

Labor, Management, and Unions | 2

This chapter provides context for the case study discussed in the following chapters and for the policy options that have been outlined in chapter 1. The cooperation of two unions, the Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers (IBEW), with the management of U S WEST, Inc. has been critical in improving profitability at that company.

The chapter describes the changing fortunes of unionism and its decline in the workforce as a whole and in the telephone industry in particular. Some of the key laws and judicial decisions that have affected the ability of workers to organize are briefly summarized. The chapter then turns to some of the costs and benefits of unionism, and notes that the available evidence does not support the notion that unions are antithetical to technological change or responsible for such recent macroeconomic problems as declines in national levels of productivity or employment. These problems have arisen during a period of rapid decline in unionization.

At the level of the individual firm, unions are associated with reduced profits. However, unions are generally associated with higher productivity. The reasons for the link between unionization and higher productivity are unclear. For decades, U.S. unions focused primarily on winning wages and benefits for workers through adversarial collective bargaining and periodic strikes.² However, since the 1970s, unions have become increasingly involved in joint union-management efforts to increase

*"...historical experience in the U.S. and abroad is that work organization choices are closely related, and have important implications for, other economic and social policies."*¹

Ray Marshall
U.S. Secretary of Labor
1977-1981

¹R. Marshall, "Work Organization, Unions, and Economic Performance," in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), p. 287.

²B. Bluestone and I. Bluestone, *Negotiating the Future: A Labor Perspective on American Business* (New York NY: BasicBooks, 1992), p. 16.

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worker participation. Recent research suggests that such worker participation initiatives are more likely to create sustained productivity and profitability improvements for companies when a union is involved.

The chapter notes that, although unions are usually associated with higher productivity, when labor-management relationships are poor, unions are associated with neutral or negative impacts on productivity. Thus, the quality of the labor-management relationship appears to be the primary influence on how the presence of unions impacts company performance.

The chapter ends with a discussion of whether workers need more ways to engage in dialog with management.

THE CHANGING FORTUNES OF UNIONISM IN THE UNITED STATES

In the U. S., workers have formed labor unions primarily to change the balance of power between management and labor. U.S. unionism has waxed and waned since the last century. A 10-year boom-and-bust cycle began with the boom of craft unions in the 1880s and ended with a very steep decline in union representation in the 1920s. The onset of the Depression, accompanied by disillusion with big business and its leaders, changed the social and then the legal climate early in the 1930s and set the stage for another round of union growth. Congress passed the Norris-LaGuardia Act in 1932 and the National Labor Relations Act (NLRA; also known as the Wagner Act) in 1935 (box 2-1). John L. Lewis created the Congress of Industrial Organizations (CIO), broadening unions beyond the craft unionism of the American Federation of Labor (AFL). Under his

leadership and that provided by other highly effective organizers, labor unions grew again. With President Roosevelt's imprimatur, labor became associated with the Democratic party and the unions took on some of the voter organizing roles of faltering big city political machines.

After World War II, unionism declined again. The electorate was disillusioned by inflation and shortages. There were massive strikes, and in 1946, after 14 years of Democratic control, the Republicans gained the majority in both Houses of Congress. Congress passed the Taft-Hartley Act in 1947, which outlawed the organizing methods such as secondary strikes that had been successfully used in the 1930s, and which made the establishment of new unions more difficult (see box 2-1). By making secondary strikes and mass picketing illegal, Taft-Hartley reinforced the weak enforcement provisions of the Wagner Act. The judicial system also restricted union activities. In the 1969 *Boys Market case* the Supreme Court ruled to limit the legal period for strikes to the interval between contracts. In *Gateway Coal v. United Mine Workers* in 1974, the Court further restricted the justification for walkouts (box 2-1).³

As shown in figure 2-1, union membership in the U.S. declined gradually from 1950 to 1975 and then began to drop more sharply. The percentage of all unionized private sector workers fell from 31 percent in 1970 to 12 percent in 1989, and the percentage of unionized blue collar workers fell from more than 50 percent to less than 25 percent in the same period.⁴ In 1992, only 11.5 percent of private nonagricultural wage and salary workers *belonged* to labor unions, while a slightly higher 12.7 percent of these workers were

³The above discussion draws heavily on T. Geoghegan *Which Side Are You On?* (New York, NY: Penguin Books, 1992).

⁴R. Freeman, "Is Declining Unionization of the U.S. Go@Bad, or Irrelevant?" in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), p. 143.

⁵Under the NLRA, majority unions are legally required to represent all workers within a bargaining unit whether or not they are union members. In right-to-work states or where negotiated as part of the bargaining agreement, individuals within the unit may choose not to join the union and not to pay dues. Thus the fraction of workers represented by unions is higher than the fraction of workers who are members. The percentages are from *Employment and Earnings*, vol. 40, no. 1, January 1993, p. 239.

**Box 2-1. Major Laws and Judicial Decisions Affecting Organization of Workers
in the United States Since the 1930s¹**

1932 Norris-LaGuardia Act

Severely limited the power of Federal courts to issue injunctions in cases involving strikes and other labor disputes. Prohibited enforcement of yellow dog contracts (pledges signed by workers that they would not join a union as a condition of employment). This Act facilitated the growth of the labor movement in America by eliminating earlier penalties that might be suffered by workers who participated in strikes, sit-ins, etc.

1935 National Labor Relations Act (NLRA; also known as the Wagner Act)

Established the right of workers to form unions, and created the National Labor Relations Board (NLRB) to oversee administration of the new law. Employers could still choose to voluntarily recognize a union when a majority of workers favored one, and the new law provided a mechanism for resolving disputes when the position of the majority vis-a-vis representation by a union is in question. In such cases, the law requires campaigns and representation elections run by the NLRB in which workers vote whether or not to be represented by unions. The NLRB certifies a group of workers as an appropriate bargaining unit for election purposes.

This law specifies and prohibits unfair labor practices including employer interference with the right of workers to organize, establishment of employer-dominated organizations (e.g., company unions-internal groups organized and controlled by management), discrimination against union members, refusal to bargain, and discharge or discrimination against workers who file charges of violations of the act.

Sanctions for violations of this law are limited: enforcement requires petitions to the U.S. Court of Appeals. A worker fired for union activity is only due back wages, reduced by any wages that the NLRB determines that the worker should have earned in any jobs worked during the period before he or she is owed reinstatement (and it is incumbent on the worker to seek another job).

¹Drawn from B. Bluestone and 1. Bluestone, *Negotiating The Future: A Labor Perspective On American Business* (New York, NY: Basic Books, 1992), R. B. Freeman and J. L. Medoff, *What Do Unions Do?* (New York, NY: Basic Books, Inc., 1984), and T. Geoghegan, *Which Side Are You On?* (New York, NY: Penguin Books, 1992).

(Continued on next page)

represented by labor unions,⁵ Union losses have been particularly great in the Midwest with the decline of such heavily unionized industries as steel and machinery. Losses in the Chicago area alone in the 1980s totaled more than 50,000 union members.⁶

Unionization in the telephone industry has followed a different pattern from the national trends, with mass organizing in the late 1940s and

early 1950s, followed by less decline in recent years. Organizing began in the late 1800s, led by the National Brotherhood of Electrical Workers (NBEW), the predecessor to today's International Brotherhood of Electrical Workers (IBEW). The NBEW organized telephone operators as well as the telephone linemen whose skills were similar to those of the electrical utility and electrical construction workers that made up the majority of

⁶T. Geoghegan, *Which Side Are You On?* (New York, NY: Penguin Books, 1992), pp. 232-3.

Box 2-1. Major Laws and Judicial Decisions Affecting Organization of Workers in the United States Since the 1930s-Continued

Over the last two decades, employers have increasingly disputed union representation. Election campaigns, union certification by the NLRB following elections, and achievement of a collective bargaining contract have all taken an increasingly long time.²

1947 Labor-Management Relations Act (Taft-Hartley Act)

Outlawed mass organizing, including mass picketing, and secondary strikes (strikes against a business that is not the strikers' employer) outlawed closed shops (workplaces requiring that new hires already be members of a specific union) and allowed states to pass right-to-work laws. Created the Federal Mediation and Conciliation Service (FMCS), an independent Federal agency, to promote labor peace. Made unfair labor practices enforceable against unions as well as employers. Required the NLRB to seek injunctions from the courts for union violations. Penalties were substantial-treble damages and jail. Collective bargaining agreements were now considered legal contracts, making unions responsible enforcing compliance of their members with the terms of the agreement. Suits could be brought against unions whose members went on strike when an agreement containing a no-strike clause was in force.

This law made methods used in the 1930s to organize major industries such as steel and automobiles illegal.

1959 Landrum-Griffin Act

Mandated democratic practices in unions by requiring elections at fixed intervals. Guaranteed union members opportunity to nominate candidates and run for office and prohibited use of union funds to support election of a particular candidate. Required disclosure of union finances and constitutional provisions, as well as disclosure of the financial status of union leaders.

This Act mandated democratic practices within unions but neither facilitated nor inhibited efforts to organize workers into unions.

1969 *Boys Market Case*

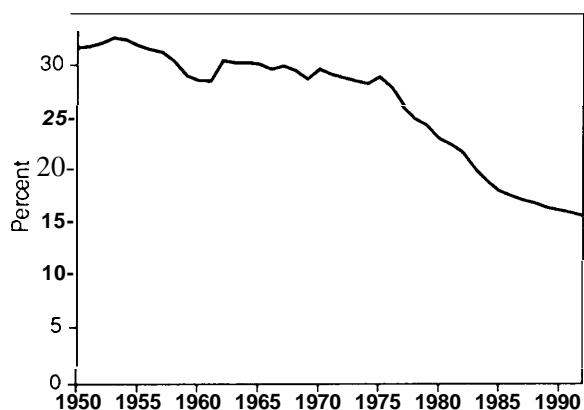
Supreme Court ruled to enforce no-strike clauses in contracts, even if these clauses were only implied. Effectively, Boys Market made strikes by union workers illegal except in the brief period between labor contracts (which are generally negotiated for three- or four-year periods).

1974 *Gateway Coal v. UMW*

Supreme Court continued the trend of Boys Market. Required miners to continue working even when there are safety lapses. Walkouts allowed only in emergency conditions.

² In contrast to the 1960s, when most employers agreed to consent elections, most employers now demand stipulated elections. Stipulated elections require the NLRB to resolve unfair labor practice challenges to the election at the national level, and most take more than two months to complete. Richard Prosten and Sheldon Friedman, "How Come One Team Still Has to Play With its Shoelaces Tied Together?" paper presented to the Industrial Relations Research Association Spring Meeting, Seattle, Wash., April 29, 1993.

**Figure 2-1. U.S. Union Density 1950-1992
Nonagricultural Wage and Salary Workers**



SOURCE: J. Rogers and W. Streeck, "Workplace Representation Overseas: The Works Councils Story," paper presented to the Working Under Different Rules Conference, Dirksen Senate Office Building, Washington, DC, May 7, 1993. Data from Troy and Sheflin, Appendix A: Employment and Earnings.

its membership.⁷ However, organizing was slowed due to internal divisions within the union between 1908 and 1914, and by the antiunion backlash following World War I.

During the 1930s, in response to organizing drives by the IBEW and unions affiliated with the CIO, American Telephone and Telegraph (AT&T) and many of the local Bell telephone operating companies created internal employee associations, or company unions. After passage of the NLRA, independent telephone unions challenged the existence of these associations before the NLRB and won. For example, an NLRB ruling in the early 1940s ordered the dissolution of the Southern Association of Bell Telephone Employees.⁸ Subsequently, employees of most of the companies voted to join unions affiliated with the National Federation of Telephone Workers (NFTW). Although the NLRB certified these unions, the companies refused to bargain with them. Finally,

in 1947 the NFTW launched a nationwide strike against the Bell System, and the companies agreed to negotiate. After the strike, the NFTW changed its name to the Communications Workers of America (CWA). By 1950, most nonsupervisory workers in the telephone industry were represented by unions.

Today, unionization in the telephone industry remains quite high compared with the national average. CWA represents about 410,000 telephone workers nationwide, while the IBEW represents about 82,500. As shown in figure 2-2, these totals reflect a decline from representing 63 percent of the workforce in 1983 to 47 percent in 1991 (the percentage of workers who were union members fell from 56 percent in 1983 to 43 percent in 1991).⁹ This decline reflects both the rapid growth of nonunion telephone companies since divestiture, and the creation of nonunion subsidiaries by AT&T and the RBOCs as they enter unregulated business markets. The decline is not due to a change in occupational structure toward more supervisory workers who are not eligible to join unions under the NLRA. As shown in figure 2-3, the percentage of employees in the telephone industry counted as nonsupervisory held constant from 1983 to 1991.

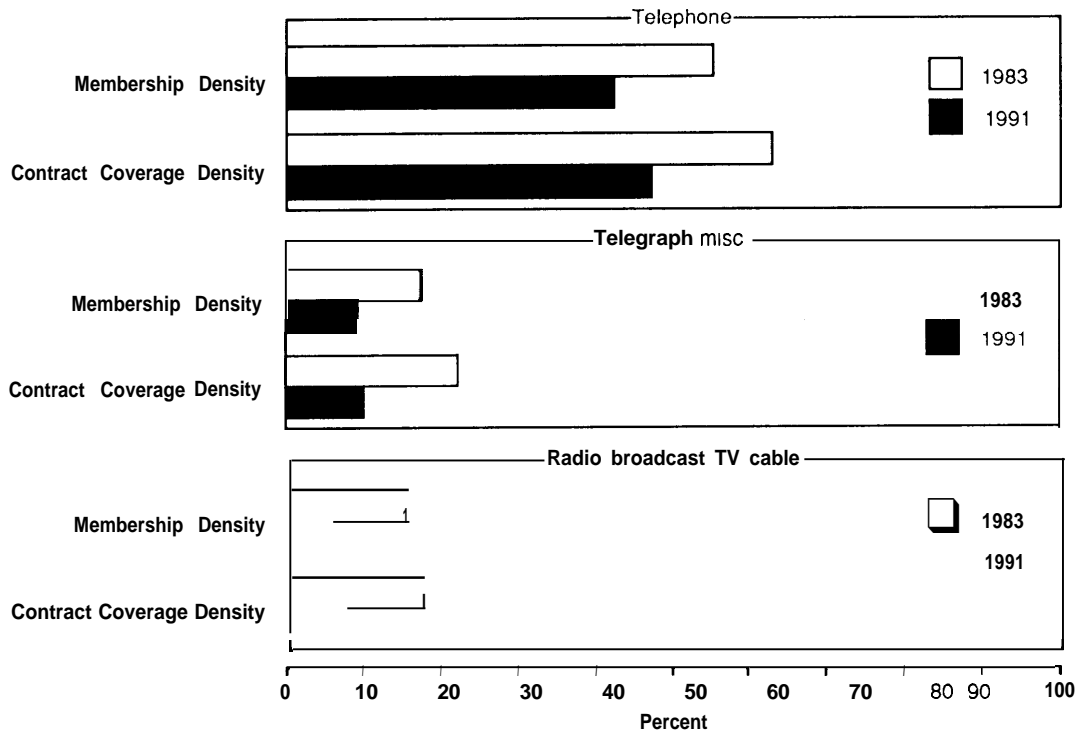
Although unionization has declined in all major industrialized countries, union density levels in Europe and Canada reached much higher levels and declined much less than in the U.S. (figures 2-4 and 2-5). Union membership is especially high in some of the Scandinavian countries, Unionization of nonagricultural workers stood at 85 percent or more in Sweden, Finland, and Denmark and 61 percent in Norway in 1986-87. In comparison, union membership of nonagricultural workers in the U.S. dropped from 31 percent in 1970 to 17 percent in 1986-87.

⁷ "The Electrical Workers Story." (Washington, DC: International Brotherhood Of Electrical Workers 1990), P. 22.

⁸ R. Batt, "Work Reorganization and Labor Relations in Telecommunications Services: A Case Study of Bell South Corporation" draft paper prepared for the Sloan School of Management, Massachusetts Institute of Technology, June 1993, p. 17.

⁹ The data set used to obtain these figures are described in B. T. Hirsch and D. A. MacPherson "Union Membership and Coverage Files from the Current Population Surveys: Note," *Industrial and Labor Relations Review*, vol. 46, no. 3, April 1993, pp. 574-577.

Figure 2-2. Contract Coverage and Union Membership Densities in the Communications Industries, 1983 and 1991



SOURCE: Described in B. T. Hirsch and D. A. MacPherson, "Union Membership and Coverage Files from the Current Population Survey: Note," *Industrial and Labor Relations Review*, vol. 46, no. 3, April 1993.

Union membership has also declined somewhat in Japan but the drop is considerably less than in the U.S. As figure 2-5 shows, union membership in Japan dropped from 35 percent in 1970 to 28 percent in 1986-87.¹⁰

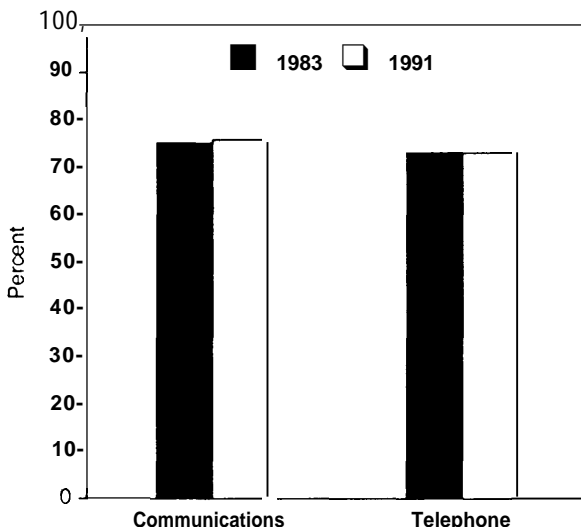
Several factors, including changing industry structure and workforce demographics, employer opposition, and weak penalties for violation of labor laws, have contributed to the steep decline in union membership in the U.S. over the last 20 years. Changing industry structure has contributed to the decline as major U.S. manufacturing industries that were heavily unionized, such as

autos and steel, shut down plants and laid off workers, while traditionally nonunion service industries and occupations grew. At the same time, unions have traditionally been dominated by men, whereas the workforce is increasingly female. However, numerous studies have found that shifts in industrial and occupational structure and employment of women account for no more than one-quarter to one-third of union growth or decline in the U. S., Canada, Japan, and the United Kingdom.¹¹ The membership of CWA is slightly more female than male.

10 R. Marshall, "Work organization, Unions, and Economic performance," in *Unions and Economic Competitiveness*, (Armonk NY: M. E. Sharpe, 1992), p. 298.

11 G.N. Chaison and J. B. Rose, "The Macrodeterminants of Union Growth and Decline," in G. Strauss, D. G. Gallagher and J. Fiorito, eds., *The State of the Unions* (Madison, Wisconsin: Industrial Relations Research Association 1991), p. 16.

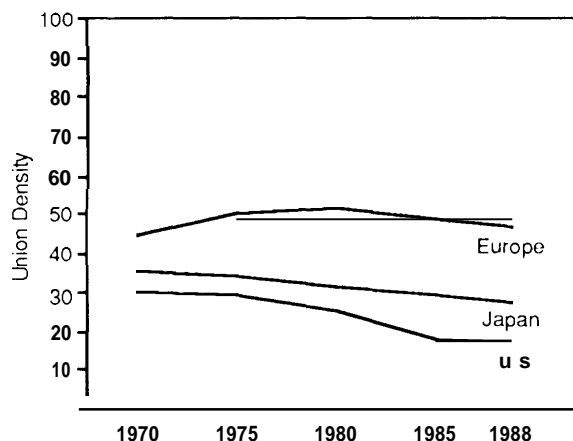
Figure 2-3. Percent Nonsupervisory Workers in the Communications Industries and in Telephone Alone



SOURCES: U.S. Department of Labor, Bureau of Labor Statistics, *Supplement to Employment and Earnings*, August 1989, pp. 207-208 for 1983 data; U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, August 1992, p. 143 for 1991 data.

One hypothesis is that the difference between the U.S. and other countries in unionization rates might be due to less interest in unions among U.S. workers. For example, surveys show that Canadian workers express a higher overall demand for unions than their U.S. counterparts.¹² However, the same surveys show that about 70 percent of the difference in unionization rates between the two countries can be explained by lack of supply—that is, a large fraction of U.S. workers express a desire for union jobs, but are unable to obtain them. That there is an unmet demand in the U.S. for union membership is confirmed in other survey research showing that union representation is desired by 30 - 40 million nonunion American workers, compared to the approxi-

Figure 2-4. Trends in Unionization, 1970-1988 Europe, Japan, and the U.S.



NOTE: Europe includes Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, and the U.K. Last shown U.S. union density is for 1990.

SOURCES: J. Rogers and W. Streeck, "Workplace Representation Overseas: The Works Councils Story," paper presented to the Working Under Different Rules Conference, Dirksen Senate Office Building, Washington, DC, May 7, 1993. Labor force data from *The Economist, Book of Vital Statistics*, 1990, pp. 194-195; union density data from J. Visser, "Trends in Union Membership," *OECD Employment Outlook*, July 1991, pp. 97-134.

mately 16 million workers who are now members of organized labor. When the question is framed more as a query for or against representation rather than desire for union membership per se, the number of workers who feel they suffer from a representation gap grows to about 80 million.¹³

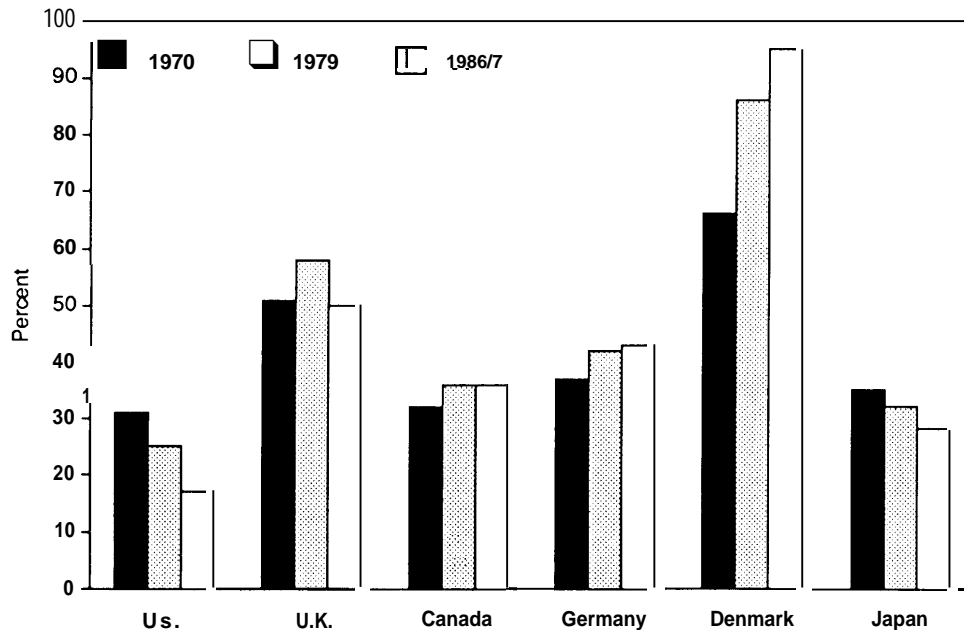
Comparisons of unionization with Canada are particularly interesting, because the two countries share a similar culture and living standards, and because their economies are closely linked.¹⁴ Although union representation in the two countries followed a similar trend from the 1920s through the 1950s, Canada did not follow the

¹² W. C. Riddell, "Unionization in Canada and the United States: A Tale of Two Countries," in D. Card, "Small Differences that Matter: Labor Market Institutions, Policies, and Outcomes in Canada and the United States," paper presented at Working Under Different Rules Conference, Dirksen Senate Office Building, Washington, DC, May 7, 1993, p. 21.

¹³ See J. Rogers and W. Streeck, "Workplace Representation Overseas: The Works Councils Story," paper presented at Working Under Different Rules Conference, Washington, DC, May 7, 1993, p. 2, footnote 3 for the polls providing data that support these statements.

¹⁴ D. Card, "Small Differences That Matter: Labor Market Institutions, Policies, and Outcomes in Canada and the United States," Op. Cit., p. 1.

Figure 2-5. Nonagricultural Union Membership as a Percentage of All Nonagricultural Wage and Salary Employees from 1970 to 1986/7



SOURCE: R. Marshall, "Work Organization, Unions, and Economic Performance," in *Unions and Economic Competitiveness* (London, England: M. E. Sharpe), 1992, p. 298.

subsequent pattern of sharp decline in the U.S. During the 1960's through the 1980s, union representation in Canada continued to rise, and by 1989, Canadian union density was 36.2 percent, double the U.S. rate. The divergence in unionization rates is due to differences in labor laws, employer opposition, and union organizing activity between the two countries.¹⁵ The Canadian system relies largely on signed membership cards for union recognition. Where a vote is necessary, it is expedited. In contrast, the U.S. certification process requires election campaigns, which can be lengthy.

In the U. S., employers can delay elections; for example, by disputing the union's definition of the bargaining unit, which must be accepted by the NLRB before workers can vote on whether or

not to unionize. Analysis of about 200,000 NLRB elections between 1962 and 1991 (more than 95 percent of the representation elections held in this period) showed that union victories dropped on average about 2 percent/month through the first six months of delay. When less than a month elapsed between filing and election, the union won 57 percent of the elections; the percentage dropped to 47 percent when the election occurred between five and six months after petition.¹⁶ Free speech rights give employers access to workers both individually and in groups to argue against unions whereas union organizers can be prohibited from entering the property of employers whose workers they wish to unionize.¹⁷ In a recent Supreme Court decision (Lechmere), employers have been allowed to deny organizers

¹⁵ Murphy, 1988; Chaison and Rose, 1990, cited in Chaison and Rose, *op. cit.*, p. 21.

¹⁶ R. Prosten and S. Friedman, "How Come One Team *Still* Has To Play With Its Shoelaces Tied Together?," paper presented at Industrial Relations Research Association Spring Meeting, Seattle, Wash., Apr. 29, 1993, p. 7.

¹⁷ R. Prosten and S. Friedman, 1993, *Op. Cit.*, p. 12.

access to areas of company premises open to the general public, such as shopping center parking lots.

Penalties for employers who violate the Wagner Act by firing workers because they express support for unionization are light—such workers are entitled only to back pay reduced by an amount that the NLRB determines the worker should have earned in any jobs the worker obtains in the period before reinstatement. One recent estimate is that 1 in 20 of those who express support for the union is fired.¹⁸ Finally, union victories in elections do not invariably result in collective bargaining contracts. After election of a union, 22 percent failed to secure such an agreement and a further 13 percent were only briefly covered.¹⁹

THE COSTS AND BENEFITS OF UNIONS

Orthodox economics holds that unions reduce market allocative efficiency by driving wages above free market levels, which in turn reduces employment below free market levels.²⁰ However, most recent studies find unions are associated with higher productivity, offsetting at least some of the costs of the higher wages that result from collective bargaining. Neutral or negative effects on productivity associated with unions generally occur when labor-management relationships are poor. Thus an important factor in

evaluating the costs and benefits of unions appears to be the relationship between workers and management; the quality of that interaction influences whether a union will enhance or diminish productivity.²¹

Although collective bargaining increases wages beyond market levels, some analysts argue that some market inefficiency may be an acceptable price to pay for the social benefits that unions can provide. Among these are the tendencies of unions to stabilize the workforce by lowering turnover and to foster savings because union workers tend to favor fringe benefits such as pensions and health insurance. Unions tend to lower wage inequality associated with racial or gender differences, between labor and management, and across firms involved in similar business.²² As noted in chapter 1, male-female wage differentials in the unionized telephone industry are much lower than in nonunion service sector industries.

Another effect of unionism is reduced profits, whether or not wage increases are offset by increases in productivity.²³ Further, expenditures for R&D, a significant factor in future competitiveness, have been found to be lower in union plants. One reason for the reduced R&D expenditures may be that unions are more common in less research-intensive industries; or it could be that the lower profits associated with union plants mean that fewer dollars are allocated to R&D.

¹⁸ P. C. Weiler, *Governing the Workplace: The Future of Labor and Employment Law*, (Cambridge, Mass.: Harvard University Press, 1990), p. 238 or 239.

¹⁹ R. Prosten and S. Friedman, 1993, Op. Cit., p. 15.

²⁰ The effect of unions on wages has been called the ‘monopoly wage’ face of unionism and it has been contrasted with the Collective voice face of unionism. (See R. B. Freeman and J. L. Medoff, *What Do Unions Do?* (New York, NY: Basic Books, Inc., 1984)). Monopoly wage terminology is not used here because unions do not meet the criteria of true monopolies. (See Lipsky and related discussion in P. A. Greenfield and R. J. Pleasure, “‘Representatives of Their Own Choosing’: Finding Worker Voice in the Legitimacy and Power of Unions,” draft for inclusion in B. Kaufman and M. Kleiner, eds., *Employee Representation: Alternatives and Future Directions* (Madison: Industrial Relations Research Association 1993, p. 18.)

²¹ D. Belman, “Unions, the Quality of Labor Relations, and Firm Performance,” in L. Mishel and P. B. Voos, eds., *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), p. 70.

²² See R. B. Freeman and J. L. Medoff, *What Do Unions Do?* (New York, NY: Basic Books, Inc., 1984) and R. B. Freeman, 1992, Op. cit., pp. 143-169.

²³ D. Belman, “Unions, the Quality of Labor Relations, and Firm Performance,” in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), p. 70.

The effects of unionism on nonunionized workers appears to be mixed. That the social benefits of unionism spread beyond unionized plants is clear from some of the Japanese transplant auto companies. One way that management counters attempts to organize some of the transplants is to provide the same wages and benefits found in UAW plants. Thus, in highly unionized areas, the effect of unions on wages tends to spill over to workers who are not unionized. One estimate is that wages of nonunion workers in the same geographic area increase about 5 percent for every 10 percent increase in those who are unionized. On the other hand, there is also some evidence that nonunion females and nonunion minority males experience higher levels of unemployment and/or lower wages in a unionized area. The net effect of unionization on the nonunion workforce is unclear.²⁴

It has been argued that unions inhibit introduction of new technology, but the available evidence on this point is negative. The presence of a union seemed to have no effect on technological innovation in textile machinery, computerized technology, microelectronic applications, or advanced manufacturing technology, based on data collected in the U. S., Britain, and Canada.²⁵

There is no evidence that unions have been responsible for recent U.S. macroeconomic problems of unemployment and inflation. Indeed, these have increased while union membership has declined.²⁶

A significant benefit that a union can provide is a channel of communication with management;

that is, a collective voice for workers.²⁷ At minimum, this communication may provide means to resolve differences and an alternative to quitting the job when a worker is very dissatisfied. In the best situations, a union gives workers a means to work cooperatively with management to solve workplace problems.

Over the past two decades, unions have increasingly used their worker voice role to improve their members' employment security and wages by cooperating with companies for improved competitiveness. Such cooperation is a departure from unions' traditional adversarial role in collective bargaining, and some union leaders continue to view management as the enemy. Nevertheless, joint labor-management programs have now been established at approximately half of all unionized workplaces.²⁸ Embracing the collective voice role, the Amalgamated Clothing and Textile Workers Union has helped Xerox rebound from near bankruptcy to win the Malcolm Baldrige quality award in 1988 and double its share of the U.S. copier market by 1992.²⁹ The American Flint Glass Workers, in a partnership with Corning, have dramatically improved ceramics quality. The UAW, in cooperation with NUMMI and Saturn, is producing high quality cars and gaining U.S. market share (see box 2-2). The CWA-IBEW-US WEST initiative described in the rest of this report adds to the growing number of successful union-management partnerships.

²⁴ R. B. Freeman and J. L. Medoff, 1984, op. cit., pp. 158-161.

²⁵ J. H. Keefe, "Do Unions Hinder Technological Change?" in *Unions and Economic Competitiveness*, (London, England: M. E. Sharpe, 1992), p. 112-124.

²⁶ R. Freeman, 1992, op. cit. p. 154.

²⁷ Freeman and Medoff, op. cit., p. 6.

²⁸ E. Appelbaum and R. Batt, *High-Performance Work Systems: American Models of Workplace Transformation*, (Washington, DC: Economic Policy Institute, 1993), p. 51.

²⁹ U.S. Congress, Office of Technology Assessment, *U.S.-Mexico Trade: Pulling Together or Pulling Apart?*, OTA-ITE-545 (Washington, DC: U.S. Government Printing Office, October 1992), p. 44.

Box 2-2. NUMMI and Saturn: Two Successful Worker Participation Initiatives

California-based New United Motor Manufacturing Inc. (NUMMI) arose from an auto plant closed by General Motors Corporation (GM) in 1982 because it was not competitive. The Fremont, California plant's productivity ranked among GM's poorest, quality was low, and absenteeism, drug and alcohol abuse high. Strikes and sickouts closed the plant four times between 1963 and 1982 and the grievance backlog often numbered more than 5,000. In a joint GM-Toyota venture, the plant was reopened in 1984 to produce Toyota Corollas under the Nova name. Under an agreement with the UAW signed in September 1983, 85 percent of the workers were selected from those laid off from GM-Fremont. By 1986, productivity at NUMMI exceeded that of any GM plant and nearly equaled Toyota's Japanese plant. Quality was also the highest among GM plants, approximating the Japanese level.

Critics of union-management cooperation at NUMMI have described the system in 1988 as management by stress.¹ They argued that Toyota controlled the joint venture, that team leaders were selected by the company based on their attitudes and willingness to convince workers to adopt company goals, that the pace on the assembly line was too fast, and that the company put undue pressure on workers to achieve perfect attendance. Their study of the plant also suggested that union representatives lacked adequate time to conduct union business and that the problem-solving procedure (which is used instead of a grievance procedure) worked in favor of management.

Despite these criticisms, the majority of UAW--represented NUMMI employees continue to support the joint venture. Today, absenteeism has dropped from between 20 and 25 percent to between 3 and 4 percent, while participation in the employee suggestion program has grown from 26 percent in 1986 to 92 percent in 1991. The fraction of workers describing themselves as satisfied or very satisfied² in response to company surveys has risen steadily to more than 90 percent.

The contradiction between the criticisms and workers' apparent satisfaction may be explained in part by several factors. First, management has honored its commitment to a no-layoff policy included in the original contract with the UAW. In 1988, poor sales of the Nova brought capacity utilization down to 60 percent. Instead of being laid off, workers were given training.³ The Nova was phased out, and the plant began building Corollas, Geo Prizms, and, beginning in late 1991, Toyota trucks. This kind of employment security was a welcome change to the workers who were laid off between the closing of the GM-Fremont plant in 1982 and the opening of NUMMI in 1984.

Second, the union protested management's selection of team leaders, and union and management negotiated a joint union-management selection process, based on objective tests and performance criteria. Finally, and perhaps most important, management recognizes that sustained productivity and continuous improvement depend on workers' motivation. As a result, management and union continually discuss and negotiate decisions, primarily at the shop floor, but also at higher levels of management.⁴ Thus, although the work is highly structured and standardized, along the lines of Taylorism,⁵ worker motivation has been maintained. This is because analysis and structuring of the work

¹ M. Parker and J. Slaughter, *Choosing Sides: Unions and the Team Concept* (Boston, Mass: South End Press, 1988), p. 100.

² p. S. Adler, "Time-And-Motion Regained," *Harvard Business Review*, Jan.-Feb. 1993, p. 99.

³ *Ibid.*, p. 102.

⁴ *Ibid.*, p. 108.

⁵ "Taylorism," or the scientific management of work, involves breaking a job into simple steps that can be performed in standardized ways. The term derives from the time-and-motion studies conducted by Frederick W. Taylor in the early 1900s.

(Continued on next page)

Box 2-2. NUMMI and Saturn: Two Successful Worker Participation Initiatives+ontlnued

is done by workers who have been trained by industrial engineers in techniques of work analysis and improvement rather than by the engineers alone.⁶

The Saturn car is the product of GM's first new division in 66 years⁷ and was a bold gamble, proclaimed at its inception as "the key to GM's long-term competitiveness, survival, and success."⁸ Saturn was explicitly undertaken to leapfrog the competition posed by Japanese auto makers. In this, it faced formidable obstacles, not the least of which was widespread belief among Americans that Japanese cars greatly exceeded the quality of cars made by American companies.⁹

In both NUMMI and Saturn, worker participation and involvement are emphasized. In both companies, workers are grouped in teams that are responsible for organizing their work and setting standards for its accomplishment. In both, the number of job classifications is drastically reduced (from about 100 to 4 at NUMMI), as are management perks. workers at both plants are also assured a high level of job security.¹⁰

Saturn has gone much farther than NUMMI in changing traditional labor-management relationships in the auto industry. Fundamental to this change is the greatly expanded role of the union, the United Auto workers (UAW). While at NUMMI union participation occurs mostly on the shop floor, at Saturn it occurs at all levels of management. Team leader Saturn are elected by workunitsorthmugh union designed elections while at NUMMI they are selected by union and management.¹¹ Even formulation of the plan that led to Saturn involved extraordinary union participation beginning with the GM-U/WV Study Center that was formed in 1983 to identify new ways to build small cars in the U.S. The study group, or Committee of 99, consisted of 55 union members selected by the UAW and 44 from GM management. The group spent a year reviewing both technical questions and labor-relations issues in the U.S., Germany, Japan and other countries and developed the plan submitted to the GM Board and the leadership of the United Auto Workers that outlined production of the Saturn car.¹²

At the Saturn plant, the Committee of 99 implemented changes that covered the range of automotive industry corporate culture—from human resources to engineering. Innovations included consensus management, a platform system that replaced the traditional assembly line, a continually negotiable agreement that replaced the standard, fixed termination date collective bargaining agreement, and job security guarantees for at least 80 percent of employees. Union involvement in decision making is pervasive and includes hiring of workers as well as managers, training, engineering design decisions, selection of suppliers and subcontractors, selection of dealerships, development of advertising and marketing strategies, and recall decisions. All workers receive financial and cost

⁶ p. S. Adler, *op. cit.*, p. 97-103.

⁷ E. Cohen-Rosenthal, "Orienting Labor-Management Cooperation Toward Revenue and Growth," *National Productivity Review*, Autumn 1985, p. 394.

⁸ J. B. Treese, "Here Comes GM's Saturn," *Business Week*, April 9, 1990, p. 56.

⁹ *Ibid.*

¹⁰ R. Marshall, "Work Organization, Unions, and Economic Performance, in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), pp. 302-305.

¹¹ *Ibid.*, pp. 304.

¹² B. Bluestone and J. Bluestone, *Negotiating the Future: A Labor Perspective on American Business* (New York, NY: Basic Books, 1992), p. 192; E. Cohen-Rosenthal "Orienting Labor-Management Cooperation Toward Revenue and Growth," *National Productivity Review*, Autumn 1985, p. 394.

information, which enables everyone to participate in developing ways to increase efficiency and revenue generation.

As one pair of researchers summarized the Saturn experiment, “Nothing on the American scene in the field of labor-management relations compares with the Saturn project’s sharp departure from the traditional mode of collective bargaining. Among the most penetrating modern day experiments in joint action at almost every level of managerial decision-making, it represents the most far-reaching innovative development in all U.S. industry.”¹³ Some analysts believe that the Saturn system, with worker participation at all levels, is more like worker participatory systems in Europe, and more viable in the U.S. than the Japanese-modeled system at NUMMI.¹⁴

One measure of success of Saturn is that in the year¹⁵ after the car went on sale it ranked sixth in customer satisfaction, just below luxury cars costing three times as much.¹⁶ In the 1992 Customer Satisfaction Index (a J. D. Powers survey), Saturn was rated the best domestic nameplate in customer satisfaction and third among all nameplates.¹⁷ Despite the company’s sales success, the high costs of the advanced technology used in the plant, and high start-up costs made the division a net loss to GM until recently. In May 1993, Saturn achieved its first monthly operating profit.¹⁸ Saturn management is determined to have the division at least break even, if not make a profit, during 1993.

¹³B. Bluestone and J. Bluestone, *Negotiating the Future: A Labor Perspective on American Business* (New York, NY: Basic Books, 1992), pp. 200-201.

¹⁴R. Marshall, op. cit., p. 305.

¹⁵Saturn cars went on sale in October 1990. Jack O’Toole, UAW Advisor for People Systems, Saturn Corporation, telephone interview, June 10, 1993.

¹⁶D. Woodruff, “At Saturn, What Workers Want Is . . . Fewer Defects,” *Business Week*, Dec. 2, 1990, p. 117.

¹⁷Jennifer B. Graham, Community/Media Relations, Corporate Communications, Saturn Corporation, telephone interview, June 10, 1993.

¹⁸N. Templin, “GM’s Subsidiary Is Fighting for Its Future,” *Wall Street Journal*, vol. 226, no. 116, June 16, 1993, p. B-4.

EMPLOYEE INVOLVEMENT PROGRAMS IN UNION AND NONUNION SETTINGS

Over the last several decades, the search for sustained productivity growth and profitability has driven both union and nonunion companies to try a variety of approaches to involve their workers in increasing productivity and quality. These approaches have included financial incentives, training programs, and a variety of worker participation programs, including job redesign, quality of worklife programs, quality circles, socio-technical systems, and total quality man-

agement. Overall, these approaches to increasing worker motivation and participation have caused only modest improvements in company performance, and have never spread widely across the national economy.³⁰

Recent research suggests that the disappointing results of worker participation programs thus far may be attributed to their limited scale and depth. For example, skill-based pay, profit-sharing, and guaranteed employment security might motivate workers to contribute their ideas and effort, but without intensive training, they may lack the

³⁰T. Bailey, “Discretionary Effort and the Organization of Work: Employee Participation and Work Reform Since Hawthorne” (unpublished paper for the Sloan Foundation, 1992), p. 25.

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skills to make a large contribution to company performance. And, if the company fails to also reorganize work, even highly skilled, motivated workers may lack an appropriate vehicle through which to make their contribution.³¹

Another factor in the lack of effectiveness of most such experiments may be that redesign and other worker participation programs in most U.S. companies are directed by management, with the help of technical experts, but with little or no input from front-line workers.³² One recent study identified two different types of worker participation: *consultative*, which gives workers a voice in management decisions; and *substantive*, which allows workers to make decisions over certain production issues. This study found that worker participation initiatives were more likely to produce long-lasting productivity increases when they involved substantive rather than consultative arrangements.³³ The presence of a union may encourage this more substantive worker participation.

Another study confirms that most employee involvement programs are ineffective; however, the presence of a union seems to increase their effectiveness. This work used a nationally representative random sample, stratified by size, of more than 1,000 large and small firms in the U.S. machinery and metalworking sectors. The study used three indicators to evaluate the effects of the presence or absence of employee participation programs, the presence or absence of unions, and whether the firm was single or multibranch. The three indicators were: employment security of production workers; access of blue collar workers to acquisition and use of skills associated with new technology—a measure of access to training; and, efficiency as measured by lower machining

time per unit of output. Across the two types of firms, they found that unions had either a neutral or positive effect on employment security while employee participation programs decreased employment security. Employee participation programs had a positive effect on training only if unions were also present in the firm. On the critical question of whether manufacturing performance improved as a result of employee participation, they found that such programs made both single and multibranch firms less efficient, adding a third more production time per unit of output compared with plants having neither employee participation programs nor unions. The presence of a union offset the adverse effects of employee participation programs; the combination of a union and an employee participation program approximated the base case in both single and multibranch firms with neither unions nor employee participation programs. Unions alone significantly enhanced efficiency in multibranch firms but had little effect in single plant firms.³⁴

The researchers noted that employee participation programs tend to be found in large, multi-unit organizations, perhaps to counter the effects of excess bureaucracy. However, they hypothesize, the collaborative employee participation programs themselves become part of the bureaucratic structure, taking time away from productive work without producing new methods and thereby adding further to costs.

Another study supports these findings about the positive effects of unions on company performance. The study reviewed the literature on a variety of workplace innovations affecting work organization and employee compensation. The

³¹ *Ibid.*, pp. 32-39.

³² J. Alic, "Who Designs Work: Organizing Production in an Age of High Technology," *Technology and Society*, vol. 12, 1990, p. 316.

³³ D. Levine and L.D. Tyson, "Participation, Productivity, and the Firm's Environment" in A. Blinder, ed., *Paying for Productivity* (Washington DC: Brookings Institution 1990), pp. 203-204.

³⁴ M. R. Kelley and B. Harrison, "Unions, Technology, and Labor-Management Cooperation," in *Unions and Economic competitiveness*, (London, England: M. E. Sharpe, 1992), pp. 247-277.

innovations included quality circles, quality of worklife programs, team production systems, gainsharing, profit-sharing, and employee stock ownership plans. The researchers found that team production systems and gainsharing tended to have the strongest positive effects on company performance, while employee stock ownership, profit-sharing and quality circles tend to be least effective.³⁵ The more effective forms were more likely to be found in unionized companies. Only one of the less effective innovations, profit-sharing, appeared to be more common in a nonunion environment.^{36,37}

Employee involvement programs have tended to focus on cost containment, but employees can also make a positive contribution to revenues by aggressively seeking sales, making suggestions for new products, and engaging in other activities that promote business growth.³⁸ As discussed in chapter 4, joint union-management committees at U S WEST have developed new products and are looking for new markets. In addition, the Saturn automobile manufacturing company described in box 2-2 supports the potential value of fully involving workers in all corporate activities up to and including strategic planning.

DO U.S. WORKERS NEED MORE VOICE?

An individual worker in the United States has few options when dealing with management.

Only for workers with exceptional skills is the sole threat available, that of quitting, a significant one. Unions give workers an alternative to quitting when they find the conditions set by employers unacceptable by providing a collective voice to argue for better wages, hours, or working conditions.

In most advanced industrial nations, including Japan and most Western European countries, labor unions as mechanisms for collective bargaining over wages are supplemented by a second channel for worker voice that institutionalizes rights of workers to collective participation in firms' broader production concerns and facilitates communication between labor and management. In most European countries, these second channel mechanisms take the form of legislatively mandated works councils.³⁹

There are several reasons to think that U.S. workers have inadequate voice, beyond simply pointing to the small percentage of the workforce that is represented by unions and the lack of any type of second channel mechanism. Some observers believe that, as one of the fundamental rights in a democratic society, workers should be able to participate in decisions that exert a major influence over their working lives. However, features of current U.S. labor law sometimes prevent such participation. In addition, the primary weapon at unions' disposal in an impasse with employers is

³⁵ Gainsharing and profit-sharing are both bonus plans where corporate gains are shared with employees. The bonuses are based on Company profits in profit-sharing. In gainsharing, they are based on other measures of performance, such as improved productivity or quality. For more extended definitions of these and other forms of workplace innovation see the glossary in A. E. Eaton and P. B. Voos, "Unions and Contemporary Innovations in Work Organization Compensation, and Employee Participation, in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), pp. 208-210.

³⁶ A. E. Eaton and P. B. Voos, "Unions and Contemporary Innovations in Work Organization, Compensation and Employee Participation in *Unions and Economic Competitiveness*, (Armonk, NY: M. E. Sharpe, 1992), pp. 173-215.

³⁷ Eaton and Voos conducted an extensive analysis of the literature. The measures of effectiveness varied widely, depending on those used by the primary researchers. Examples are reduction in the number of labor hours to build a car, reduced supervisory labor, and cost savings from work area and work redesign. Details are provided by Eaton and Voos.

³⁸ E. Cohen-Rosenthal, "Orienting Labor-Management Cooperation Toward Revenue and Growth," *National Productivity Review*, Autumn 1985, p. 385.

³⁹ J. Rogers and W. Streeck, "Workplace Representation Overseas: The works Councils Story," paper presented to the Working "id" = Different Rules Conference, Washington, DC, May 7, 1993, pp. 1-2.

the right to strike, while workers in a nonunionized firm can only quit. Both threats are often ineffective, especially for low-wage workers in

small establishments.⁴⁰ Options to increase worker voice are discussed in chapter 1.

⁴⁰ R. J. Adams, 'Universal Joint Regulation: A Moral Imperative,' in *Industrial Relations Research Association Series, Proceedings of the Forty-Third Annual Meeting, Dec. 28-30, 1990, Washington, DC*, pp. 319-323.