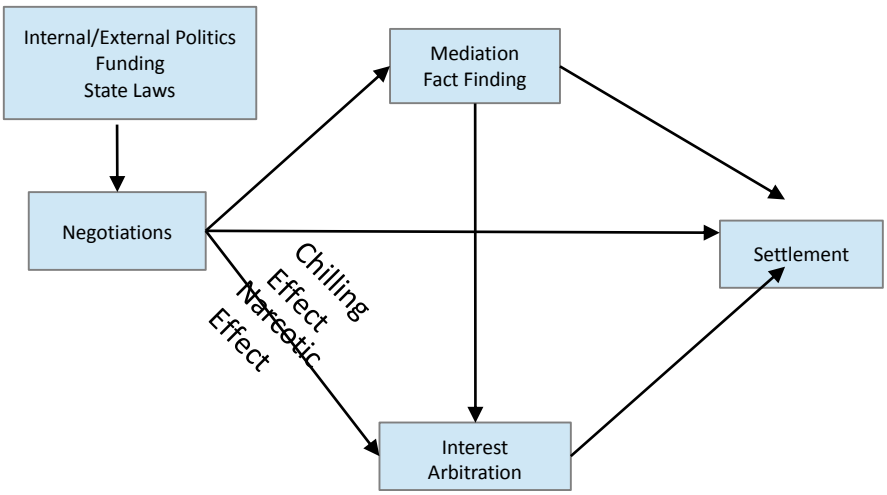
negotiate as a formality instead of working on lasting solutions for their problems. If parties are subject to the narcotic effect, they are essentially not bargaining, but rather having a third party continually decide their contract.

Model

In order to explore the issue of interest arbitration, one must start with a working model of negotiations. The model for negotiations is based on of Rubinstein's bargaining model. This model is merely a beginning of the model used in this paper, but it is the basis for generally used bargaining methods. While Rubinstein's bargaining model begins the process of negotiations, the model continues to show what happens in a system where the bargaining process is not allowed to end unless a contract is created.

Rubinstein's Bargaining Model. Rubinstein's bargaining model comes from game theory. The idea behind the model is that each party starts with a position that is different from the opposing party. They will then each take turns moving towards the other party's position until they either agree with each other or they have nothing left to gain by changing their position. When the two parties reach a place where neither side has anything to gain by changing its position, they are in Nash's equilibrium.

Negotiation Model. The negotiation model starts with Rubinstein's bargaining model. As the two sides go back and forth, if they do not reach an agreement, they have two options. The first option is to move to a non-binding process of mediation or fact finding. The mediator will then attempt to get both parties to agree to a contract, however this may or may not be effective. This then may be followed by interest arbitration. When the parties reach the process of interest arbitration, they have entered into a form of equilibrium. When the parties are unable to come to an agreement as rational parties who have nothing more to gain by offering a concession, they are in Nash's equilibrium (Subbarao, 1978). However, given other factors that alter how either party might behave, there are other equilibriums that may be reached. The other forms of equilibrium are reached when the payoff for no longer bargaining outweighs the payoff for continuing to bargain. There may still be a solution that is acceptable to both parties by continued bargaining, but if one party has even more to gain by not bargaining, they will stop bargaining.



MEDIATING AND EXTERNAL FACTORS

Disputant Optimism and Risk Aversion

Interest arbitration has multiple effects on the mindset of negotiators. For example, a party may be more willing to proceed to interest arbitration if it expects to have a sympathetic arbitrator. Arbitration is a field where being neutral is necessary to one's professional standing. Without being completely neutral in every case, an arbitrator could develop a reputation for being more beneficial to one party than the other. When this happens, or if negotiators perceive a particular bias towards their party, then they have what is called "disputant optimism" (Dickinson, 2004). The idea is that the negotiator, or disputant, is optimistic that his or her offer is more likely to get a favorable outcome than the other side. Those who do not believe that the arbitrator will be favorable towards them tend to be more likely to reach a settlement, even if it is not one that they particularly want. The perception of neutrality in a third party is important in an interest arbitration system, which is why it is important that both sides have an equal say in selecting the arbitrator. Similarly, a tripartite panel assures that all sides are represented in the decision (Malin, 2013).

Risk aversion is also an important concept for all negotiations. Theoretically, final offer arbitration was created so that parties have a higher level of risk when entering arbitration (Dickinson, 2004). Parties do not want the high risk associated with going to arbitration, because there is the potential that they will not win. The more risk averse a negotiator is, the more likely they are to give concessions knowing that if they do they will get a contract. Even if the contract is not what they want, it is perceived as being safer than going to an arbitrator who could give over all the demands to the other side. In theory, this reduces impasse rates in final offer arbitration states. Conventional arbitration is known to be less risky, because there is a perceived notion that the arbitrator will end up splitting the economic issues halfway between management and the union (Dickinson, 2004). This could lead to higher impasse rates, as parties see less risk associated with going to arbitration versus continuing to concede sections of the contract.

Politics

In public sector bargaining, politics play a large role and, in fact, are inseparable from the negotiations process. This will have an impact on whether or not a party is willing to go to interest arbitration instead of working towards a negotiated settlement. Besides governmental politics, the politics of a particular organization or union has a large impact on negotiator behavior. A negotiator for a union might know that he/she could never get the contract that the membership wants, so he/she might be more willing to go to interest arbitration. This allows the negotiator to get the contract that he/she would otherwise negotiate for, without having to get the membership to ratify the contract. This is a breakdown of the purpose of the interest arbitration system. The system is designed as a last resort, and should only be used when negotiations are impossible between two parties. If a party uses the system to bypass internal organizational processes, then it needs to address issues within the organization rather than relying on arbitration to mask the problems.

Ability to Pay. The ability to pay is becoming increasingly important in public sector bargaining. For many years, settlements created unfunded liabilities whose effects were felt only years later. In the private sector, the company and the union negotiate over how to spend money that is generated through the firm's revenues. In the public sector funding comes mainly from taxes, but also from the sale of bonds, various investments, aid from other levels of government, user fees, etc. Often this means that it is difficult to secure funding in the public sector, particularly when raising taxes is politically perilous. That said, since taxpayers have a legal obligation to pay while private sector customers may take their business elsewhere, ability to pay can be difficult to determine. Nonetheless, funding is a requirement for most arbitrators to look at when determining an award.

Best Alternative to Negotiated Agreement. The best solution to getting a contract is generally agreed to be a negotiated settlement. However, depending on what side one is on, this may not be the case. In these events, negotiators will often determine what is their best alternative to a negotiated agreement, or a BATNA. A BATNA comes about in multiple forms, be it going on strike, interest arbitration, or operating under an expired contract. In the public sector, a BATNA could be to go to interest arbitration, because comparable pay rates in the area are much higher than at that particular organization. If these pay rates cannot be achieved through negotiations, then the negotiator would be enticed to end negotiations in favor of interest arbitration. BATNAs are important in negotiating, because one cannot be expected to always get a contract that satisfies both sides. At times, a BATNA can be used as a negotiating tool where one side convinces the other that they have options if it does not get what it wants in an agreement in order to get a settlement.

OUTCOMES

Experimental Outcomes

Before discussing the experimental outcomes, it is important to note that the experiments were focused on the chilling effect rather than the narcotic effect. This is because the narcotic effect relies on outside forces that are excluded from the negotiating games that make up the experiments done in these studies. The chilling effect can be distilled to the idea that knowing that there will be a non-zero sum solution to the bargaining problem negotiators are less likely to bargain to settlement if they believe they could lose less by going to impasse. This theory has been tested by both Orley Ashenfelter's and David Dickinson.

Ashenfelter's experiment was created to determine the difference in impasse rates between no arbitration, conventional arbitration, final offer arbitration, and a so called tri-offer arbitration (Ashenfelter, Currie, Farber, & Spiegel, 1992). Tri-offer arbitration is a system where the arbitrator is forced to pick one of the final offers, or a fact-finder's decision. This method is not common in most interest arbitration cases, however for the sake of inclusion it is used in this experiment. The experiment was set up to be a bargaining game with four groups. The four groups included the three different arbitration groups as well as a control group that would not be subject to arbitration (Ashenfelter et al., 1992). Bargaining would last for twenty rounds, with arbitration being introduced after the first ten rounds. At the beginning of the experiment, bargainers in the control group were told that they would receive a small amount of money if they could come to an agreement. If they did not come to an agreement, however, they each would receive nothing. The arbitration groups were told that after ten rounds of bargaining they would be forced into arbitration if they could not come to a settlement. Each team was told what type of arbitration they would be forced to use, however they were not told how the arbitrator was to make their decision. They were also given a list of previous awards by the arbitrator.

The experiment concluded with interesting results. The major result was that impasse rates did not change between the first and second sets of rounds in the control group; however they increased significantly in all other groups. Not only did the arbitration groups increase their impasse rates, but they started at higher impasse rates in the first ten rounds than the control group did (Ashenfelter et al., 1992). This finding was significant in that it means either the non-control groups were randomly less risk adverse than the control group, or that because they knew they were going to be using arbitration later they were experiencing the chilling effect even in the first rounds. Holding this finding aside, it is important that all the arbitration groups increased their impasse rates as it shows that the chilling effect can occur even when all outside influence is negated.

What is particularly interesting in this study is it demonstrates that contrary to expectations, final offer arbitration showed larger impasse rates compared to conventional or tri-offer arbitration (Ashenfelter et al., 1992). What is strange about this is that final offer arbitration has been

theorized and studied as causing lower impasse rates in general. Ashenfelter comments that the reason for this is likely due to the fact that bargainers tended to get closer to a settlement with final offer arbitration, however failed to reach an agreement because they felt that they would get a marginally better final result. This is because they believed their final offer was the most reasonable offer compared to the other bargainer, so they were reducing the risk associated with impasse in final offer arbitration by being closer than their opponent.

Dickinson's experiment sought to further clarify the results from Ashenfelter's study. Dickinson took a similar approach to Ashenfelter's, however changed a few of the rules. The new rules were that each bargaining pair experienced negotiations in each of the types of arbitration (Dickinson, 2004). Also, Dickinson changed the tri-offer arbitration type to a type he called CombA arbitration, which allowed for either taking the final offers or deciding somewhere in between (Dickinson, 2004). Finally, Dickinson also explained how the arbitrators got to their previous decisions as a way to control for how the bargainers decided on their strategies.

The results of this study are similar to the results from Ashenfelter's experiment. In general, it was found that interest arbitration led to significantly higher impasse rates compared to non-arbitration bargaining (Dickinson, 2004). Also significant is that this study also showed that final offer arbitration led to higher impasse rates compared to conventional arbitration (Dickinson, 2004). The highest rate of impasse came from the proposed CombA arbitration (Dickinson, 2004). This study hypothesized that CombA would lead to the lowest rate of impasse, however the author found that this was absolutely not the case. The finding that impasse rates were greater with arbitration is important because it adds to the significant literature that attempts to show the chilling effect. The fact that both of these experimental studies show that final offer arbitration leads to greater impasse rates than conventional arbitration is interesting, in that it shows the opposite from what most observational studies show. What is important in this study is that the statistical analysis showed that the difference in impasse rates from final offer arbitration to conventional arbitration were barely significant (Dickinson, 2004). Compared to the difference between arbitration and non-arbitration, these findings are not particularly important in reality. If the impasse rates were extremely different between forms of arbitration, then it would be clear that states should adopt one form over the other. If there is little difference, however, in actual impasse rates between them, then the cost in time and effort to change certain state laws in too high.

Limitations. These studies are helpful in that they provide actual experimental data, however they also have significant limitations. Major among these limitations is that these negotiation games take place in tightly controlled environments without any external influence. The people who participated do not have any political affiliation with one another, nor do they need to continue a working relationship with one another. They also have no direction or motives other than getting the most that they can overall, whereas in a real bargaining situation one item in a contract will be more important than another. In most contracts in the public sector, if both sides cannot come to an agreement, they likely will live with the current contract. In the experiments, if both sides cannot come to an agreement, then both sides lose. The difference with these situations is that living under a previous contract is not a lose-lose situation. Depending on which side is pushing for provisions in a new contract, the expiration of a previous contract will impact one side over the other. This experiment does not take into account that one side will likely bend further than the other in order to get a contract because they have a need to gain certain provisions, such as a pay increase or cut.

Observational Outcomes

The bulk of the literature on both the chilling effect and the narcotic effect comes from observing different arbitration systems throughout the United States. In this literature,

there have been varying degrees of agreement on the effects. In general, the chilling effect and the narcotic effect appear to be real, and they appear to have an effect on impasse in the public sector. It is difficult to come to a definite conclusion, since different studies have used different definitions and methodologies. Due to the varying nature of the studies there is room for debate about how strong each of these effects are. While it is difficult to decide how strong these effects are, there is definite evidence that impasse rates are higher in interest arbitration than they are in a strike system. Also, there is evidence that impasse rates are higher in conventional interest arbitration than they are in final offer arbitration.

Chilling Effect. Frederic Champlin and Mario Bognanno sought to answer whether or not the chilling effect existed in Minnesota, and published the results in 1985 (Champlin & Bognanno, 1985). The study consisted of tracking data about arbitration rates and settlement rates from 1973 to 1980. The arbitration rates were compared to the settlement rates in other parts of the state that did not involve interest arbitration. They mentioned that there are other factors that may need to be controlled in this study, such as politics, economic variances, and legal differences. While these factors were mentioned, Champlin and Bognanno believed that they were unimportant for the study, due to the fact that the cases that they studied all occurred in similar locations, and thus similar circumstances (Champlin & Bognanno, 1985).

The results of this study focused on one major conclusion. In cases where interest arbitration was the final step of the dispute resolution process, thirty percent of negotiations ended up in interest arbitration. This is compared to cases where employees were allowed to strike and where impasse was reached only nine percent of the time (Champlin & Bognanno, 1985). This is a significant difference in impasse rates. Also in the results, it is discussed that they were unable to control for some factors that may or may not have been important. They discuss that some of the non-essential employees had the choice of either going on strike or asking for interest arbitration, so some of the data may or may not have been completely accurate. That being said, if they controlled for those who went to interest arbitration as non-essential employees, it would only reduce the nine percent, making the contrast to the thirty percent even larger.

One thing that this study was unable to explore was the difference in rates between different types of interest arbitration. Since the state law specifies the type of interest arbitration that they use, they would have had to compare to a different state using a different arbitration scheme. This is not particularly helpful when studying interest arbitration impasse rates, because they would have to take into account all the other economic and political differences between the states before they could possibly come up with a decent comparison.

Thomas Kochan wrote a paper in 2010 on both the chilling effect and the narcotic effect. This paper is the latest addition to his work on the subjects that started in the late 1970s. In the paper, Kochan looks at data from New York since the 1960s to discover how the impasse rates have changed over time (Kochan, Lipsky, Newhart, & Benson, 2010). The results were less than expected, considering the work that had been done before, as well as the experimental outcomes that have been discussed. Kochan found that impasse rates were higher with interest arbitration than they were without interest arbitration, but the rates were not as high or consistent as they had been in the past (Kochan et al., 2010). Kochan notes that wages have not increased to unsustainable levels, and because New York uses a tripartite panel to arbitrate their contracts, he believes that there is little to no chance of getting a bad award (Kochan et al., 2010). This is all important, because it would appear that the initial fears of interest arbitration have mostly gone away. There is still the problem that impasse rates tend to increase due to interest arbitration, however this might not be as big of a problem as it was once believed to be. Compared to the price of having workers in public safety positions going on strike, having them use interest

arbitration a bit more often does not have such a high cost.

Narcotic Effect. The narcotic effect was one of the original theories of what happens to impasse rates under interest arbitration. Before interest arbitration became an important institution in public sector bargaining, there was a worry that parties would end up relying on interest arbitration time after time instead of being able to settle their own contracts. This theory has taken an interesting turn in that in general it is denounced as being untrue, however there is significant evidence that within the first three or five years of an interest arbitration law being introduced, there does exist a narcotic effect. Thomas Kochan was the leading researcher into the narcotic effect from the late 1970s to the early 1980s, when interest in the topic seemed to cease. More recently, there have been a few attempts to look at the data again, including by Kochan himself.

One of the first studies on the narcotic effect was the 1978 journal article by Thomas Kochan and Jean Baderschneider. This study looked at rounds of bargaining for New York fire fighters and police officers starting from 1968 (Kochan & Baderschneider, 1978). They found that since that date, there was an increase in impasse rates for both fire fighters and police officers. Interest arbitration did not become law until 1975 in New York, and they discovered that once it had become law, impasse rates jumped sixteen percent (Kochan & Baderschneider, 1978). Not only were parties more likely to go to impasse, but they became more likely to successively use interest arbitration to settle their contracts. They believed that this was a clear indication that the narcotic effect existed, and was something to be concerned with. In their conclusion they noted that the problems that caused the impasse in the first place were carried over to future bargaining sessions (Kochan & Baderschneider, 1978). This is important, as it shows that the narcotic effect allows for parties to never truly settle differences that could lead to better negotiations in the future, instead relying on third parties to write contracts. As a form of dispute resolution, interest arbitration does not appear to resolve and disputes in this study. If both parties are focused on just getting a contract instead of fixing problems, then they are increasingly likely to use interest arbitration in the future.

Kochan and Baderschneider's findings did not seem persuasive to Richard Butler and Ronald Ehrenberg. Butler and Ehrengberg decided to analyze the same data that was in Kochan and Baderschneider's study using a different statistical analysis. In their paper, they discussed that Kochan and Baderschneider were incorrect in their blanket statement that the narcotic effect existed (Butler & Ehrenberg, 1981). They noticed that in the last three bargaining rounds of the fire fighters and police officers there existed a reverse narcotic effect (Butler & Ehrenberg, 1981). By that they mean that there was an inverse relationship between having gone to interest arbitration and then going to use it again. They noted several reasons for why this trend emerged. They believed that parties used the interest arbitration more often at the beginning because it was new, and they believed that it would be a cheaper way to solve disagreements than going through more difficult negotiations (Butler & Ehrenberg, 1981). The novelty of interest arbitration seemed enticing for the parties, because they were given an opportunity to negotiate without worry of losing out completely. However, Butler and Ehrenberg believed that this novelty wore off fairly quickly once parties realized that the settlements that they were getting from the arbitrator were not particularly beneficial to one or both sides. As such, they concluded that while the narcotic effect appears when an interest arbitration law is passed, it quickly subsides due to both parties discovering what it actually entails.

Not to be outdone, Kochan responded to the claims that his data was incorrectly analyzed. In an article published in 1981, Kochan attempts to establish what his original findings were, and how Butler and Ehrenberg were able to come up with such different results. The argument that Kochan gives is that the way that they had done their statistical analysis versus how he did his is not problematic on its own. However, because they

neglected to use data that included groups that always or never used interest arbitration, they were unable to replicate his results (Kochan & Baderschneider, 1981). Kochan and Baderschneider explain that using a conditional probability test to determine the recurrence of impasse allows them to use the total data of impasse rates for all fire fighters and police officers, however the regression analysis that was used in Butler and Ehrenberg's paper ignores a subset of the data (Kochan & Baderschneider, 1981). A different problem that he had with the other study was in the definition of the narcotic effect. Butler used a strict definition of the narcotic effect where the parties must rely on interest arbitration always after they use it, whereas Kochan used a looser definition that allows for periods where parties do not use it as often (Kochan & Baderschneider, 1981). A loose definition of the narcotic effect allows for an understanding that labor relations theory has a hard time in perfectly explaining behaviors, because so much of what happens is entangled with outside factors.

James Chelius took to the task of trying to find an answer that could satisfy both Kochan and Butler's studies. In 1985 Chelius published an article that looked at the data that both the other studies used, as well as data from Iowa, Indiana and Pennsylvania' new public sector collective bargaining laws. In the study, Chelius uses a statistical analysis that both the other studies agreed was a fair way to determine the narcotic effect (Chelius & Extejt, 1985). In doing so, he also defined the narcotic effect as, “a decrease or increase in the subsequent use of an impasse procedure as a result of the parties' having previously used the procedure” (Chelius & Extejt, 1985). The definition is important, because the previous two studies were unable to come to an agreement on what the official definition should be when looking at the data. Because of this, Chelius defines the narcotic effect in a way that both parties would be comfortable with, as it is not so broad to include other effects such as the chilling effect, but is also not so narrow to be impossible to determine. After setting up the study to be fair to both other sides of the narcotic effect argument, Chelius determines that both studies have some truth to them (Chelius & Extejt, 1985). In particular, under the New York data that both the other studies analyzed, Chelius found that there did exist a narcotic effect within the first three years of bargaining, however after that there appeared to be no narcotic effect at all (Chelius & Extejt, 1985). When interpreting the data from the other states, Chelius was unable to find any positive narcotic effect, with only a small amount of negative narcotic effect in Pennsylvania (Chelius & Extejt, 1985). These results are important, because looking at just one state's particular laws and rules cannot be used to determine an overall theory for interest arbitration. In looking at three other states, Chelius showed that the narcotic effect can exist to a small extent, however it is not as important as was once feared.

Limitations. All the studies on the narcotic effect provide good statistical analyses of various years and states where interest arbitration occurs. However, they still only have addressed four states that use interest arbitration and do not attempt to see what other states may show. They do a good job in explaining how the narcotic effect is not particularly persuasive as a theory in interest bargaining, however it would be helpful to see other states' data as well. There exists another problem where the other factors that impact bargaining are not addressed. They all succumb to the idea that if parties go to impasse multiple times, then it is indicative of the narcotic effect. This type of study is limited in that there could exist a narcotic effect that is not particularly powerful. But due to other political or economic issues at hand, the parties may still resolve their contract. Trying to determine where the narcotic effect exists and to what extent in this case would prove to be impossible, however it is worth noting that the possibility does exist.

Other approaches. Studies have moved towards looking at negotiations and alternative dispute resolution not within the confines of certain effects, but rather on the other conditions that benefit or take away from the collective bargaining system. These studies have stepped

away particularly from the chilling and narcotic effects, because they have found that while these effects are important, the economic and political conditions during negotiations can have a larger impact on impasse rates.

In a retrospective article on public sector collective bargaining, Charles Craver explores the many factors around collective bargaining. The article breaks down public sector collective bargaining into areas such as the impact of politics on collective bargaining, and dispute resolution techniques (Craver, 2013). Each section describes the particular problems faced in the public sector for each subject. For example, Craver explains how alternative dispute resolution techniques were created for public sector bargaining because the general public called for it, instead of having expensive strikes that would be a drain on tax dollars (Craver, 2013). The most important section of this paper is the section on politics. Craver eloquently specifies two major issues to consider in public sector bargaining, namely the lack of profits and the fact that both parties are political in nature (Craver, 2013). Being political in nature is meant by the fact that both sides are held up to elections for power, so both sides are held responsible by their constituents. This leads to difficulty in negotiations, because if one side agrees to another side's demands, then they are seen as weak, or unworthy to lead. This can lead to a usage of the arbitration system to relinquish any responsibility from the leaders. They would want to release their responsibility in the case that they know they will not get a decent contract, but cannot sell the idea to their constituents without getting into trouble themselves.

CONCLUSION

Impasse is a topic that is crucial to study in labor relations. If we are able to reduce the amount of impasse that occurs while promoting good behaviors from both management and labor, then everyone benefits. Interest arbitration does not improve impasse rates, however it does help with other problems in collective bargaining. For one, it allows for collective bargaining to occur between public safety workers and the government without fear that they will go on strike. Also, it allows for some of the more politically difficult negotiation situations to go forth without embarrassing one side or the other unnecessarily. That being said, it also stunts genuine agreements from being made. Impasse rates are higher in a system that ends with interest arbitration than a system that does not include interest arbitration at all. During experimental studies, it was found that impasse rates increased substantially under an interest arbitration system. Not only that, but final offer arbitration led to impasse more than conventional arbitration. Outside of experimental situations, impasse rates still were seen as larger under arbitration than when striking was an option. The problem with this is that it can lead to higher costs to negotiations through time and money spent on arbitration. However, it is a cheaper alternative to a strike situation, but does not do anything to promote good labor relations. Parties are not compelled to fix their differences in a way that will help in future negotiations, but rather are allowed to sit back and rely on the system to take care of contracts. This is especially an issue if parties tend to keep returning to the interest arbitration system.

The narcotic effect appears to have been an unnecessary worry, as there is no strong evidence that it really exists. If it does exist, then the evidence clearly points to the fact that after three to five years of an interest arbitration law being implemented, the narcotic effect seems to disappear. On its own, this shows how the narcotic effect is not something that should be a concern for its ability to sustain impasse rates, however it does have some implications for areas that decide to implement an interest arbitration system. The Employee Free Choice Act included a provision that would have required interest arbitration for a first contract. If the evidence about the narcotic effect is reliable, it would suggest that the Act could have caused a large uptick in impasse and therefore interest arbitration in the private sector. However, since interest arbitration would not have been required after the first contract, the increase in impasse rates would likely have subsided after the first contract. In terms of public

policy, this portion of the Employee Free Choice Act could have been problematic for employers in particular. However after the first contract it would likely not have contributed to impasse rates in a substantial way.

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