Enhancing Union–Management Relations

Many businesses today have highly cooperative relationships with labor unions. A labor union is an organization of workers acting together to negotiate their wages and working conditions with employers. In the United States, nonmanagement employees have the legal right to form unions and to bargain, as a group, with management. The result of the bargaining process is a labor contract, a written agreement that is in force for a set period of time (usually one to three years). The dealings between labor unions and business management, both in the bargaining process and beyond it, are called union–management relations (or labor relations).

Because labor and management have different goals, they tend to be at odds with each other. However, these goals must be attained by the same means—through the production of goods and services. At contract bargaining sessions, the two groups must work together to attain their goals. Perhaps mainly for this reason, antagonism now seems to be giving way to cooperation in union–management relations.

We open this appendix by reviewing the history of labor unions in this country. Then we turn our attention to organized labor today, noting current membership trends and union–management partnerships and summarizing important labor-relations laws. We discuss the unionization process, why employees join unions, how a union is formed, and what the National Labor Relations Board does. Then, collective-bargaining procedures are explained. Next, we consider issues in union–management contracts, including employee pay, working hours, security, management rights, and grievance procedures. We close with a discussion of various labor and management negotiating techniques: strikes, slowdowns and boycotts, lockouts, mediation, and arbitration.

C-1 THE HISTORICAL DEVELOPMENT OF UNIONS

Until the middle of the 19th century, there was very little organization of labor in the United States. Groups of workers occasionally did form a craft union, an organization of skilled workers in a single craft or trade. These alliances were usually limited to a single city, and they often lasted only a short time. In 1786, the first-known strike in the United States involved a group of Philadelphia printers who stopped working over demands for higher wages. When the employers granted the printers a pay increase, the group disbanded.

C-1a Early History

In the mid-1800s, improved transportation opened new markets for manufactured goods. Improved manufacturing methods made it possible to supply those markets, and American industry began to grow. The Civil War and the continued growth of the railroads after the war led to further industrial expansion. Large-scale production required more and more skilled industrial workers. As the skilled labor force grew,
craft unions emerged in the more industrialized areas. From these craft unions, three significant labor organizations evolved. (See Figure C-1 for a historical overview of unions and their patterns of membership.)

**KNIGHTS OF LABOR** The first significant national labor organization to emerge was the Knights of Labor, which was formed as a secret society in 1869 by Uriah Stephens, a utopian reformer and abolitionist from Philadelphia. Membership reached approximately 700,000 by 1886. One major goal of the Knights was to eliminate the depersonalization of the worker, which resulted from mass-production technology. Another was to improve the moral standards of both employees and society. To the detriment of the group, its leaders concentrated so intently on social and economic change that they did not recognize the effects of technological change. Moreover, they assumed that all employees had the same goals as the Knights’ leaders: social and moral reform.

The major reason for the demise of the Knights was the Haymarket Riot of 1886. At a rally in Chicago’s Haymarket Square, called to demand a reduction in the length of a work day from ten to eight hours, a bomb exploded. Several police officers and civilians were killed or wounded. The Knights were not implicated directly, but they quickly lost public favor.

**AMERICAN FEDERATION OF LABOR** In 1886, several leaders of the Knights of Labor joined with independent craft unions to form the American Federation of Labor (AFL). Samuel Gompers, one of AFL’s founders, became its first president. Gompers believed that the goals of the union should be those of its members rather than those of its leaders. The AFL did not seek to change the existing business system, as the Knights of Labor had. Instead, its goal was to improve its members’ living standards within the system.

A major difference between the Knights of Labor and the AFL was in their positions regarding strikes. A strike is a temporary work stoppage by employees, calculated to add force to their demands. The Knights did not favor the use of strikes, whereas the AFL strongly believed that striking was an effective labor weapon.

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**FIGURE C-1 Historical Overview of Unions**

The total number of members for all unions generally rose between 1869, when the first truly national union was organized, and 1980. The dates of major events in the history of labor unions are singled out along the line of membership change.

The AFL also believed that organized labor should play a major role in politics. As we will see, the AFL is still very much a part of the American labor scene.

**INDUSTRIAL WORKERS OF THE WORLD**

The Industrial Workers of the World (IWW) was created in 1905, as a radical alternative to the AFL. Among its goals was the overthrow of capitalism. This revolutionary stance prevented the IWW from gaining much of a foothold. Perhaps its major accomplishment was to make the AFL seem, by comparison, less threatening to the general public and to business leaders.

**C-1b Evolution of Contemporary Labor Organizations**

Between 1900 and 1920, both business and government attempted to keep labor unions from growing. This period was plagued by strikes and violent confrontations between management and unions. In steelworks, garment factories, and auto plants, clashes took place in which striking union members fought bitterly against non-union workers, police, and private security guards.

The AFL continued to be the major force in organized labor. By 1920, its membership included 75 percent of all those who had joined unions. Throughout its existence, however, the AFL had been unsure of the best way to deal with unskilled and semiskilled workers. Most of its members were workers skilled in specific crafts or trades. However, technological changes during World War I had brought about a significant increase in the number of unskilled and semiskilled employees in the workforce. These people sought to join the AFL, but they were not well received by its established membership.

Some unions within the AFL did recognize the need to organize unskilled and semiskilled workers, and they began to penetrate the auto and steel industries. The type of union they formed was an *industrial union*, an organization of both skilled and unskilled workers in a single industry. Soon workers in the rubber, mining, newspaper, and communications industries were also organized into unions. Eventually, these unions left the AFL and formed the *Congress of Industrial Organizations* (CIO).

During the same time (the late 1930s), there was a major upswing in rank-and-file membership in the AFL, the CIO, and independent unions. Strong union leadership, the development of effective negotiating tactics, and favorable legislation combined to increase total union membership to 9 million in 1940. At that point, the CIO began to rival the AFL in size and influence. There was another bitter rivalry: The AFL and CIO often clashed over which of them had the right to organize and represent particular groups of employees.

Since World War II, the labor scene has gone through a number of changes. For one thing, during and after the war years there was a downturn in public opinion regarding unions. A few isolated but very visible strikes during the war caused public sentiment to shift against unionism. Perhaps the most significant occurrence, however, was the merger of the AFL and the CIO. After years of bickering, the two groups recognized that they were wasting effort and resources by fighting each other and that a merger would greatly increase the strength of both. The merger took place on December 5, 1955. The resulting organization, called the *AFL–CIO*, had a membership of as many as 16 million workers, which made it the largest labor organization of its kind in the world. Its first president was George Meany, who served until 1979.

**C-2 ORGANIZED LABOR TODAY**

The power of unions to negotiate effectively with management is derived from two sources. The first is their membership. The more workers a union represents within
an industry, the greater is its clout in dealing with firms operating in that industry. The second source of union power is the group of laws that guarantee unions the right to negotiate and, at the same time, regulate the negotiating process.

C-2a Union Membership

Approximately 11.1 percent of the nation’s workers belong to unions. Union membership is concentrated in a few industries and job categories. Within these industries, though, unions wield considerable power. The AFL–CIO is still the largest union organization in this country, boasting approximately 11.6 million members. Those represented by the AFL–CIO include actors, barbers, construction workers, carpenters, retail clerks, musicians, teachers, postal workers, painters, steel and iron workers, firefighters, bricklayers, and newspaper reporters.

One of the largest unions not associated directly with the AFL–CIO is the International Brotherhood of Teamsters (IBT) union. The Teamsters originally were part of the AFL–CIO, but they were expelled in 1957 for corrupt and illegal practices. The Teamsters later rejoined the AFL-CIO in 1987, but left again in 2005. The Teamsters Union started out as an organization of professional drivers, but it now includes members in a variety of trades and professions in both the private and public sector. Current membership is about 1.4 million workers.

The United Steelworkers (USW) and the United Auto Workers (UAW) are two of the largest industrial unions. The USW has half a million workers and is known as the dominant union in paper and forestry products, steel, aluminum, tire and rubber, mining, glass, chemicals, petroleum, and other basic resource industries. The UAW represents employees in the automobile industry. The UAW, too, originally was part of the AFL–CIO, but it left the parent union—of its own accord—in 1968. Currently, the UAW has about 376,000 members. The UAW rejoined the AFL–CIO in 1981.

The proportion of union members relative to the size of the nation’s workforce has declined over the last 30 years. Moreover, total union membership has dropped since 1980, despite steadily increasing membership in earlier years (see Figure C-1). Several factors have contributed to this decline in membership. Heavily unionized industries either have been decreasing in size or have not been growing as fast as non-unionized industries. For example, cutbacks in the steel industry have tended to reduce union membership. At the same time, the growth of high-tech industries has increased the ranks of non-union workers. Many firms have moved from the heavily unionized Northeast and Great Lakes regions to the less-unionized Southeast and Southwest regions—the so-called Sunbelt. At the relocated plants, formerly unionized firms tend to hire non-union workers. The largest growth in employment is occurring in the service industries, and these industries typically are not unionized. Some U.S. companies have moved their manufacturing operations to other countries where less-unionized labor is employed.

A recent study on union participation rates found a negative correlation between union participation and wage inequality. Decades ago, when unions were strong and roughly 1 in 3 men were union members, they were able to exert a powerful influence over maintaining high wages. The study found that the largest factor contributing to union decline has been the growth of jobs outside of traditionally unionized industries, such as manufacturing and construction. The study also found that, even in unionized industries, managers have increasingly grown opposed to union activity.

C-2b Union–Management Partnerships

For most of the 20th century, unions represented workers with respect to wages and working conditions. To obtain rights for workers and recognition for themselves,
unions engaged in often-antagonistic collective-bargaining sessions and strikes. At the same time, management traditionally protected its own rights of decision making, workplace organization, and strategic planning. Increasingly, however, management has become aware that this traditionally adversarial relationship does not result in the kind of high-performance workplace and empowered workforce necessary to succeed in today’s highly competitive global markets. For their part, unions and their members acknowledge that most major strikes result in failures that cost members thousands of jobs and reduce the unions’ credibility. Today, instead of maintaining an “us versus them” mentality, many unions are striving to become partners with management and cooperating to enhance the workplace, empower workers, increase production, improve quality, and reduce costs. According to the Department of Labor, the number of union–management partnerships in the United States is increasing.

Union–management partnerships can be initiated by union leaders, employees, or management. Long-range strategic partnerships focus on sharing decision-making power for a whole range of workplace and business issues. Long-range partnerships sometimes begin as limited ones and develop slowly over time. Limited partnerships center on accomplishing one specific task or project, such as the introduction of teams or the design of training programs. Education remains an industry that has relatively high union participation rates. Yale University, for instance, has a long-range strategic partnership with employees who belong to the Unite Here Locals 34 and 35 labor unions. This arrangement helps the two parties to develop best practices, as well as provides a forum to solve disputes and agree on contracts.

Although strategic union–management partnerships vary, most of them have several characteristics in common. First, strategic partnerships focus on developing cooperative relationships between unions and management instead of arguing over contractual rights. Second, partners work toward mutual gain, in which the organization becomes more competitive, employees are better off, and unions are stronger as a result of the partnership. Finally, as already noted, strategic partners engage in joint decision making on a broad array of issues. These issues include performance expectations, organizational structure, strategic alliances, new technology, pay and benefits, employee security and involvement, union–management roles, product development, and education and training.

Good labor–management relations can help everyone to deal with new and difficult labor issues as they develop. For example, many companies hope that their union–management partnerships will be strong enough to deal with the critical issue of rising health care costs. Unions work hard to protect their members from having to pay an increased percentage of health care costs, and they have experienced some success, in that an average union worker pays about 19 percent of his or her health care premiums compared with a non-union worker’s contribution of about 34 percent. Strong union–management partnerships will play a vital role in resolving health care issues.

Union–management partnerships have many potential benefits for management, workers, and unions. For management, partnerships can result in lower costs, increased revenue, improved product quality, and greater customer satisfaction. For workers, benefits may include increased response to their needs, more decision-making opportunities, less supervision, more responsibility, and increased job security. Unions can gain credibility, strength, and increased membership.

Among the many organizations that have found union–management partnerships beneficial is Avamere, a health-care company. The company, along with several other health care firms, entered into a union–management partnership agreement with the Service Employees International Union (SEIU) to help address challenges faced by the companies and the healthcare industry in general. Collaboration among the partners ultimately brought about higher standards for staffing at skilled nursing centers in Oregon, resulting in better nursing care...
and outcomes for patients, a better working environment for employees, greater compensation for some employees, and more satisfied employees. The CEO of Avamere has touted the partnership as a success story of labor-management relations that yielded rewards for everyone involved, as well as improvement in quality performance.8

C-3 LABOR-MANAGEMENT LEGISLATION

As we have noted, business opposed early efforts to organize labor. The federal government generally supported anti-union efforts through the court system, and in some cases federal troops were used to end strikes. Gradually, however, the government began to correct this imbalance through the legislative process.

C-3a Norris-LaGuardia Act

The first major piece of legislation to secure rights for unions, the Norris–LaGuardia Act of 1932, was considered a landmark in labor–management relations. This act made it difficult for businesses to obtain court orders that banned strikes, picketing, or union membership drives. Previously, courts had issued such orders readily as a means of curbing these activities.

C-3b National Labor Relations Act

The National Labor Relations Act, also known as the Wagner Act, was passed by Congress in 1935. It established procedures by which employees decide whether they want to be represented by a union. If workers choose to be represented, the Wagner Act requires management to negotiate with union representatives. Before this law was passed, union efforts sometimes were interpreted as violating the Sherman Act (1890) because they were viewed as attempts to monopolize. The Wagner Act also forbid certain unfair labor practices on the part of management, such as firing or punishing workers because they were pro-union, spying on union meetings, and bribing employees to vote against unionization.

Finally, the Wagner Act established the National Labor Relations Board (NLRB) to enforce the provisions of the law. The NLRB is concerned primarily with (1) overseeing the elections in which employees decide whether they will be represented by a union and (2) investigating complaints lodged by unions or employees. Recently, the NLRB passed a ruling that most U.S. employees may use their company email systems to discuss workplace issues, including union organizing, during nonworking hours, comparing these systems to a “natural gathering place.”9

C-3c Fair Labor Standards Act

In 1938, Congress enacted the Fair Labor Standards Act. One major provision of this act permits the federal government to set a minimum wage. The first minimum wage, which was set in the late 1930s and did not include farm workers and retail employees, was $0.25 an hour. Today, the national minimum wage is $7.25 an hour, although many states and cities set their own minimum wages to account for differences in costs of living. The state of Washington has the highest minimum wage in the nation at $9.47 an hour.10 Some employees, such as waitpersons and farm workers, are still exempt from the minimum-wage provisions in most states. The act also requires that employees be paid overtime rates for work in excess of 40 hours a week. Finally, it prohibits the use of child labor.
Labor–Management Relations Act

The legislation of the 1930s sought to discourage unfair practices on the part of employers. Recall from Figure C-1 that union membership grew from approximately 2 million in 1910 to almost 12 million by 1945. Unions represented more than 35 percent of all nonagricultural employees in 1945. As union membership and power grew, however, the federal government began to scrutinize the practices of labor. Several long and bitter strikes in the 1940s, mainly in the coal mining and trucking industries, led to a demand for legislative restraint on unions. As a result, in 1947 Congress passed the Labor–Management Relations Act, also known as the Taft–Hartley Act, over President Harry Truman’s veto.

The Taft–Hartley Act’s objective is to provide a balance between union power and management authority. It specifies unfair labor practices that unions are forbidden to use, such as refusal to bargain with management in good faith, charging excessive membership dues, harassing non-union workers, and using various means of coercion against employers.

The Taft–Hartley Act also gives management more rights during union organizing campaigns. For example, management may outline for employees the advantages and disadvantages of union membership, as long as the information it presents is accurate. The act gives the President of the United States the power to obtain a temporary injunction to prevent or stop a strike that endangers national health and safety. An injunction is a court order requiring a person or group either to perform some act or to refrain from performing some act. Finally, the Taft–Hartley Act authorized states to enact laws to allow employees to work in a unionized firm without joining the union. Currently, 23 states (many in the south) have passed such right-to-work laws.\footnote{11}

Landrum–Griffin Act

In the 1950s, Senate investigations and hearings exposed racketeering in unions and uncovered cases of bribery, extortion, and embezzlement among union leaders. It was revealed that a few union leaders had taken union funds for personal use and accepted payoffs from employers for union protection. Some were involved in arson, blackmail, and murder. Public pressure for reform resulted in the 1959 Landrum–Griffin Act.

This law was designed to regulate the internal functioning of labor unions. Provisions of the law require unions to file annual reports with the U.S. Department of Labor regarding their finances, elections, and various decisions made by union officers. The Landrum–Griffin Act also ensures that each union member has the right to seek, nominate, and vote for each elected position in his or her union. It provides safeguards governing union funds, and it requires management and unions to report the lending of management funds to union officers, union members, or local unions.

The various pieces of legislation we have reviewed here effectively regulate much of the relationship between labor and management after a union has been established. The next section demonstrates that forming a union is also a carefully regulated process.

THE UNIONIZATION PROCESS

Before a union can be formed at a particular firm, some employees of the firm must be interested in being represented by a union. Then, they must take a number of steps to formally declare their desire for a union. To ensure fairness, most of the steps in this unionization process are supervised by the NLRB.
C-4a Why Some Employees Join Unions

Obviously, employees start or join a union for a variety of reasons. In many industries, such as teaching, union membership is so prevalent that new employees may feel compelled to join. In some states, even those employees who choose not to join a union are required to pay union dues, which is a serious incentive to join. Another commonly cited reason for joining a union is to combat a feeling of alienation. Some employees—especially those whose jobs are dull and repetitive—may perceive themselves as merely parts of a machine. They may feel that they lose their individual or social identity at work. Union membership is one way to establish contact with others in a firm.

Another common reason for joining a union is the perception that union membership increases job security. No one wants to live in fear of arbitrary or capricious dismissal from a job. Unions actually have only limited ability to guarantee a member's job, but they can help to increase job security by enforcing seniority rules. Employees may also join a union because of dissatisfaction with one or more elements of their jobs. If they are unhappy with their pay, benefits, or working conditions, they may look to a union to correct the perceived deficiencies.

Some people join unions because of their personal backgrounds. For example, a person whose parents are strong believers in unions might be inclined to feel just as positive about union membership.

In some situations, employees must join a union to keep their jobs. Many unions try, through their labor contracts, to require that a firm’s new employees join the union after a specified probationary period. Under the Taft–Hartley Act, states may pass right-to-work laws prohibiting this practice.

C-4b Steps in Forming a Union

The first step in forming a union is the organizing campaign (see Figure C-2). Its primary objective is to develop widespread employee interest in having a union. To kick off the campaign, a national union may send organizers to the firm to stir this interest. Alternatively, the employees themselves may decide that they want a union. Then they contact the appropriate national union and ask for organizing assistance.

The organizing campaign can be quite emotional, and it may lead to conflict between employees and management. On the one hand, the employees who want the union will be dedicated to its creation. On the other hand, management will be extremely sensitive to what it sees as a potential threat to its power and control.

At some point during the organizing campaign, employees are asked to sign authorization cards (see Figure C-3) to indicate—in writing—their support for the union. Because of various NLRB rules and regulations, both union organizers and company management must be very careful in their behavior during this authorization drive. For example, employees cannot be asked to sign the cards when they are supposed to be working. Management may not indicate in any way that employees’ jobs or job security will be in jeopardy if they do sign the cards.

If at least 30 percent of the eligible employees sign authorization cards, the organizers generally request that the firm recognize the union as the employees’ bargaining representative. Usually the firm rejects this request, and a formal election is held to decide whether to have a union. This election usually involves secret ballots and is conducted by the NLRB. The outcome of the election is determined by a simple majority of eligible employees who choose to vote.

If the union obtains a majority, it becomes the official bargaining agent for its members, and the final step, NLRB certification, takes place. The union may immediately begin the process of negotiating a
labor contract with management. If the union is voted down, the NLRB will not allow another election for one year.

Several factors can complicate the unionization process. For example, the **bargaining unit**, which is the specific group of employees that the union is to represent, must be defined. Union organizers may want to represent all hourly employees at a particular site (such as all workers at a manufacturing plant), or they may wish to represent only a specific group of employees (such as all electricians in a large manufacturing plant).

Another issue that may have to be resolved is **jurisdiction**, which is the right of a particular union to organize particular groups of workers (such as nurses). When jurisdictions overlap or are unclear, the employees themselves may decide who will represent them. In some cases, two or more unions may be trying to organize some or all of the employees of a firm. Then, the election choices may be union A, union B, or no union at all.

### C-4c The Role of the NLRB

As we have discussed, the NLRB is deeply involved in the unionization process. Generally, the NLRB is responsible for overseeing the organizing campaign, conducting the election (if one is warranted), and certifying the election results.

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**bargaining unit** the specific group of employees represented by a union

**jurisdiction** the right of a particular union to organize particular groups of workers
During the organizing campaign, both employers and union organizers can take steps to educate employees regarding the advantages and disadvantages of having a union. However, neither is allowed to use underhanded tactics or to distort the truth. If violations occur, the NLRB can stop the questionable behavior, postpone the election, or set aside the results of an election that has already taken place. For example, the NLRB set aside an election to organize employees at an Intertape Polymer Corp. facility in South Carolina after it ruled that management had violated union election rules by removing union information leaflets from the employee break room and filming employees handing out flyers at the company’s gate. The NLRB ordered a new election.11

The NLRB usually conducts the election within 45 days of receiving the required number of signed authorization cards from the organizers. A very high percentage of the eligible voters generally participate in the election, and it is held at the workplace during normal working hours. In certain cases, however, a mail ballot or some other form of election may be called for.

Certification of the election involves counting the votes and considering challenges to the election. After the election results are announced, management and the union organizers have five days to challenge the election. The basis for a challenge might be improper conduct before the election or participation by an ineligible voter. After considering any challenges, the NLRB passes final judgment on the election results.

When union representation is established, union and management get down to the serious business of contract negotiations.

C-5 COLLECTIVE BARGAINING

Once certified by the NLRB, a new union’s first task is to establish its own identity and structure. It immediately signs up as many members as possible. Then, in an internal election, members choose officers and representatives. A negotiating committee is also chosen to begin collective bargaining, the process of negotiating a labor contract with management.

C-5a The First Contract

To prepare for its first contract session with management, the negotiating committee decides on its position on the various contract issues and determines the issues that are most important to the union’s members. For example, the two most pressing concerns might be a general wage increase and an improved benefits package. The union then informs management that it is ready to begin negotiations, and the two parties agree on a time and location. Both sides continue to prepare for the session up to the actual date of the negotiations.

Negotiations are occasionally held on company premises, but it is more common for the parties to meet away from the workplace—perhaps in a local hotel. The union typically is represented by the negotiating committee and one or more officials from the regional or national union office. The firm normally is represented by managers from the industrial-relations, operations, human resources management, and legal departments. Each side is required by law to negotiate in good faith and not to stall or attempt to extend the bargaining proceedings unnecessarily.

The union normally presents its contract demands first. Management then responds to the demands, often with a counterproposal. The bargaining may move back and forth, from proposal to counterproposal, over a number of meetings. Throughout the process, union representatives constantly keep their members informed of what is going on and how the negotiating committee feels about the various proposals and counterproposals.

Each side clearly tries to “get its own way” as much as possible, but each also recognizes the need for compromise. For example, the union may begin the
negotiations by demanding a wage increase of $1 per hour but may be willing to accept 60 cents per hour. Management initially may offer 40 cents but may be willing to pay 75 cents. Eventually, the two sides will agree on a wage increase of between 60 and 75 cents per hour.

If an agreement cannot be reached, the union may strike. However, strikes are rare during a union’s first contract negotiations. In most cases, the negotiating teams are able to agree on an initial contract without recourse to a strike.

The final step in collective bargaining is ratification, which is approval of the contract by a vote of the union membership. If the membership accepts the terms of the contract, it is signed and becomes a legally binding agreement. If the contract is not ratified, the negotiators must go back and try to iron out a more acceptable agreement.

C-5b Later Contracts

A labor contract may cover a period of one to three years or more, but every contract has an expiration date. As that date approaches, both management and the union begin to prepare for new contract negotiations. Now, however, the entire process is likely to be much thornier than the first negotiation.

For one thing, the union and the firm have “lived with each other” for several years, during which some difficulties may have emerged. Each side may see certain issues as being of critical importance—issues that provoke a great deal of emotion at the bargaining table and often are difficult to resolve. Also, each side has learned from the earlier negotiations. Each may take a harder line on certain issues and be less willing to compromise.

The contract deadline itself also produces tension. As the expiration date of the existing contract draws near, each side feels a pressure—real or imagined—to reach an agreement. This pressure may nudge the negotiators toward an agreement, but it also can have the opposite effect, making an accord more difficult to reach. Moreover, at some point during the negotiations, union leaders are likely to take a strike vote. This vote reveals whether union members are willing to strike in the event that a new contract is not negotiated before the old one expires. In almost all cases, this vote supports a strike. Thus, the threat of a strike may add to the pressure mounting on both sides as they go about the business of negotiating.

C-6 UNION-MANAGEMENT CONTRACT ISSUES

As you might expect, many diverse issues are negotiated by unions and management and are incorporated into a labor contract. Unions tend to emphasize issues related to members’ income, their standard of living, and the strength of the union. Management’s primary goals are to retain as much control as possible over the firm’s operations and to maximize its strength relative to that of the union. The balance of power between union and management varies from firm to firm.

C-6a Employee Pay

An area of bargaining central to union-management relations is employee pay. Three separate issues are usually involved: the forms of pay, the magnitude of pay, and the means by which the magnitude of pay will be determined.

**FORMS OF PAY** The primary form of pay is direct compensation—the wage or salary an employee receives in exchange for his or her contribution to the organization. Because direct compensation is a fairly straightforward issue, negotiators often spend much more of their time developing a benefits package for employees.
Because the range of benefits and their costs have escalated over the years, this element of pay has become increasingly important and complex.

We discussed various employee benefits in Chapter 9. Of these, health, life, disability, and dental insurance are important benefits that unions try to obtain for their members. As the costs of health care continue to increase, insurance benefits are costing employers more, and many are trying to pass a higher portion of this increased cost on to their employees. Deferred compensation, in the form of pension or retirement programs, is also a common focal point. Decisions about deferred compensation can have a long-lasting impact on a company.

Other benefits commonly dealt with in the bargaining process include paid vacation time, holidays, and a policy on paid sick leave. Obviously, unions argue for as much paid vacation and holiday time as possible and for liberal sick-leave policies. Management naturally takes the opposite position. After decades of generous benefits packages, most firms have been forced to cut back due to decreased revenues or increased expenses during recessionary periods. Moreover, as more and more Baby Boomers reach retirement age, pensions have become too expensive to be sustainable for many companies and governments. Even heavily unionized industries, such as automobile manufacturing and utilities, have had to reduce their pensions and benefits for younger workers.

MAGNITUDE OF PAY Of considerable importance is the magnitude, or amount, of pay that employees receive as both direct and indirect compensation. The union attempts to ensure that pay is on par with that received by other employees in the same or similar industries, both locally and nationally. The union also attempts to include in the contract clauses that provide pay increases over the life of the agreement. The most common is the cost-of-living clause, which ties periodic pay increases to increases in the cost of living, as defined by various economic statistics or indicators.

Of course, the magnitude of pay is also affected by the organization’s ability to pay. If the firm has posted large profits recently, the union may expect large pay increases for its members. If the firm has not been very profitable, the union may agree to smaller pay hikes or even to a pay freeze. In an extreme situation (e.g., when the firm is bordering on bankruptcy), the union may agree to pay cuts. Very stringent conditions usually are included in any agreement to a pay cut.

Bargaining with regard to magnitude also revolves around employee benefits. At one extreme, unions seek a wide range of benefits, entirely or largely paid for by the firm. At the other extreme, management may be willing to offer the benefits package but may want its employees to bear most of the cost. Again, factors such as equity (with similar firms and jobs) and ability to pay enter into the final agreement.

PAY DETERMINANTS Negotiators also address the question of how individual pay will be determined. For management, the ideal arrangement is to tie wages to each employee’s productivity. As we have seen, this method of payment tends to motivate and reward effort. Unions, on the other hand, feel that this arrangement can create unnecessary competition among employees. They generally argue that employees should be paid—at least in part—according to seniority. Seniority is the length of time an employee has worked for an organization.

Determinants regarding benefits are also negotiated. For example, management may want to provide profit-sharing benefits only to employees who have worked for the firm for a specified number of years. The union may want these benefits provided to all employees. Members of the Chicago police union receive large portions of their pay in the form of perks and benefits. For example, the union has a generous sick leave package, and officers also receive an annual allowance to compensate them for uniform costs and on-call time. However, escalating health care costs have
Chicago and many cities looking for ways to reduce the costs of union benefits packages. As a result, the Chicago Police Union accepted a tiered health-care plan.®  

C-6b Working Hours

The number of working hours is another important issue in contract negotiations. The matter of overtime is of special interest. Federal law defines overtime as time worked in excess of 40 hours in one week. It also specifies that overtime pay must be at least one-and-one-half times the normal hourly wage. Unions may also attempt to negotiate overtime rates for all hours worked beyond eight hours in a single day. Similarly, the union may attempt to obtain higher overtime rates (say, twice the normal hourly wage) for weekend or holiday work. Still another issue is an upper limit to overtime, beyond which employees can refuse to work.

In firms with two or more work shifts, workers on less desirable shifts are paid a premium for their time. Both the amount of the premium and the manner in which workers are chosen for (or choose) particular shifts are negotiable issues. Other issues related to working hours are the work starting times and the length of lunch periods and coffee breaks.

C-6c Security

Security actually covers two issues. One is the job security of the individual worker; the other is the security of the union as the bargaining representative of the firm’s employees.

Job security is protection against the loss of employment. It is a major concern of individuals. As we noted earlier, the desire for increased job security is a major reason for joining unions in the first place. In the typical labor contract, job security is based on seniority. If employees must be laid off or dismissed, those with the least seniority are the first to go. Some of the more senior employees may have to move to lower-level jobs, but they remain employed.

Union security is protection of the union’s position as the employees’ bargaining agent. Union security is frequently a more volatile issue than job security. Unions strive for as much security as possible, but management tends to see an increase in union security as an erosion of its control.

Union security arises directly from its membership. The greater the ratio of union employees to non-union employees, the more secure the union is. In contract negotiations, unions thus attempt to establish various union membership conditions. The most restrictive of these is the closed shop, in which workers must join the union before they are hired. This condition was outlawed by the Taft–Hartley Act, but several other arrangements, including the following, are subject to negotiation:

- The union shop, in which new employees must join the union after a specified probationary period.
- The agency shop, in which employees can choose not to join the union but must pay dues to the union anyway. (The idea is that non-union employees benefit from union activities and should help to support them.)
- The maintenance shop, in which an employee who joins the union must remain a union member as long as he or she is employed by the firm.

C-6d Management Rights

Of particular interest to the firm are those rights and privileges that are to be retained by management. For example, the firm wants as much control as possible over whom it hires, how work is scheduled, and how discipline is handled. The union, in contrast, would like some control over these and other matters affecting its members. It is interesting that some unions are making progress toward their goal...
of playing a more direct role in corporate governance. Some union executives have, in fact, been given seats on corporate boards of directors. In the wake of negative publicity related to an allegedly toxic corporate culture, Goldman Sachs CEO Lloyd Blankfein agreed to a union deal with the American Federation of State, County and Municipal Employees (AFSCME), which represents 1.6 million members. The deal creates more independent oversight of the firm and its board, but allows CEO Blankfein to retain much of his previous power.\(^6\)

### C-6e Grievance Procedures

A **grievance procedure** is a formally established course of action for resolving employee complaints against management. Virtually every labor contract contains a grievance procedure. Procedures vary in scope and detail, but they may involve the four steps described as follows (see Figure C-4).

**ORIGINAL GRIEVANCE** The process begins with an employee who believes that he or she has been treated unfairly in violation of the labor contract. For example, an employee may be entitled to a formal performance review after six months on the job. If no such review is conducted, the employee may file a grievance. To do so, the employee explains the grievance to a **shop steward**, an employee elected by union members to serve as their representative. The employee and the steward then discuss the grievance with the employee’s immediate supervisor. Both the grievance and the supervisor’s response are put in writing.

**BROADER DISCUSSION** In most cases, the problem is resolved during the initial discussion with the supervisor. If it is not, a second discussion is held. Now the participants include the original parties (employee, supervisor, and steward), a representative from the union’s grievance committee, and the firm’s industrial-relations representative. Again, a record is kept of the discussion and its results.

**Figure C-4** Steps in Resolving a Grievance

The employee grievance procedure for most organizations consists of four steps. Each ensuing step involves all the personnel from the preceding step plus at least one higher-level person. The final step is to go to a neutral third party, the arbitrator.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ORIGINAL GRIEVANCE</td>
</tr>
<tr>
<td>2</td>
<td>BROADER DISCUSSION</td>
</tr>
<tr>
<td>3</td>
<td>FULL-SCALE DISCUSSION</td>
</tr>
<tr>
<td>4</td>
<td>ARBITRATION</td>
</tr>
</tbody>
</table>

**grievance procedure** a formally established course of action for resolving employee complaints against management

**shop steward** an employee elected by union members to serve as their representative
If the grievance is still not resolved, a full-scale discussion is arranged. This discussion includes everyone involved in the broader discussion, as well as all remaining members of the union’s grievance committee and another high-level manager. As usual, all proceedings are put in writing. All participants are careful not to violate the labor contract during this attempt to resolve the complaint.

The final step in a grievance procedure is arbitration, in which a neutral third party hears the two sides of a dispute and renders a binding decision. As in a court hearing, each side presents its case and has the right to cross-examine witnesses. In addition, the arbitrator reviews the written documentation of all previous steps in the grievance procedure. Both sides may then give summary arguments and/or present briefs. The arbitrator then decides whether a provision of the labor contract has been violated and proposes a remedy. The arbitrator cannot make any decision that would add to, detract from, or modify the terms of the contract. If it can be proved that the arbitrator exceeded the scope of his or her authority, either party may appeal the decision to the courts.

What actually happens when union and management “lock horns” over all the issues we have mentioned? We can answer this question by looking now at the negotiating tools each side can wield.

Management and unions can employ certain tools to influence each other during contract negotiations. Both sides may use advertising and publicity to gain support for their respective positions. The most extreme tools are strikes and lockouts, but there are other, milder techniques as well.

Unions only go out on strike in a very few instances. These almost always occur after an existing labor contract has expired. Generally speaking, strikes have been on the decline. There were only 11 major strikes in 2014, just a few more than the lowest documented number of five strikes in 2009. Even then, if new contract negotiations seem to be proceeding smoothly, a union does not actually start a strike. The union does take a strike vote, but the vote may be used primarily to show members’ commitment to a strike if negotiations fail.

The main objective of a strike is to put financial pressure on the company to encourage management to meet union demands. When union members do go out on strike, it is usually because negotiations seem to be stalled. A strike is simply a work stoppage: The employees do not report for work. In addition, striking workers engage in picketing, marching back and forth in front of a place of employment with signs informing the public that a strike is in progress. In doing so, they hope that (1) the public will be sympathetic to the strikers and will not patronize the struck firm, (2) nonstriking employees of the firm will honor the picket line and not report to work, and (3) members of other unions will not cross the picket line (e.g., to make deliveries) and thus will further restrict the operations of the struck firm. Unions may also engage in informational picketing to let companies know of their dissatisfaction.

In 2015, members of the United Steelworkers union went on strike and picketed at nine U.S. refineries and chemical plants after collective bargaining talks broke down. The union sought better pay raises, more favorable rules for union members, stronger workplace safety policies, and lower out-of-pocket expenses for health care expenses. However, plummeting oil prices necessitated that oil and gas companies slash costs and put the union in a weak negotiating position. The picketing and work stoppages—the largest in the industry in 35 years—occurred at facilities that account for 10 percent of U.S. refining capacity.
Obviously, strikes are expensive to both the firm and the strikers. The firm loses business and earnings during the strike, and the striking workers lose the wages they would have earned if they had been at their jobs. During a strike, unions try to provide their members with as much support as possible. Larger unions are able to put a portion of their members’ dues into a strike fund. The fund is used to provide financial support for striking union members. At times, workers may go out on a wildcat strike, which is a strike that has not been approved by the union. In this situation, union leaders typically work with management to convince the strikers to return to work.

### C-7b Slowdowns and Boycotts

Almost every labor contract contains a clause that prohibits strikes during the life of the contract. (This is why strikes, if they occur, usually take place after a contract has expired.) However, a union may strike a firm while the contract is in force if members believe that management has violated its terms. Workers also may engage in a slowdown, a technique whereby workers report to their jobs but work at a pace that is slower than normal. Work slowdowns by members of the International Longshore and Warehouse Union (ILWU) at four major West Coast ports after their contracts expired and collective bargaining talks reached an impasse triggered congestion and backups at those ports, as well as nearby ones, resulting in shipping delays along the crucial U.S.-Asia trade route. After nine months without resolution, the U.S. president—spurred by concerns that further shipping delays would have a profound negative impact on the U.S. economy—sent in mediators to help the two sides resume negotiations.19

A boycott is a refusal to do business with a particular firm. Unions occasionally employ this strategy by urging members (and sympathizers) not to purchase the products of a firm with which they are having a dispute. The American Postal Workers Union (APWU) boycotted Staples, an office-supply retailer, after it announced plans to offer postal services with its own non-union employees instead of members of the postal union. The company backed off of its plans after other unions, including the American Federation of Teachers (AFT), joined their boycott.20 A primary boycott, aimed at the employer directly involved in the dispute, can be a powerful weapon. A secondary boycott, aimed at a firm doing business with the employer, is prohibited by the Taft–Hartley Act. Cesar Chavez, a migrant worker who founded the United Farm Workers Union, used boycotts to draw attention to the low pay and awful conditions endured by produce pickers.

### C-7c Lockouts and Strikebreakers

Management’s most potent weapon is the lockout. In a lockout, the firm refuses to allow employees to enter the workplace. Like strikes, lockouts are expensive for both the firm and its employees. For this reason, they are only used rarely and in certain circumstances. A firm that produces perishable goods, for example, may use a lockout if management believes that its employees will soon go on strike. The idea is to stop production in time to ensure minimal spoilage of finished goods or work-in-process.

Management also may attempt to hire strikebreakers. A strikebreaker is a non-union employee who performs the job of a striking union member. Hiring strikebreakers can result in violence when picketing employees confront the non-union workers at the entrance to the struck facility. The firm also faces the problem of finding qualified replacements for the striking workers. Sometimes management personnel take over the jobs of strikers. Managers at telephone companies have had to get actively involved in phone repair services.

### C-7d Mediation and Arbitration

Strikes, strikebreaking, lockouts, and boycotts all pit one side against the other. Ultimately, one side “wins” and the other “loses.” Unfortunately, the negative effects
of such actions—including resentment, fear, and distrust—may linger for months or years after a dispute has been resolved. More productive techniques that are being used increasingly are mediation and arbitration. Either one may come into play before a labor contract expires or after some other strategy, such as a strike, has proved ineffective.

**Mediation** is the use of a neutral third party to assist management and the union during their negotiations. This third party (the mediator) listens to both sides, trying to find common ground for agreement. The mediator also tries to facilitate communication between the two sides, promote compromise, and generally keep the negotiations moving. At first the mediator may meet privately with each side. Eventually, however, his or her goal is to get the two sides back to the table to resolve their differences. The Federal Mediation and Conciliation Service (FMCS) is an independent government agency that handles mediation for labor disputes. The agency handles 4,000 collective-bargaining negotiations per year, with 86 percent of those mediations reaching an agreement from both parties. The agency reports to have saved businesses and workers approximately $964 million during 2012–2013, showing the benefits of mediation for both parties.21

Unlike mediation, the **arbitration** step is a formal hearing. Just as it may be the final step in a grievance procedure, it also may be used in contract negotiations (perhaps after mediation attempts) when the two sides cannot agree on one or more issues. Here, the arbitrator hears the formal positions of both parties on outstanding, unresolved issues. The arbitrator then analyzes these positions and makes a decision on the possible resolution of the issues. If both sides have agreed in advance that the arbitration will be **binding**, they must accept the arbitrator’s decision.

**Summary**

A labor union is an organization of workers who act together to negotiate wages and working conditions with their employers. Labor relations are the dealings between labor unions and business management.

The first major union in the United States was the Knights of Labor, formed in 1869 to eliminate the depersonalization of workers. The Knights were followed in 1886 by the American Federation of Labor (AFL). The goal of the AFL was to improve its members’ living standards without changing the business system. In 1905, the radical Industrial Workers of the World (IWW) was formed; its goal was to overthrow capitalism. Of these three, only the AFL remained when the Congress of Industrial Organizations (CIO) was founded as a body of industrial unions between World War I and World War II. After years of competing, the AFL and CIO merged in 1955. The largest union not affiliated with the AFL–CIO is the Teamsters Union.

The power of unions to negotiate with management comes from two sources. The first is the size of their membership. The second is the groups of laws that guarantee unions the right to negotiate and that regulate the negotiation process. At present, union membership accounts for less than 15 percent of the American workforce, and it seems to be decreasing for various reasons. Nonetheless, unions wield considerable power in many industries—those in which their members comprise a large proportion of the workforce.

Many unions today are entering into partnerships with management rather than maintaining their traditional adversarial position. Unions and management cooperate to increase production, improve quality, lower costs, empower workers, and enhance the workplace. Limited partnerships center on accomplishing one specific task or project. Long-range strategic partnerships focus on sharing decision-making power for a range of workplace and business matters.

Important laws that affect union power are the Norris–LaGuardia Act (limits management’s ability to obtain injunctions against unions), the Wagner Act (forbids certain unfair labor practices by management), the Fair Labor Standards Act (allows the federal government to set the minimum wage and to mandate overtime rates), the Taft–Hartley Act (forbids certain unfair practices by unions), and the Landrum–Griffin Act (regulates the internal functioning of labor unions). The National Labor Relations Board (NLRB), a federal agency that oversees union–management relations, was created by the Wagner Act.

Attempts to form a union within a firm begin with an organizing campaign to develop widespread employee interest in having a union. Next, employees
sign authorization cards, indicating in writing their support for the union. The third step is to hold a formal election to decide whether to have a union. Finally, if the union obtains a majority, it receives NLRB certification, making it the official bargaining agent for its members. The entire process is supervised by the NLRB, which oversees the organizing campaign, conducts the election, and certifies the election results.

Once a union is established, it may negotiate a labor contract with management through the process of collective bargaining. First, the negotiating committee decides on its position on the various contract issues. The union informs management that it is ready to begin negotiations, and a time and place are set. The union is represented by the negotiating committee, and the organization is represented by managers from several departments in the company. Each side is required to negotiate in good faith and not to stall or attempt to extend the bargaining unnecessarily. The final step is ratification, which is approval of the contract by a vote of the union membership.

As the expiration date of an existing contract approaches, management and the union begin to negotiate a new contract. Contract issues include employee pay and benefits, working hours, job and union security, management rights, and grievance procedures.

Management and unions can use certain tools to sway one another—and public opinion—during contract negotiations. Advertising and publicity help each side to gain support. When contract negotiations do not run smoothly, unions may apply pressure on management through strikes, slowdowns, or boycotts. Management may counter by imposing lockouts or hiring strikebreakers. Less drastic techniques for breaking contract deadlocks are mediation and arbitration. In both, a neutral third party is involved in the negotiations.

### Key Terms

You should now be able to define and give an example relevant to each of the following terms:

- labor union (C-1)
- union-management relations (or labor relations) (C-1)
- craft union (C-1)
- strike (C-2)
- industrial union (C-3)
- National Labor Relations Board (NLRB) (C-6)
- injunction (C-7)
- bargaining unit (C-9)
- jurisdiction (C-9)
- collective bargaining (C-10)
- ratification (C-11)
- seniority (C-12)
- overtime (C-13)
- job security (C-13)
- union security (C-13)
- closed shop (C-13)
- union shop (C-13)
- agency shop (C-13)
- maintenance shop (C-13)
- grievance procedure (C-14)
- shop steward (C-14)
- arbitration (C-15)
- picketing (C-15)
- wildcat strike (C-16)
- slowdown (C-16)
- boycott (C-16)
- lockout (C-16)
- strikebreaker (C-16)
- mediation (C-17)

### Endnotes


