CHAPTER 13

Union/Management Issues

Lead: Ron Poff
Digital and Print Production: Robert Browder with Sarah Mease
Alternative Text and Accessibility: Kindred Grey
Graphic Design: Kindred Grey
Cover Design: Trevor Finney and Lauren Holt
Reviewers/Contributors: Lisa Fournier, Kindred Grey, Lauren Holt, Kathleen Manning, Sarah Mease, Michael Stamper, Blake Warner
Project Manager/Editor: Anita Walz

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Chapter 13 Union/Management Issues

Learning Objectives

- Explain why workers unionize and how unions are structured, and describe the collective-bargaining process.
- Discuss key terms associated with union and management issues, such as mediation and arbitration.
- Identify the tactics used by each side to support their negotiating positions: strikes, picketing, boycotting, and lockouts.

Labor Unions

As we saw in Chapter 11, Maslow believed that individuals are motivated to satisfy five levels of unmet needs (physiological, safety, social, esteem, and self-actualization). From this perspective, employees hope that full-time work will satisfy at least the two lowest-level needs: they want to be paid wages that are sufficient for them to feed, house, and clothe themselves and their families, and they expect safe working conditions and hope for some degree of job security.

Organizations also have needs: they need to earn profits that will satisfy their owners. They need to keep other stakeholders satisfied as well, which can cost money. Consider a metal-plating business that uses dangerous chemicals in its manufacturing processes; waste-water treatment is essential—and expensive. Sometimes, the needs of employees and employers are consistent: the organization can pay decent wages and provide workers with safe working conditions and job security while still making a satisfactory profit. At other times, there is a conflict—real, perceived, or a little bit of both—between the needs of employees and those of employers. In such cases, workers may be motivated to join a **labor union**—an organized group of workers that bargains with employers to improve its members' pay, job security, and working conditions.

Figure 13.1 on the next page graphs labor-union density—union membership as a percentage of payrolls—in the United States from 1930 to 2015. As you can see, there's been a steady decline since the middle part of the 1950s. Recently, only about 11 percent of US workers have taken steps to belong to unions.[1] Only union membership among public workers (those employed by federal, state, and local governments, such as teachers, police, and firefighters) has grown. In the 1940s, 10 percent of public workers and 34 percent of those in the private sector belonged to unions. Today, this has reversed: 36 percent of public workers and 7 percent of those in the private sector are union members.[2]

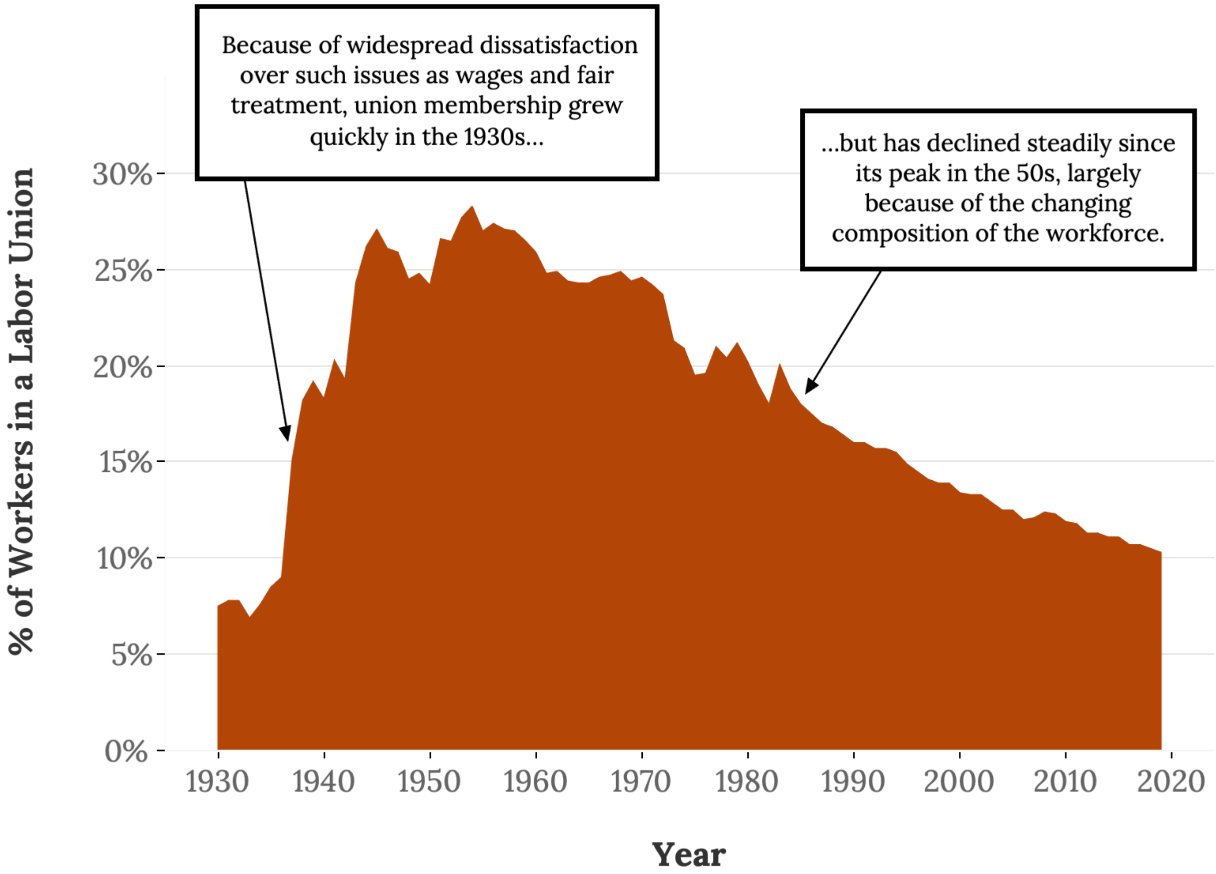

Figure 13.1: Union Membership as a Percentage of Total Employment (1930-2019)

Why the decline in private sector unionization? Many factors come into play. The relatively weak economy has reduced the number of workers who have the confidence to go through a union organizing campaign; many workers are content just to have jobs and do not want to be seen as "rocking the boat." In addition, the United States has shifted from a manufacturing-based economy characterized by large, historically unionized companies to a service-based economy made up of many small firms that are harder to unionize.[3]

Union Structure

Unions have a pyramidal structure much like that of large corporations. At the bottom are **locals** that serve workers in a particular geographical area. Certain members are designated as **shop stewards** to serve as go-betweens in disputes between workers and supervisors. Locals are usually organized into **national unions** that assist with local contract negotiations, organize new locals, negotiate contracts for entire industries, and lobby government bodies on issues of importance to organized labor. In turn, national unions may be linked by a **labor**

federation, such as the American Federation of Labor and Congress of Industrial Organizations (AFL–CIO), which provides assistance to member unions and serves as a principal political organ for organized labor.

Collective Bargaining

In a non-union environment, the employer makes largely unilateral, i.e., one-sided decisions on issues affecting its labor force, such as salary and benefits. Typically, employees are in no position to bargain for better deals. At the same time, however, employers have a vested interest in treating workers fairly. As we saw in Chapter 10, a reputation for treating employees well, for example, is a key factor in attracting talented people. Most employers want to avoid the costs involved in managing a unionized workforce; as a result, many offer generous pay and benefit packages in the hopes of keeping their workers happy—and un-unionized.

The process of setting pay and benefit levels is a lot different in a unionized environment. Union workers operate on a **contract** which usually covers some agreed-upon, multi-year period. When a given contract period begins to approach expiration, union representatives determine with members what they want in terms of salary increases, benefits, working conditions, and job security in their next contract. Union officials then tell the employer what its workers want and ask what they're willing to offer. When there's a discrepancy between what workers want and what management is willing to give—as there usually is—union officials serve as negotiators on behalf of their workforce, with the objective of extracting the best package of salary, benefits, and other conditions possible. The process of settling differences and establishing mutually agreeable conditions under which employees will work is called **collective bargaining**.

The Negotiation Process

Negotiations start when each side states its position and presents its demands. As in most negotiations, these opening demands simply stake out starting positions. Both parties usually expect some give-and-take and realize that the final agreement will fall somewhere between the two positions. If everything goes smoothly, a tentative agreement can be reached and then voted on by union members. If they accept the agreement, the process is complete and a contract is put into place to govern labor-management relations for a stated period. If workers reject the agreement, negotiators from both sides must go back to the bargaining table.

Mediation and Arbitration

If negotiations stall, the sides may call in outsiders. One option for engaging outside parties is called **mediation**, under which an impartial third party assesses the situation and makes recommendations for reaching an agreement. A mediator's advice can be accepted or rejected by either side. If mediation does not result in an agreement, because one or both sides are unwilling to accept the decision of the third party, they may opt instead for **arbitration**, under which the third party studies the situation and arrives at a **binding agreement**.

The key difference between mediation and arbitration is the word "binding"—whatever the third party says goes, because both the union and management have agreed to accept the decision of the third party as a condition of entering into the arbitration process.

Grievance Procedures

Another difference between union and non-union environments is the handling of **grievances**—worker complaints on contract-related matters. When non-union workers feel that they've been treated unfairly, they can take up the matter with supervisors, who may or may not satisfy their complaints. When unionized workers have complaints (such as being asked to work more hours than stipulated under their contract), they can call on union representatives to resolve the problem, in conjunction with supervisory personnel, who are part of company management. If the outcome isn't satisfactory to the worker, the union can choose to take the problem to higher-level management on his or her behalf. If there is still no resolution, the union may submit the grievance to an arbitrator.

At times, labor and management can't resolve their differences through collective bargaining or formal grievance procedures. When this happens, each side may resort to a variety of tactics to win support for its positions and force the opposition to agree to its demands.

Union Tactics

Unions have several options at their disposal to pressure company management into accepting the terms and conditions union members are demanding. The tactics available to the union include striking, picketing, and boycotting. When they go on **strike**, workers walk away from their jobs and refuse to return until the issue at hand has been resolved. As undergraduates at Yale discovered when they arrived on campus in fall 2003, the effects of a strike can engulf parties other than employers and strikers: with 4,000 dining room workers on strike, students had to scramble to find food at local mini-markets. The strike—the eighth at the school since 1968—lasted 23 days, and in the end, the workers got what they wanted: better pension plans.[4]

Though a strike sends a strong message to management, it also has consequences for workers, who don't get paid when they're on strike. Unions often ease the financial pressure on strikers by providing cash payments, which are funded from the **dues** members pay to the unions. It is important to note that some unionized workers may not have the right to strike. For example, strikes by federal employees, such as air-traffic controllers, can be declared illegal if they jeopardize the public interest.

When you see workers parading with signs outside a factory or an office building (or even a school), they're probably using the tactic known as **picketing** (see Figure 13.2). The purpose of picketing is informative—to tell people that a workforce is on strike or to publicize some management practice that is unacceptable to the union. In addition, because other union workers typically won't cross picket lines, marchers can sometimes interrupt the daily activities of the targeted organization. In April 2001, faculty at the University of Hawaii, unhappy about salaries, went on strike for 13 days. Initially, many students cheerfully headed for the beach, but before long, many more—particularly graduating seniors—began to worry about finishing the semester with the credits they needed to keep their lives on schedule.[5]

The final tactic available to unions is **boycotting**, in which union workers refuse to buy a company's products and try to get other people to follow suit. The tactic is often used by the AFL–CIO, which maintains a national "Don't Buy or Patronize" boycott list. In 2003, for example, at the request of two affiliates, the Actor's Equity Association and the American Federation of Musicians, the AFL–CIO added the road show of the Broadway musical *Miss Saigon* to the list. Why? The unions objected to the use of non-union performers who worked for particularly low wages and to the use of a "virtual orchestra," an electronic apparatus that can replace a live orchestra with software-generated orchestral accompaniment.[6]

Figure 13.2: Chicago Teachers Picketing During a Strike in 2012

Management Tactics

Management doesn't typically sit by passively, especially if the company has a position to defend or a message to get out. One available tactic is the **lockout**—closing the workplace to workers—though it's rarely used because it's legal only when unionized workers pose a credible threat to the employer's financial viability. If you are a fan of professional basketball, you may remember the NBA lockout in 2011 (older fans may remember a similar scenario that took place in 1999) which took place because of a dispute regarding the division of revenues and the structure of the salary cap.

Lockout tactics were also used in the 2011 labor dispute between the National Football League (NFL) and the National Football League Players Association when club owners and players failed to reach an agreement on a new contract. Prior to the 2011 season, the owners imposed a lockout, which prevented the players from practicing in team training facilities. Both sides had their demands: the players wanted a greater percentage of the revenues, which the owners were against. The owners wanted the players to play two additional regular season games, which the players were against. With the season drawing closer, an agreement was finally reached in July 2011 bringing the 130-day lockout to an end and ensuring that the 2011 football season would begin on time.[7]

Figure 13.3: Striking Referees Were Temporarily Replaced by Management (the NFL) During a Strike in 2012

Another management tactic is replacing striking workers with **strikebreakers**—non-union workers who are willing to cross picket lines to replace strikers. Though the law prohibits companies from permanently replacing striking workers, it's often possible for a company to get a court injunction that allows it to bring in replacement workers. For example, the NFL employed replacement referees in 2012, a move which led to a number of very questionable calls on the field.[8]

Why Managers Often Resist Unionization Efforts

No union organizing campaign ever started with the premise that by unionizing, employees would receive lower wages or weaker benefit programs. To the contrary, unions approach prospective members with promises like higher pay, better health insurance, and more vacation time. Not surprisingly, then, business managers resist unions because they generally add to the cost of doing business. Higher costs can be addressed in several ways. Managers could accept lower profits, though such an outcome is unlikely given that owners/shareholders benefit from higher profits. They could raise prices and pass the higher costs along to customers, but doing so could hurt their competitiveness in the marketplace. Alternatively. they could find other ways to offset the increase in costs, but since managers are already supposed to be paying attention to costs, finding offsets can be quite difficult.

Another reason managers sometimes resist unionization is that unions often attempt to negotiate work rules that are to the benefit of their members. Business people who have worked in union environments have often complained of the lack of flexibility and the difficulty unions sometimes create in dealing with poor performing union employees. The grievance process can sometimes be long, cumbersome, and costly to administer.

Some companies find working with unions to be so unpleasant that they decide to voluntarily increase pay and benefits to preempt unions in advertising these benefits.

The Future of Unions

As we noted earlier, union membership in the United States has been declining for some time. So will membership continue to decline causing unions to lose even more power? The AFL–CIO is optimistic about union membership, pointing out recent gains in membership among women and immigrants, as well as health care workers, graduate students, and professionals.[9]

Convincing workers to unionize is still more difficult than it used to be and could become even harder in the future. Given their resistance to being unionized, employers have developed strategies for dissuading workers from unionizing—in particular, tactics for withholding job security. If unionization threatens higher costs for wages and benefits, management can resort to part-time or contract workers. They can also outsource work, eliminating jobs entirely. Many employers are now investing in technology designed to reduce the amount of human labor needed to produce goods or offer services. While it is impossible to predict the future, it is likely that unions and managers will remain adversaries for the foreseeable future.

Check Your Understanding with an Online Quiz

https://pressbooks.lib.vt.edu/fundamentalsofbusiness3e/?p=121

Chapter Videos

There are two videos for this chapter, in order to present two opposing points of view as well as some useful history. Pay attention for the historical benefits we take for granted today but that came about as a result of efforts by unions.

To view this video, visit: https://www.youtube.com/watch?v=tPqS-HdqnUg

To view this video, visit: https://www.youtube.com/watch?v=ewu-v36szlE&amp=&feature=youtu.be

Key Takeaways

- **Labor unions** are organized groups of workers that bargain with employers to improve members' pay, job security, and working conditions.
- When there's a discrepancy between what workers want in terms of salary increases, benefits, working conditions, and job security and what management is willing to give, the two sides engage in a process called **collective bargaining**.
- If negotiations break down, the sides may resort to **mediation** (in which an impartial third party makes recommendations for reaching an agreement) or **arbitration** (in which the third party imposes a binding agreement).
- When unionized workers feel that they've been treated unfairly, they can file **grievances**—complaints over contract-related matters that are resolved by union representatives and employee supervisors.
- If labor differences can't be resolved through collective bargaining or formal grievance procedures, each side may resort to a variety of tactics. The union can do the following:
    - Call a **strike** (in which workers leave their jobs until the issue is settled).
    - Organize **picketing** (in which workers congregate outside the workplace to publicize their position).
    - Arrange for **boycotting** (in which workers and other consumers are urged to refrain from buying an employer's products).
- Management may resort to a **lockout**—closing the workplace to workers—or call in **strikebreakers** (nonunion workers who are willing to cross picket lines to replace strikers).

Image Credits: Chapter 13

Figure 13.1: Mayer, Gerald (2004). "Union Membership Trends in the United States." CRS Report for Congress. 1930-1982 Data Retrieved from: https://www.researchgate.net/publication/37157281_Union_Membership_Trends_in_the_United_States. 1983-2019 Data Retrieved from U.S. Bureau of Labor Statistics.

Video Credits: Chapter 13

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Notes

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