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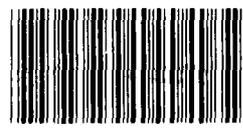
BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Honorable Dennis DeConcini  
United States Senate**

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**Effects Of Regulatory Reform On  
Unemployment In The Trucking Industry**

The Motor Carrier Act of 1980 reduced regulatory control of the trucking industry. GAO questions the conclusions of a Teamsters Union study which pointed to regulatory reform as the principal cause for about 100,000 members losing their jobs in the industry. GAO's analysis shows that poor economic conditions, not regulatory reform, have been the likely cause of high unemployment in the trucking industry.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

B-207571

The Honorable Dennis DeConcini  
United States Senate

Dear Senator DeConcini:

Your December 1, 1981, letter asked us to study the effects of deregulation on trucking industry employment. As agreed with your office, we inquired into the broad effects of the economy and regulatory reform on trucking industry unemployment and focused on determining the reasons for Teamsters Union unemployment.

The Motor Carrier Act of 1980 (94 Stat. 793) substantially reduced Government control of trucking. The act was designed to make entrance into the industry easier for new firms and stimulate price competition. Our analysis, which reflects the effects of regulatory reform since July 1980, indicates that

- poor economic conditions, not regulatory reform, have been the likely cause of high unemployment in the trucking industry (see app. I, p. 2);
- the act brought about increased competition in the trucking industry and resulted in an overall increase in the number of trucking firms in the marketplace (see app. I, p. 6); and
- increased industry competition accelerated a decline in Teamsters Union representation in the trucking industry (see app. I, p. 12).

We also analyzed a Teamsters Union study which was used in support of its testimony that deregulation was the principal cause of about 100,000 Teamsters losing their jobs in the trucking industry. (See app. I, p. 15.) The testimony was given in June 1981 congressional oversight hearings on the Motor Carrier Act. The union's job loss estimate is questionable because of deficiencies in the methodology of its study.

We discussed the material in this report with the Interstate Commerce Commission and Teamsters Union officials.

B-207571

We are sending copies of this report to the Chairman, Interstate Commerce Commission, and the General President of the International Brotherhood of Teamsters. Copies will also be available to other interested parties upon request.

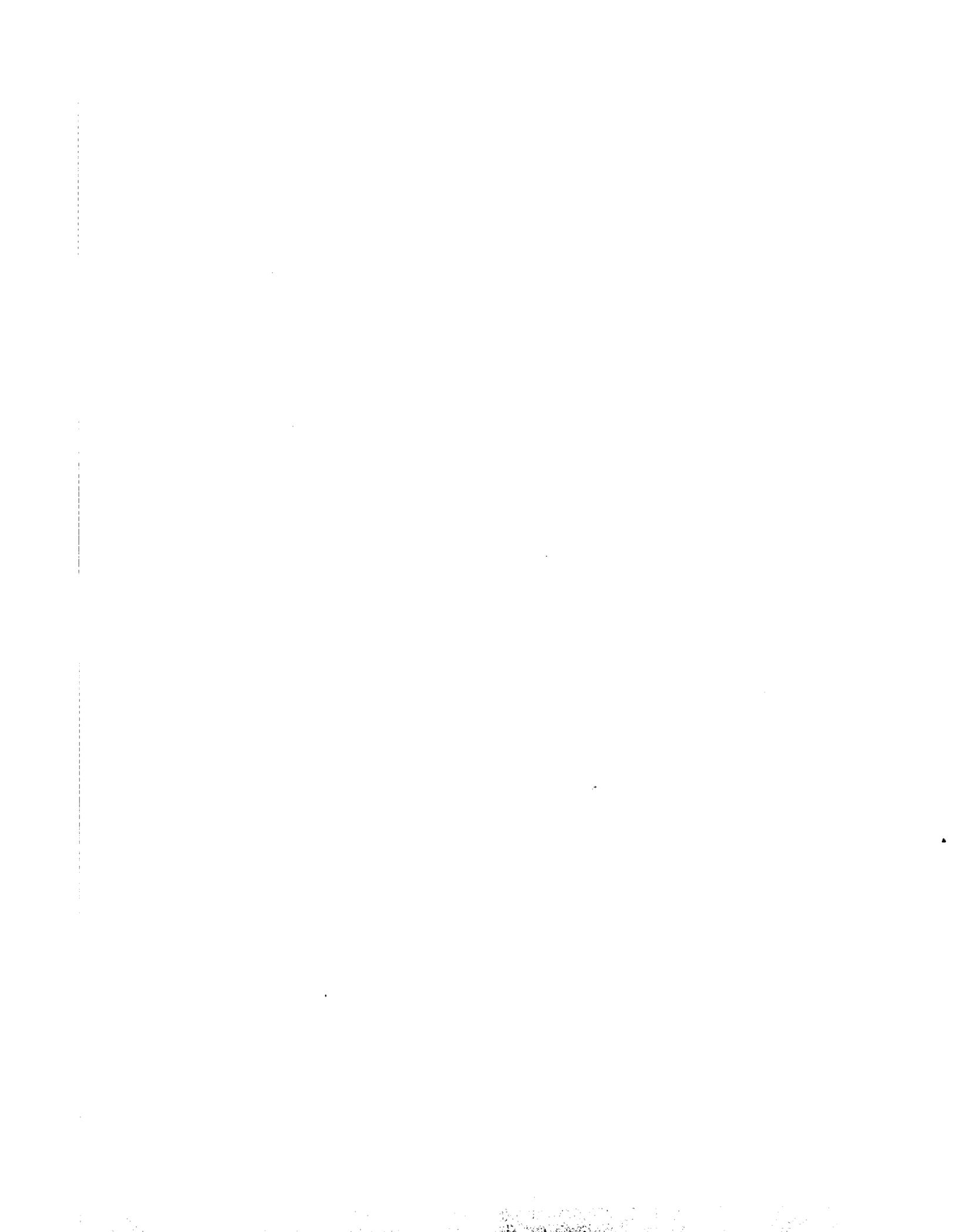
Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege". The signature is written in black ink and is positioned above the typed name and title.

Henry Eschwege  
Director

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BLS	Bureau of Labor Statistics
GAO	General Accounting Office
ICC	Interstate Commerce Commission



DISCUSSION OF TRUCKING REGULATORYREFORM SINCE PASSAGE OF THE MOTOR CARRIER ACTBACKGROUND

The Motor Carrier Act, which was designed to reform trucking regulations, was signed into law on July 1, 1980. The act substantially reduced Government control of trucking and was designed to make it easier for new firms to enter the industry and stimulate price competition.

The Interstate Commerce Commission (ICC) took administrative steps to reduce the regulatory framework in the trucking industry well before the Motor Carrier Act. Beginning in 1977, ICC under its own authority eased entry policy, relaxed certain restrictions on carriers' existing route systems and operations, and expanded the area carriers can serve.

The House report on the Motor Carrier Act of 1980 indicates that the Congress recognized that the act may have an effect on existing motor carriers, but it elected not to include labor protection provisions in the act. The House report, however, said that

"the Committee on Public Works and Transportation will conduct oversight investigations into the impact of the legislation on employees in the motor carrier industry. If these investigations reveal substantial hardship occurs as a result of this legislation to those now employed in the trucking industry, the Committee will consider appropriate legislation to address the problem."

In congressional testimony in June 1981, the Teamsters Union asked the Senate Committee on Commerce, Science, and Transportation for relief for union employees who have been displaced from their jobs. The Teamsters stated that "The loss of almost 100,000 Teamsters' jobs is attributable not only to the recession, but to the administrative deregulation [by ICC]." The Teamsters recommended legislation that would provide priority rehiring rights for its members who have been displaced.

OBJECTIVES, SCOPE, AND METHODOLOGY

To analyze whether regulatory reform has influenced the trucking industry's unemployment rate, we compared the relationship between the unemployment rate in the trucking service industry and unemployment rates in the manufacturing of durable goods and construction industries. These industries were chosen because their economic activity affects trucking. We used Bureau of Labor Statistics (BLS) data covering 1972 through 1981. We tested several economic variables, such as the inflation rate and the

Index of Physical Output in Manufacturing, and we accounted for deregulation in our analysis. We selected these variables based on our judgment, but this selection is consistent with generally accepted economic relationships. Our analysis did not include the influence of certain nontrucking and unquantified variables, such as rail competition, private company hauling, and improved productivity from larger trucks and longer hauls.

We interviewed Teamsters Union officials and reviewed supporting data on a Teamsters' study showing a high layoff rate among union members. To determine the effects of trucking regulatory reform on industry competition and on changes in the types of motor carriers, we obtained and analyzed ICC data on entries into and exits from the trucking industry.

We obtained information from the following trucking industry representatives and associations:

American Trucking Association:  
 Private Carrier Conference  
 Regular Route Common Carrier Conference  
 Association of American Railroads  
 Middle Atlantic Conference - Rate Bureau  
 Motor Vehicle Manufacturers Association of the  
 United States, Inc.  
 Owner-Operators Independent Drivers Conference  
 Private Truck Council of America  
 Transportation Association of America  
 Transportation Research and Marketing Information  
 Trucking Management, Incorporated

Our review was made in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

POOR ECONOMIC CONDITIONS ARE THE LIKELY  
 CAUSE OF HIGH TRUCKING INDUSTRY UNEMPLOYMENT

We studied trends in the overall trucking industry unemployment rates to determine the influence of changes in the economy and industry regulatory reform occurring since July 1980 as a result of the Motor Carrier Act of 1980. Our analyses, which accounted for about 80 percent of the trucking unemployment rate, indicated that recent increases in trucking unemployment were likely caused by a downturn in the economy and that deregulation was only a minor influencing factor.

We analyzed the relationship between trucking unemployment rates and combinations of several different economic variables. In our analysis we used BLS statistics on the unemployment rate in the trucking services industry. This industry is comprised of individuals and companies in the business of hiring themselves

out to haul goods. It includes truck drivers who are Teamsters, as well as those who are not, and related office workers and support staff. It excludes truck drivers working for themselves and for private companies that haul their own goods. Using BLS data the 1981 trucking services industry employment was 1.15 million (an increase of 7,000 since 1980).

Trucking unemployment rates have increased substantially since the third quarter of 1980 when the Motor Carrier Act was passed. In the six quarters preceeding the act, the average unemployment rate was 6.9 percent; for the six quarters after the act, the average was 9.3 percent.

The manufacturing and construction industries were chosen for our analysis because the economic activity of these industries directly affects trucking. When outputs in these industries decline, there are fewer goods to haul. A close relationship between industrial production and the trucking industry has existed for several years, including recessions in 1974-75 and 1979-80. Trucking employment reflects changes in these economic patterns, as shown in the following table.

Relationship of Industrial Production  
to Trucking Activity

	<u>Percent of change</u>		
	<u>1972-81</u>	<u>Recession 1974-75</u>	<u>Recession 1979-80</u>
Total U.S. production of durable and non- durable goods	+26.4	-10.0	-7.9
Truck deliveries, ton-miles	+18.1	- 8.3	-7.9
Trucking services employment	+19.4	- 8.1	-7.7

The table below shows the unemployment rates for the trucking services industry, the manufacturing of durable goods, and the construction industry for six quarters before and after the Motor Carrier Act was passed.

<u>Year</u>	<u>Quarter</u>	<u>Unemployment rates</u>		
		<u>Trucking</u>	<u>Durable goods</u>	<u>Construction</u>
----- (percent) -----				
1979	1	6.4	6.2	10.7
	2	5.2	6.4	9.8
	3	6.5	6.7	9.4
	4	5.9	6.5	10.6
1980	1	8.1	6.8	11.8
	2	9.0	7.9	15.6
Average before the Motor Carrier Act		6.0	6.8	11.3
1980	3	10.2	8.1	16.3
	4	9.4	8.7	14.4
1981	1	12.0	8.3	13.8
	2	8.2	8.1	15.8
	3	7.3	7.7	16.0
	4	8.7	9.3	18.1
Average after the Motor Carrier Act		9.3	8.4	15.7

To determine whether regulatory reform or a slowing economy was the primary cause for the increased unemployment rate in the trucking services industry, we used a statistical technique, called regression analysis, to measure the association between the trucking unemployment rate and other variables. The economic variables used to predict trucking unemployment were manufacturing unemployment rates, construction unemployment rates, the inflation rate, and changes in the Index of Physical Output in Manufacturing.

We used the inflation rate to recognize rising fuel, labor, and investment costs. The growth rate in the Index of Physical Output in Manufacturing assumes that a slowdown in manufacturing output means fewer goods to haul and more unemployment.

We experimented with several formulas or models to explain trucking unemployment, both with and without the influence of regulatory reform. The table below shows the actual unemployment rates in trucking services for the last 5 years along with rates estimated by our regression formulas. The first method includes a variable factor for regulatory reform which was designed to capture shifts in the unemployment rate after the Motor Carrier Act was passed. The second method does not include a regulatory reform factor.

<u>Year</u>	<u>Quarter</u>	Actual trucking unemploy- ment rate	Estimated trucking unemployment	
			Method I-- regulatory reform factor included	Method II-- no regulatory reform factor included
----- (percent) -----				
1977	1	9.9	8.8	8.8
	2	6.4	6.1	6.3
	3	5.9	6.0	6.1
	4	5.2	5.3	5.2
1978	1	6.7	6.8	6.7
	2	5.4	5.0	5.0
	3	4.0	4.1	4.4
	4	3.7	4.6	4.8
1979	1	6.4	6.5	6.5
	2	5.2	6.6	6.6
	3	6.5	6.0	6.1
	4	5.9	6.4	6.6
1980	1	8.1	8.3	8.5
	2	9.0	9.0	9.4
	3	10.2	10.0	9.5
	4	9.4	8.7	8.2
1981	1	12.0	10.0	9.7
	2	8.2	9.3	8.7
	3	7.3	7.9	7.6
	4	8.7	9.6	9.2

The regression model that explained trucking unemployment without a factor for regulatory reform, had a predictive power of 81 percent. That is, the economic variables explained 81 percent of the trucking unemployment rate. The predictive power of the regression model that included a factor for regulatory reform was 83 percent. Since both methods estimate the trucking unemployment rate reasonably well, this indicates that regulatory reform had no significant effect.

However, the model with a regulatory reform variable showed that deregulation seemed to contribute to a higher unemployment rate, but this variable might also have reflected the influence of certain nontrucking and unquantified variables such as rail competition, private company hauling, and improved productivity from larger trucks and longer hauls. Consequently, we still believe the effects of regulatory reform on trucking unemployment were not significant. Rather, we believe that poor economic conditions have been the likely cause of high trucking unemployment. However, the act has not been in place long enough to show conclusively the effects of regulatory reform.

THE MOTOR CARRIER ACT INCREASED  
COMPETITION IN THE TRUCKING INDUSTRY

Regulatory reform increased competition in the overall trucking industry. The act made it possible for many new firms and individuals to enter the industry. The many new entrants, however, along with price competition and a declining economy, caused many firms to go out of business. The net effect since trucking regulatory reform to date has been an increase in the number of firms in the marketplace.

Regulatory reform appears to have had no significant influence on the number of independent owner-operators. The overall number of self-employed truckers, which can be considered a measure of independent owner-operators, has increased steadily over several years.

Growth in numbers of  
regulated trucking firms

Trucking regulatory reform made it possible for many new firms to enter the trucking industry and for many existing firms to expand their operations. For the last 5 years the total number of motor carriers regulated by ICC has continually increased.

Number of Regulated Motor Carriers

<u>Year</u>	<u>Total carriers</u>	
	<u>Number</u>	<u>Percent change</u>
1976	16,472	0
1977	16,606	+ 1
1978	16,874	+ 2
1979	17,083	+ 1
1980	18,045	+ 6
1981	22,270	+19

The 22,270 firms listed for 1981 is a net increase over 1980 of 4,225 firms. The increase was comprised of 272 carriers with operating revenues in excess of \$1 million and 3,953 carriers with operating revenues of less than \$1 million.

Increased competition has also come from firms which have applied to ICC for new and expanded permanent operating rights. The applications seek broader geographic coverage as well as an authority to haul a wider range of commodities.

<u>Fiscal year</u>	<u>Total applications</u>	<u>Percent of applications granted by ICC in whole or in part</u>
1976	6,746	69.8
1977	7,848	77.0
1978	9,767	88.9
1979	12,944	94.5
1980	22,735	97.4
1981	28,414	96.7

### Trucking business failures

While the overall number of regulated trucking firms has increased, a number of trucking businesses have failed. Industry sources, while differing on the precise number of business failures, generally attribute the causes of failure to a combination of more entrants into the industry, a declining economy, and price competition.

We examined several sources reporting trucking business failures since the Motor Carrier Act was passed. During June 1981 congressional oversight hearings on the Motor Carrier Act, the Teamsters Union cited 416 regulated motor carriers employing union members which have gone out of business since August 1980. ICC analyzed the Teamsters' list of firms which was used to support the claim of widespread failure among carriers employing Teamsters. ICC records show that no more than 59 of the firms listed by the Teamsters Union were ICC regulated and had gone out of business after August 1980. The majority of the listed firms were intrastate carriers, private carriers, or nontrucking businesses. ICC noted 66 duplicate entries, 36 carriers that ceased operations before August 1980 (some as early as 1965), and 21 carriers that are still operating but in some cases have switched to nonunion employees. ICC officials told us they discussed their analyses of the Teamsters' list with Teamsters Union officials and the Teamster officials agreed that the list was inaccurate.

The American Trucking Association reported in February 1982 that 47 trucking companies, each with revenues over \$1 million, have gone out of business since June 1980. The Association believes there are more than 47 firms, but it has only been able to confirm that number. Employment data available for 35 of the firms shows that 17,510 trucking jobs were lost. No comparative data was available to show the number of business failures before the act was passed.

The American Trucking Association's Regular Common Carrier Conference started monitoring a sample of over 300 large carriers in 1974. The number of business failures and bankruptcies among this group increased during 1980 but fell during 1981.

<u>Year</u>	<u>Number of business failures and bankruptcies</u>
1976	7
1977	8
1978	11
1979	8
1980	15
1981	7

Several industry officials whom we interviewed, such as the President of the Middle Atlantic Conference (the rate bureau which publishes trucking rates for over 700 carriers in seven Atlantic coast States), the President of Trucking Management, Incorporated, the labor bargaining representative of 284 general freight carriers, and the Vice President of the American Trucking Association, cited a combination of more new entrants into the trucking industry, a declining economy, and price competition as the causes of most trucking business failures. These same causes were also cited in several trucking industry publications' reports on major trucking companies which have closed down their general freight operations.

#### Numbers of independent truckers have increased

BLS data shows that the self-employed truckers employment rate has increased slightly since 1976. Our study shows that the act did not affect this rate. However, one organization said that employment had declined but did not have supporting data.

The Independent Owner-Operators Conference testified in June 1981 congressional oversight hearings on the Motor Carrier Act that in the first year after the Motor Carrier Act was passed, thousands of owner-operators went out of business. The Washington, D.C., representative of the Conference stated that the act opened entry to such a degree that rate competition has become predatory. The official did not have precise owner-operator employment data, but he estimated that in the last 3 years the number of owner-operators has declined from 235,000 to 175,000.

A March 1982 Federal Trade Commission study shows that trucking regulatory reform and the recession have combined to create lower trucking rates. The study pointed out, however, that there is no evidence of predatory pricing in which dominant carriers engage in below-cost pricing.

BLS data indicates that the number of self-employed truckers increased over the last several years. To determine the effect of regulatory reform on independent truckers, we examined BLS

data showing the number of truckers who are self-employed. BLS classifies self-employed as those who spend the major portion of their time working for profit or fees in their own business, profession, or trade. This definition fits the activities of independent owner-operators, but we did not verify the extent to which it may also include truckers not involved in interstate commerce. These numbers show an average yearly increase in the last several years.

<u>Fiscal year</u>	<u>Yearly average number of self-employed truckers</u>
	(000 omitted)
1976	155
1977	162
1978	176
1979	190
1980	193
1981	200

We found no evidence that regulatory reform had significantly influenced the percentage of trucking self-employment. The table below shows the percentage of self-employed truckers before and for six quarters after the Motor Carrier Act.

<u>Year</u>	<u>Quarter</u>	<u>Percentage of truckers</u>
1979	1	13.4
	2	13.7
	3	13.8
	4	13.4
1980	1	13.6
	2	14.5
Average before Motor Carrier Act		13.7
1980	3	14.9
	4	14.7
1981	1	15.3
	2	15.0
	3	14.5
	4	14.5
Average after Motor Carrier Act		14.8

To further assess whether the increase in self-employment following passage of the Motor Carrier Act was related to regulatory reform or to other economic factors, we analyzed 40 quarters of BLS data on trucking self-employment and combinations of several different economic factors. The factors we used to estimate the percentage of self-employment were

- the trucking unemployment rate,
- total private employment,
- the inflation rate, and
- changes in the Index of Physical Output in Manufacturing.

We experimented with several regression models to measure the impact of regulatory reform on self-employment in trucking. Statistical tests indicated that a regulatory reform factor had no significant impact on the self-employment rate.

The table below shows the actual self-employment rate in trucking for the last 5 years and the estimated rates with and without a variable regulatory reform factor.

<u>Year</u>	<u>Quarter</u>	<u>Actual self-employment rate</u>	<u>Estimated self-employment rate by:</u>	
			<u>Method I-- regulatory reform factor included</u>	<u>Method II-- regulatory reform factor not included</u>
------(percent)-----				
1977	1	13.5	13.8	13.9
	2	15.2	15.0	15.1
	3	12.9	13.1	13.1
	4	10.5	12.4	12.4
1978	1	13.9	13.0	13.1
	2	14.8	14.0	14.0
	3	12.2	12.4	12.4
	4	11.8	11.7	11.6
1979	1	13.4	13.0	12.9
	2	13.7	14.0	14.0
	3	13.8	12.9	12.9
	4	13.4	13.8	13.6
1980	1	13.6	13.7	13.7
	2	14.5	15.1	15.0
	3	14.9	14.4	14.5
	4	14.7	14.5	14.5
1981	1	15.3	15.2	15.2
	2	15.0	15.8	15.8
	3	14.5	14.2	14.4
	4	14.5	14.5	14.6

The predictive power of the equation that best estimated self-employment without a regulatory reform variable was 91 percent. The predictive power of the equation with a regulatory reform variable was 88 percent. Based on this analysis we believe that regulatory reform did not significantly influence the self-employment rate in trucking.

INDUSTRY COMPETITION HAS DECREASED  
TEAMSTERS UNION MEMBERSHIP

Teamsters Union membership under the National Master Freight Agreement has declined steadily since 1970. Between 1970 and 1982, Teamsters' rolls declined 21 percent, with the biggest rate of decline coinciding with regulatory reform.

Changes taking place in the structure of the trucking industry are causing losses in Teamsters Union membership. Growing numbers of independent owner-operators and private company trucking operations are successfully competing with predominantly Teamsters Union general freight carriers for truckload tonnage. The Teamsters Union has encountered problems in organizing private company trucking operations and owner-operators.

Losses in Teamsters Union membership

Teamsters Union rolls of workers covered by the National Master Freight Agreement have declined, as follows:

<u>Date of agreement</u>	<u>Teamsters membership</u>	<u>Percent decrease</u>
1970	306,037	0
1973	297,833	- 3
1976	283,366	- 5
1979	277,017	- 2
1982	242,909	-12
Total decrease	63,128	-21

The Teamsters estimated layoff of 100,000 members was based on a survey of its workers covered under the National Master Freight Agreement (see p. 15 for an analysis of the union study). About 80 percent of the employees of general freight common carriers are Teamsters covered by the agreement. Other Teamster truck drivers are covered by national agreements representing automobile transporters and the United Parcel Service and by local and area agreements with carriers that choose not to be represented by the National Master Freight Agreement.

Union carriers have not kept pace with trucking industry

Increased competition from non-Teamster entrants into the general freight sector of the trucking industry has caused Teamster carriers to lose a substantial share of the truckload market. The nonunion entrants can be more competitive because they charge less for truckload shipments. They generally pay drivers less than Teamsters Union wages, and they have lower overhead expenses because they do not maintain terminals and offices necessary for

less-than-truckload freight operations. For example, in 1981, the average Teamsters Union wage under the National Master Freight Agreement was \$12.74 per hour, while the average private company, nonunion trucking employee wage was \$8.60 per hour.

Teamster general freight carriers have experienced a decline in tonnage hauled over a number of years. Available data for large carriers, representing about 90 percent of the general freight sector, showed that from 1972 to 1980 general freight tonnage decreased at an annual rate of 4 percent, while total tonnage for the rest of the trucking industry increased by 1 percent. Teamsters Union officials agreed that general freight tonnage has declined over a number of years and pointed out that since deregulation and their 1979 National Master Freight Agreement, the rate of decline has been much more pronounced. In 1979, ICC was in the process of administratively reducing the regulatory framework. Between 1979 and 1980, general freight tonnage decreased by 19 percent, while tonnage for the rest of the industry decreased by 10 percent.

Employment data also indicated that general freight carriers have not kept pace with an overall growth in the total trucking industry. Between 1972 and 1980, employment for Teamster general freight carriers was virtually unchanged while the self-employed sector grew by 43 percent and all wage and salary trucking employees, exclusive of private company trucking employees, grew by 15 percent. Employment data for private company trucking employees was not readily available.

Surveys of intercity truck movements conducted by Transportation Research and Marketing Information also indicated that changes are occurring in the structure of the trucking industry which are adversely affecting the Teamsters Union. The firm's president told us that industry competition has resulted in a decline in both union drivers and traffic of general freight carriers. He said trucking surveys conducted in 1965 and 1980 showed that the ratio of general freight carrier trucks to total trucks on the road declined by 40 percent. Data from the truckstop surveys also showed that in 1978, 2 percent of the drivers employed by general freight carriers were independent owner-operators, while in 1980 the percentage grew to 14 percent owner-operators. The surveys also showed that the percentage of union drivers for all types of carriers decreased between 1978 and 1980, as follows.

<u>Carrier type</u>	<u>Percentage of union drivers</u>		
	<u>1978</u>	<u>1979</u>	<u>1980</u>
Regular route common carrier	84.3	74.2	75.3
Irregular route common carrier	27.3	23.1	19.1
Private carrier	31.6	27.5	24.8
Contract carrier	27.8	21.1	18.9
Exempt carrier	8.0	6.4	6.0
Agricultural co-op	14.0	13.1	12.0

Union competition comes from owner-operators and private companies

The industry competition to Teamster general freight carriers has come from growing numbers of independent owner-operators and private company trucking operations. The American Trucking Association recently reported that some general commodity common carriers have formed subsidiaries to better compete for truckload tonnage which is being increasingly handled by private and owner-operator carriers. The Acting Chairman of ICC testified in June 1981 that many general freight carriers have set up or expanded special commodity divisions to handle truckload traffic and that "These divisions utilize owner-operators \* \* \* as independent contractors in place of Teamster company employees."

Teamster officials did not have specific information on overall employment changes taking place in the trucking industry but they did state that the Motor Carrier Act's eased entry provisions have caused established general freight common carriers to lose a substantial share of the truckload market to private companies and independent owner-operators. The union officials said many private companies are starting, or planning to start, their own trucking lines and this will greatly reduce established trucking firms' business.

The American Trucking Association estimated that private company trucking operations account for about 60 percent of inter-city miles and are one of the industry's fastest growing segments. ICC records show that from the passage of the Motor Carrier Act in July 1980 to October 1981, 713 corporations covering 7,712 subsidiaries have filed notice of their intent to haul such traffic.

Teamster officials told us the union has tried to unionize owner-operators and private company trucking employees but has encountered problems in its efforts. Union officials said the National Labor Relations Board will not certify a private company's trucking operations as an appropriate labor bargaining unit if the drivers also perform other company functions. Many small companies were said to avoid Teamsters' efforts to organize their trucking employees by giving their drivers other company tasks to perform and then claiming that the employees are not solely truck drivers. The officials also said that the ICC ruling allowing private companies to lease owner-operators also hurts the Teamsters because of the difficulty in organizing owner-operators.

The Teamsters stated that the enactment of the Motor Carrier Act has led to a dramatic increase in the number of owner-operators in the trucking industry. They said that in the vast majority of situations, the National Labor Relations Board and the Federal courts have found these operators to be independent contractors. As such, they are excluded from coverage by the National Labor Relations Act, and therefore they cannot under the

law be organized or represented by a union. The officials said a union faces a very difficult and costly legal battle in attempting to organize owner-operators where the company has structured the operation to avoid unionization. The officials estimated that the Teamsters represent only about 20,000, or 10 percent of, owner-operators.

DEFICIENCIES IN THE METHODOLOGY  
OF THE TEAMSTERS UNION STUDY  
CITING HIGH LAYOFF RATES

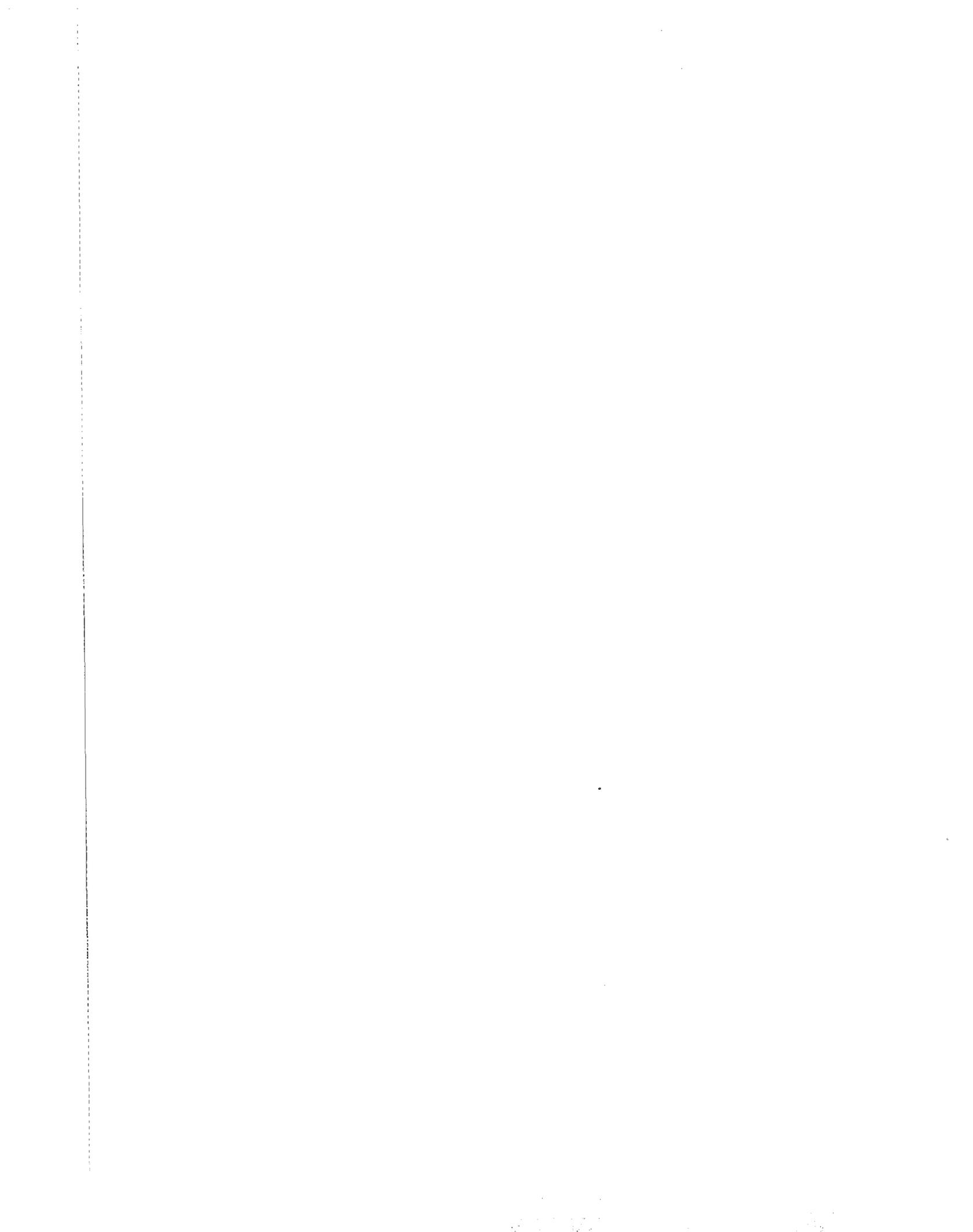
During June 1981 congressional oversight hearings on the Motor Carrier Act, Teamsters Union officials testified that about 100,000 Teamsters have lost their jobs in the trucking industry. While the testimony recognized the influence of the recession, the union attributed most of the losses to deregulation resulting from ICC's implementation of the act.

We examined the methodology of the Teamsters Union survey used in support of its testimony on job losses and have the following observations:

1. The survey did not measure unemployment. Teamsters counted as being on layoff may have actually been working elsewhere in the trucking industry as independent truckers or as Teamsters under local trucking agreements. The survey also did not have information on the length of layoffs, which could have been as short as 1 day or as long as 3 years. Teamster officials agreed that the survey did not measure unemployment but said it would be extremely difficult to obtain information on the employment status of those members counted as being laid off.
2. The sample was picked judgmentally rather than randomly. Union officials selected 37 locals out of 350, which they felt would cooperate in the survey. A more scientific approach would have been a random selection of locals. While the union attempted to get a cross-section of locals based on size and geographic areas, the selections may have resulted in under- or overestimating layoffs. Teamster officials agreed that a random sample might have been more scientific but felt they had used good judgment in selecting a cross-section of their locals.
3. The cover letter that accompanied the survey forms to locals had a biased tone. The letter said, "\* \* \* we must be able to show accurately the economic hardship in the motor carrier industry to the Congress and the public." An example of a less biased wording would be

"economic conditions" instead of "economic hardship." Teamsters Union officials considered the wording of the cover letter a statement of fact.

4. Data furnished by the locals was not verified. The credibility of the study would have been improved if a sample of the data furnished by the locals had been verified. Teamster officials partially agreed but believe the numbers submitted by locals may have understated actual layoffs.
5. Projections made from the survey data are questionable. The survey data covered only general freight carriers during April 1981, and the results were projected to specialized carriers, such as automobile, tank, and cement haulers, not covered by the survey. There is no reason to believe specialized carriers were affected to the same extent as the general freight carriers included in the Teamsters' survey. The survey would have been improved if it had included several points in time and included a sample of layoffs under specialized trucking agreements. Teamster officials believe the survey's general freight analysis is valid. They agreed, however, that projections to those members not sampled is questionable.



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