

Enhancing Union–Management Relations



11

Learning Objectives

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What you will be able to do once you complete this chapter:

- 1 Explain how and why labor unions came into being.
- 2 Discuss the sources of unions' negotiating power and trends in union membership.
- 3 Identify the main focus of several major pieces of labor–management legislation.
- 4 Enumerate the steps involved in forming a union and show how the National Labor Relations Board is involved in the process.
- 5 Describe the basic elements of the collective-bargaining process.
- 6 Identify the major issues covered in a union–management contract.
- 7 Explain the primary bargaining tools available to unions and management.

Did You Know?

Since the Southwest Airlines Pilots' Association was founded as an independent labor union in 1978, its membership has grown from 112 to 5,900 pilots.

Southwest Airlines and Its Pilots' Union Strike a Good Deal

How does a union navigate contract negotiations with the management of an airline that issues stock under the symbol of LUV? The Southwest Airlines Pilots' Association (SWAPA) was founded in 1978, just seven years after Southwest Airlines first took to the Texas skies. The fledgling airline with the friendly attitude was already successful, having flown 5 million passengers and gone public by 1977.

When SWAPA was originally established, it represented 112 pilots. Now, more than 30 years later, the union represents more than 5,900 of the company's pilots. Unaffiliated with other labor organizations, SWAPA's mission is to provide a secure and rewarding career for its members by negotiating contracts with Southwest Airlines' management, defending its members' contractual rights, and promoting pilot professionalism and safety.

SWAPA's negotiations with Southwest Airlines are subject to the Railway Labor Act, legislation aimed at avoiding disruptions in interstate commerce. Under this law, the pilots' contract with the airline never actually expires, although it can be amended starting on certain dates. The pilots continue to fly under the terms of the current contract while union and airline negotiators hold discussions, which can last for months or even years.

For example, when the SWAPA pilots' contract became amendable in 2006, both sides began talking about several key issues, including salary increases, retirement contributions, and work schedules. They continued negotiating as the economy went into recession, and finally reached a tentative agreement by June 2009. However, SWAPA members rejected it by a small margin, sending union and management back to the bargaining table. A few months later, union members overwhelmingly approved a new agreement that called for pilots to receive retroactive pay increases for 2007 and 2008, linked pay to airline profitability in 2009 and 2010, and set the next amendment date in 2011.

After the pilots approved the contract, the airline's CEO praised SWAPA members as "the hardest working and most productive in the business" and said they "deserve a contract that reflects this, yet is still in keeping with the current uncertain economic outlook." The union pointed to the contract's positive points and said it would press for improvements during the 2011 amendment talks.¹

Southwest Airlines, like a number of other business organizations, has been unionized for years, and both management and the unions have experienced ups and downs. 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, more simply, **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.

labor union an organization of workers acting together to negotiate their wages and working conditions with employers

union-management (labor) relations the dealings between labor unions and business management both in the bargaining process and beyond it

We open this chapter 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.

1

Explain how and why labor unions came into being.

The Historical Development of Unions

Until the middle of the 19th century, there was very little organization of labor in this country. 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.

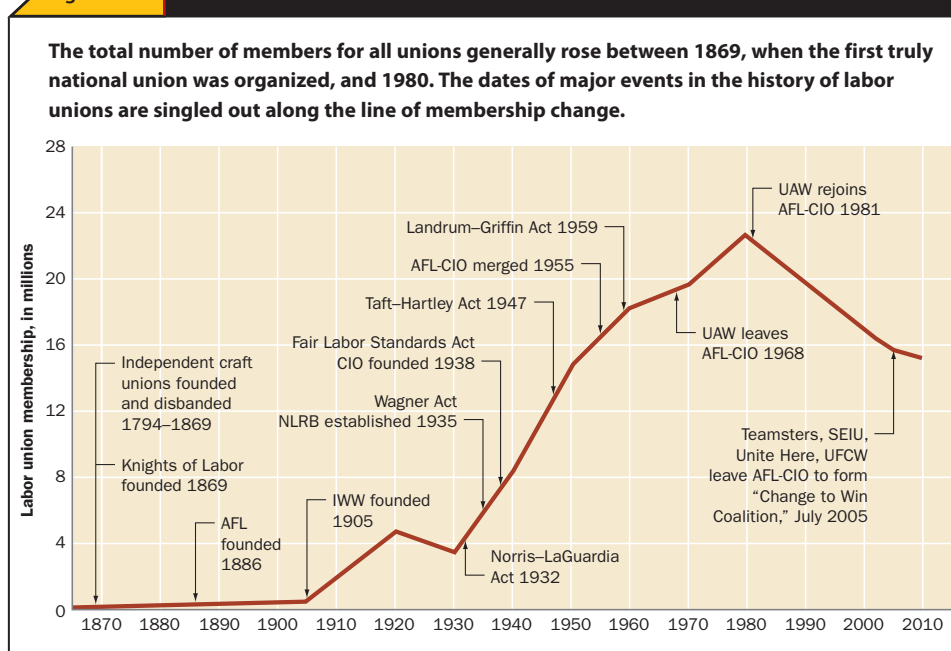
Early History

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 11.1 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

Figure 11.1 Historical Overview of Unions



Source: U.S. Bureau of Labor Statistics, *Union Membership*, <http://www.bls.gov> (accessed April 29, 2010).

craft union an organization of skilled workers in a single craft or trade

Going for SUCCESS

Players' Unions in the Big Leagues

Unions have been part of professional sports for more than 125 years. The Brotherhood of Professional Base Ball Players was the first to represent the interests of major-league players, starting in 1885. Although several other unions sprang up early in the 20th century, the first collective-bargaining agreement between players and team owners was not negotiated until the 1960s, when the Major League Baseball Players Association was formed. This initial contract raised the minimum player salary to \$10,000. Later, the union would negotiate the right to send grievances to arbitration, to have players share in licensing revenues, and other issues important to its members.

Players in other big-league sports also have union representation. Under

the hoops and behind the scenes, the National Basketball Players Association, founded in 1954, negotiates with team owners over issues such as pay, retirement benefits, health benefits, and expense reimbursement. It also helps players with insurance arrangements, provides extra security if needed, and arranges charity appearances. On the gridiron, the National Football League Players Association, established in 1956, has negotiated over diverse issues such as salary caps, working conditions, and players' safety. On

and off the ice, the National Hockey League Players' Association, based in Toronto and founded in 1967, has negotiated collective-bargaining agreements covering everything from wages and benefits to sharing in revenue from the sale of player trading cards.



Sources: Paul Angilly, "Panini, Upper Deck Each Get NHL Deals," *Bristol Press (Bristol, CT)*, March 28, 2010, <http://www.bristolpress.com>; <http://www.nbpa.org>; <http://www.nflplayers.com>; <http://www.nhlpa.com>; <http://mlbplayers.mlb.com>.

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 (called to demand a reduction in the length of a work day from ten to eight hours) in Chicago's Haymarket Square, 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.

Another 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. The AFL also believed that organized labor should play a major role in

strike a temporary work stoppage by employees, calculated to add force to their demands

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.

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 this 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.



Unacceptable employment practices. An 11-year-old girl works alongside adult co-workers in a Tennessee textile mill, 1910.

© Lewis W. Hine/George Eastman House/Getty Images

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.

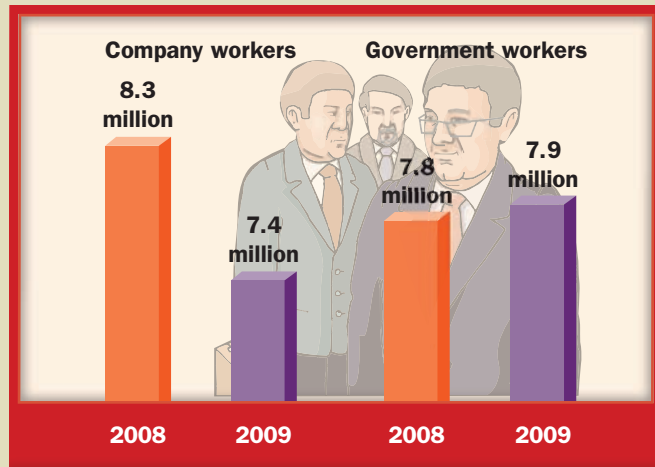
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industrial union an organization of both skilled and unskilled workers in a single industry

Discuss the sources of unions' negotiating power and trends in union membership.

Where Are the Union Members?

For the first time, there are more union members in government jobs than in company jobs.



Source: Bureau of Labor Statistics.

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.

Union Membership

Approximately 12.3 percent of the nation's workers belong to unions.² 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 11.5 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 *Teamsters Union*. The Teamsters originally were part of the AFL–CIO, but in 1957 they were expelled for corrupt and illegal practices. The union started out as an organization of professional drivers, but it has begun recently to recruit employees in a wide variety of jobs. 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 membership has risen to over 1 million workers. It 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 990,000 members. For a while, the Teamsters and the UAW formed a semistructured partnership called the *Alliance for Labor Action*. This partnership was dissolved eventually, and the UAW again became part of the AFL–CIO in 1981.

Membership Trends

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 11.1).

To a great extent, this decline in membership is caused by changing trends in business, such as the following:

- 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.

- Management is providing benefits that tend to reduce employees' need for unionization.
 - Increased employee participation and better wages and working conditions are goals of unions.
 - When these benefits are already supplied by management, workers are less likely to join existing unions or start new ones. The number of elections to vote on forming new unions has declined. The unions usually win about half the elections.
- According to Alan Greenspan, former chairman of the Federal Reserve, American labor laws and culture allow for the quicker displacement of unneeded workers and their replacement with those in demand, whereas labor laws in other countries tend to take longer for the change to occur.

It remains to be seen whether unions will be able to regain the prominence and power they enjoyed between the world wars and during the 1950s. There is little doubt, however, that they will remain a powerful force in particular industries.

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 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 becoming 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. *Limited partnerships* center on accomplishing one specific task or project, such as the introduction of teams or the design of training programs. For example, Levi Strauss formed a limited partnership with its employees, who are members of the Amalgamated Clothing and Textile Workers Union, to help the company in setting up team operations in its non-union plants. *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.

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



Union–management partnerships. The United Auto Workers president and a top Ford Motor executive are guiding their organizations toward a partnership aimed at having at least 25 percent of Ford vehicles powered partially by electricity.

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 16 percent of his or her health care premiums compared with a non-union worker's contribution of about 33 percent.³ 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 Saturn. The labor–management partnership between the Saturn Corporation and the UAW is one of the boldest experiments in U.S. industrial relations today. It was created through a joint design effort that included the UAW as a full partner in decisions regarding product, technology, suppliers, retailers, site selection, business planning, training, quality systems, job design, and manufacturing systems. This partnership has resulted in a dense communications network throughout the company's management system as well as improvement in quality performance.

3

Identify the main focus of several major pieces of labor–management legislation.

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.

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.

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 forbids 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. For example, New York University (NYU) graduate teaching and research assistants organized themselves as a union under the UAW. Initially, the NLRB voted to recognize the union, and the students negotiated a 40 percent stipend increase and gained health care benefits. The NLRB later reversed its decision, stating that the graduate students were not employees of the college and should not be recognized as a union. The students went on strike when NYU chose not to renew their union contract and extended offers to students on an individual basis. However, NYU graduate employees recently filed a request with the NLRB to hold another union election and negotiate a contract with NYU once again.⁴

National Labor Relations Board (NLRB) the federal agency that enforces the provisions of the Wagner Act

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 minimum wage is \$7.25 an hour. Some employees, such as farm workers, are still exempt from the minimum-wage provisions. 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 11.1 that union membership grew from approximately 2 million in 1910 to almost 12 million by 1945. Unions represented over 35 percent of all nonagricultural employees in 1945. As union membership and power grew, however, the federal government began to examine the practices of labor. Several long and bitter strikes, mainly in the coal mining and trucking industries, in the early 1940s 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 lists unfair labor practices that unions are forbidden to use. These include 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. About 20 states (many in the south) have passed such *right-to-work laws*.

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 discovered 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.

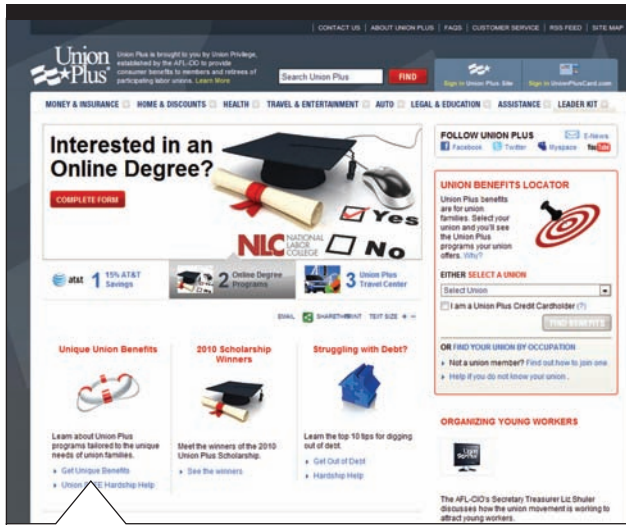
injunction a court order requiring a person or group either to perform some act or to refrain from performing some act

4

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.

Enumerate the steps involved in forming a union and show how the National Labor Relations Board is involved in the process.



Additional union benefits. Union Plus benefits are for labor union members and their families. The program provides benefits to union members, including education benefits, discounts on consumer services and goods, financial services, grants, and more.

Why Some Employees Join Unions

Obviously, employees start or join a union for a variety of reasons. One commonly cited reason is to combat 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.

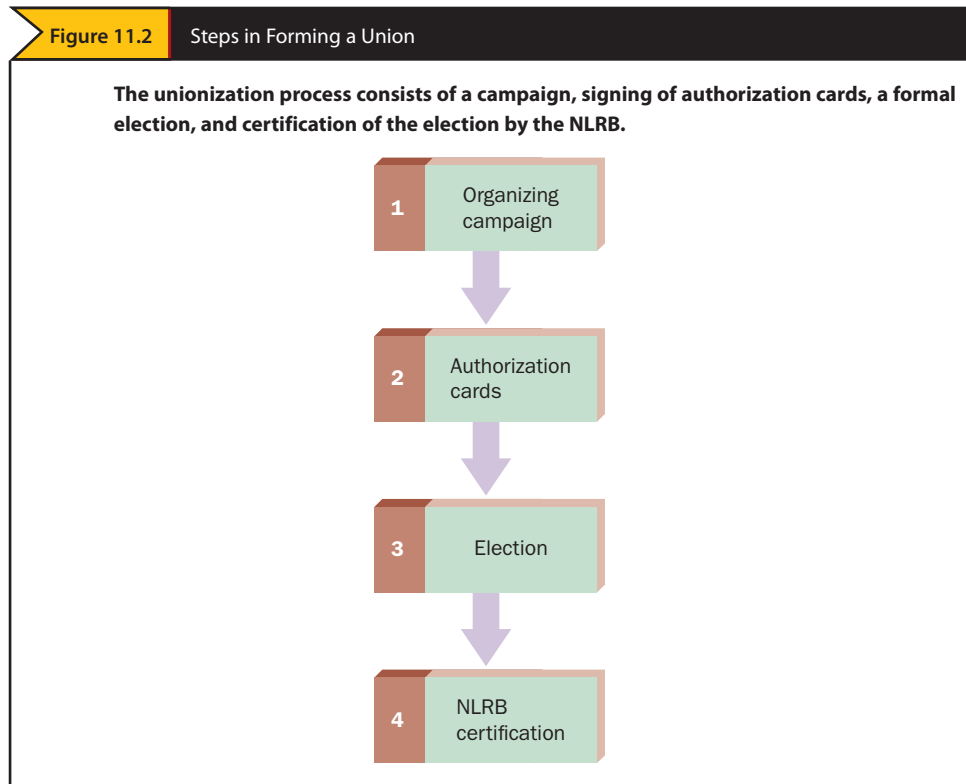
Some people join unions because of their personal backgrounds. For example, a person whose parents are strong believers in unions might be inclined to feel just as positive about union membership.

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.

Steps in Forming a Union

The first step in forming a union is the *organizing campaign* (see Figure 11.2). 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

Figure 11.2 Steps in Forming a Union



© Courtesy of Union Privilege

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 11.3) 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.

Figure 11.3 Sample Authorization Card

Unions must have written authorization to represent employees.

OBLIGATION OF

“I _____, in the presence of
(PLEASE PRINT NAME)
 members of the _____
 promise and agree to conform to and abide by the Constitution
 and laws of the _____ and its Local Unions. I will further the
 purpose for which the _____ is instituted. I will bear true
 allegiance to it and will not sacrifice its interest in any manner.”

(TO BE SIGNED BY APPLICANT — PLEASE DO NOT PRINT)

PRINT OR TYPE IN BLACK INK ONLY

SEX — MALE FEMALE

LAST NAME	FIRST	INITIAL	SOCIAL SECURITY NO.
ADDRESS (STREET & NUMBER)			DATE OF BIRTH
CITY & STATE (OR PROVINCE)		POSTAL CODE	TELEPHONE NO.
PRESENT EMPLOYER			DATE HIRED
CLASSIFICATION			DATE OF THIS APPLICATION

Have you ever been a member of _____? YES NO If so, where? LOCAL NO. _____ STATE _____

PORTION BELOW TO BE FILLED IN BY L.U. SECRETARY

LOCAL UNION NO.	DATE OF INITIATION	TYPE OF MEMBERSHIP	CARD NO.
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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 that of **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.

The Role of the NLRB

As we have demonstrated, the NLRB is heavily 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.

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.

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.

bargaining unit the specific group of employees represented by a union

jurisdiction the right of a particular union to organize particular groups of workers

collective bargaining the process of negotiating a labor contract with management

5

Describe the basic elements of the collective-bargaining process.

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.

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



Union-management negotiation issues. Compensation and employee benefits are often the major issues that company and union leaders negotiate.

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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.

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.

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.

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.

6

Identify the major issues covered in a union–management contract.

ratification approval of a labor contract by a vote of the union membership

Forms of Pay The primary form of pay is direct compensation—the wage or salary and benefits 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 the 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.

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.

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.

seniority the length of time an employee has worked for an organization

overtime time worked in excess of 40 hours in one week (under some union contracts, time worked in excess of eight hours in a single day)

Ethical Challenges & SUCCESSFUL SOLUTIONS



How Much Say Should Unions Have?

Unions want to protect their members' interests, but how much say should they have in corporate decisions? This is an important consideration for companies with workforces that are partly or completely unionized, especially when mergers and acquisitions are in the works. Unions have publicly expressed concern about some recent airline mergers, bringing up issues such as loss of seniority and reduced benefits.

Other acquisitions have provoked union objections, as well. For example, the Communications Workers of America spoke out when Verizon Communications agreed to sell its landline phone business to Frontier Communications. Verizon viewed the \$8.6 billion deal, involving 4.8 million landlines in 14 states, as a way to divest a slow-growing division. For its part, Frontier saw an opportunity to significantly increase its geographic reach and its revenue.

For months after the deal was announced, the union held demonstrations to capture the attention of federal and state regulators. It argued that Frontier would have so much debt that it would eventually have to lay off employees. The union also said that Frontier would not have the resources to invest in service upgrades. Frontier said the deal would help its financial situation and promised to honor Verizon's contracts with the union. State regulators eventually approved the deal. But how much influence should unions have over these kinds of corporate decisions?

Sources: Eric Eyre, "PSC Orders Verizon to Put Aside Millions for Customer Service," *Charleston Gazette (West Virginia)*, May 10, 2010, <http://wvgazette.com>; "Verizon, Frontier Assail Union's Latest Move," *Charleston Gazette*, May 3, 2010, <http://wvgazette.com>; Roger Cheng, "Union Pushes Back on Verizon," *The Wall Street Journal*, April 12, 2010, <http://www.wsj.com>; Carrie Jones, "Rally Protests Verizon-Frontier Deal," *WSAZ NewsChannel 3*, January 10, 2010, <http://www.wsaz.com>; Jeremy Edwards, "Communication Workers Protest Verizon-Frontier Merger," *WSAZ NewsChannel 3*, April 15, 2010, <http://www.wsaz.com>.

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.

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

job security protection against the loss of employment

union security protection of the union's position as the employees' bargaining agent

closed shop a workplace in which workers must join the union before they are hired; outlawed by the Taft-Hartley Act



Using a strike to negotiate. A strike can increase public support for a union's position and decrease a firm's ability to operate effectively.

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

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.

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 below (see Figure 11.4).

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

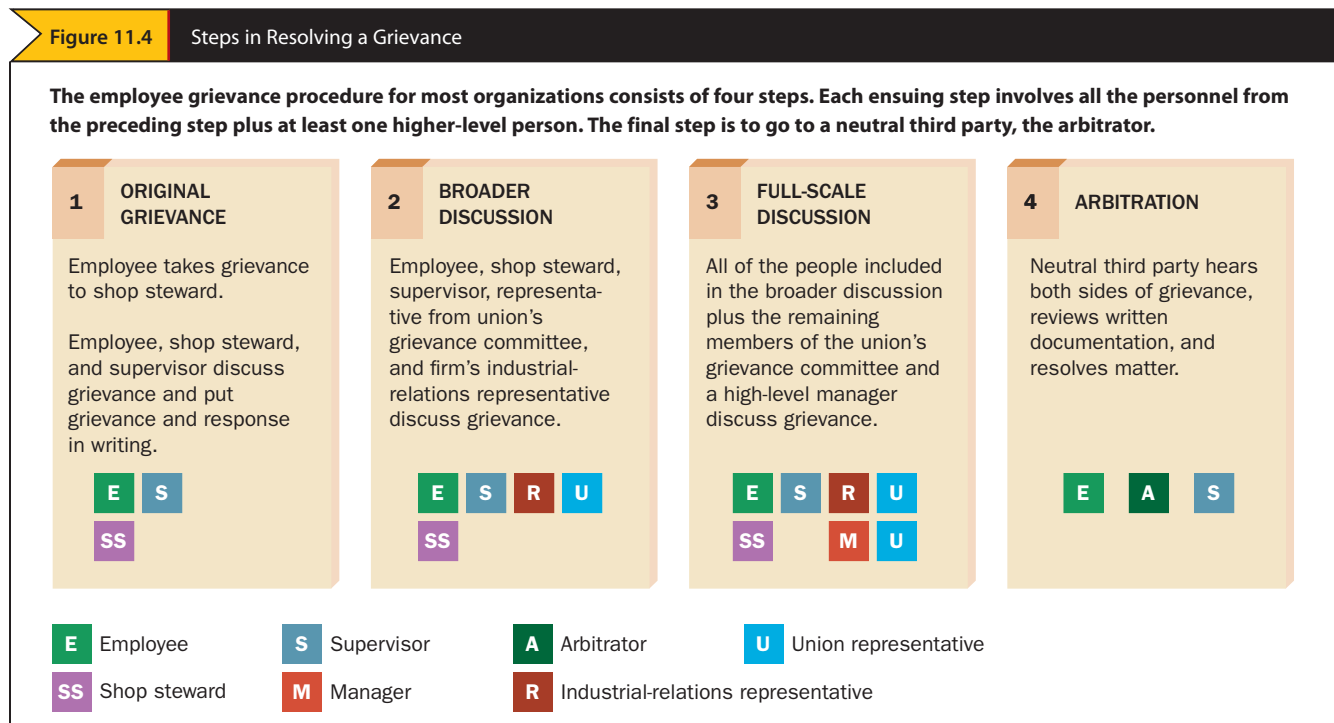
union shop a workplace in which new employees must join the union after a specified probationary period

agency shop a workplace in which employees can choose not to join the union but must pay dues to the union anyway

maintenance shop a workplace in which an employee who joins the union must remain a union member as long as he or she is employed by the firm

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



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.

Full-Scale Discussion 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.

Arbitration 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.

Union and Management Negotiating Tools

Management and unions can draw on 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.

Strikes

Unions only go out on strike in a very few instances. These almost always occur after an existing labor contract has expired. (In 2009, there were only five major strikes in the United States, which was the lowest number since strikes began to be documented by the government in 1947.)⁵ 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. The recent strike at Boeing Company, where 27,000 union members walked off their jobs in a dispute over job security, pay, and benefits, cost the company about \$100 million a day in lost revenue. Thirty-two days after the strike began, Boeing Company and the Machinists Union agreed to resume negotiations.⁶ 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

7

Explain the primary bargaining tools available to unions and management.

arbitration the step in a grievance procedure in which a neutral third party hears the two sides of a dispute and renders a binding decision

picketing marching back and forth in front of a place of employment with signs informing the public that a strike is in progress

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. Philadelphia, for example, experienced major problems when nearly 5,000 members of the Transport Workers Union went on a six-day strike. The strike shut down most of the city's subways, buses, and trolleys, causing its almost 1 million daily commuters to rely on taxis, cars, and their own feet. The striking workers were angry over contract negotiations that reduced pensions and caused disagreements on some work rule issues.⁷

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.

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.

A **boycott** is a refusal to do business with a particular firm. Unions occasionally bring this strategy to bear by urging members (and sympathizers) not to purchase the products of a firm with which they are having a dispute. The Major League Baseball players' union joined a growing number of organizations that boycotted Arizona after the state passed a law that gave police unprecedented powers to determine anyone's immigration status. In addition to expressing their disapproval of the law, many big-league teams vowed they would not attend the 2011 All-Star Game, scheduled to be held in Arizona, unless it was moved to another state.⁸ 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.

wildcat strike a strike not approved by the strikers' union

slowdown a technique whereby workers report to their jobs but work at a slower pace than normal

boycott a refusal to do business with a particular firm

lockout a firm's refusal to allow employees to enter the workplace



Picketing. Picketing is used to publicize that a strike is occurring. In this illustration, hospital workers are picketing to inform the public that they are on strike because they have been working without a contract for over six months.

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.

© AP Images/Matt Rourke



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 handled the switchboards on more than one occasion.

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, to promote compromise, and generally to 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 to settle their differences. The Federal Mediation and Conciliation Service (FMCS) is an independent government agency that handles mediation for labor disputes. The FMCS resolved a strike led by employees of aircraft maker Hawker Beechcraft by helping the company and the Machinists Union reach a tentative contract deal after several days of negotiations.⁹ The agency handles 4,800 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 \$18 billion during 1999–2009, showing the benefits of mediation for both parties.¹⁰

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.

If mediation and arbitration are unsuccessful, then, under the provisions of the Taft–Hartley Act, the President of the United States can obtain a temporary injunction to prevent or stop a strike if it would jeopardize national health or security.

This chapter ends our discussion of human resources. Next, we examine the marketing function of business. We begin in Chapter 12 by discussing the meaning of the term *marketing*.

Sustaining the Planet

The Sierra Club and Green Jobs

The Sierra Club, dedicated to environmental protection, is promoting green jobs by working with legislators to build a greener economy, working with labor unions to ensure fair treatment of employees in green jobs, and encouraging the creation of green jobs to clean up the planet. Take a look: <http://www.sierraclub.org/greenjobs/default.aspx>.



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strikebreaker a non-union employee who performs the job of a striking union member

mediation the use of a neutral third party to assist management and the union during their negotiations

Southwest Airlines Pilots' Association

The Southwest Airlines Pilots' Association (SWAPA) engages in collective bargaining on behalf of its members, the pilots who fly for Southwest Airlines. Among the issues it negotiates with airline management are pilot pay, retirement benefits, and flexible work schedules. Although SWAPA is not part of any national or international union, it joins with the Coalition of Airline Pilots Associations to communicate its views on airline safety and security to federal legislators and regulators.

Because SWAPA's relations with Southwest Airlines are governed by the Railway Labor Act, certain negotiating tools (such as strikes) are not permitted. When the pilots failed to ratify a

tentative contract agreement in 2009, neither the union nor the airline threatened to take any extreme measures. Instead, they reopened talks and, weeks later, hammered out a deal that ultimately was approved, with 87 percent of the union members voting to ratify the new agreement.

Questions

1. How would you describe relations between Southwest Airlines and its pilots' union? Do you think the two sides should aim for speedier negotiations, considering that the 2006 contract talks stretched over nearly three years?
2. Do you agree that airline pilots should not be allowed to strike? Explain your answer.

SUMMARY

Summary

1 Explain how and why labor unions came into being.

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.

2 Discuss the sources of unions' negotiating power and trends in union membership.

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.

3 Identify the main focus of several major pieces of labor-management legislation.

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.

4 Enumerate the steps involved in forming a union and show how the National Labor Relations Board is involved in the process.

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.

5 Describe the basic elements of the collective-bargaining process.

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.

6 Identify the major issues covered in a union-management contract.

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.

7 Explain the primary bargaining tools available to unions and management.

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 (308)	injunction (315)	union security (321)	picketing (323)
union-management (labor) relations (308)	bargaining unit (318)	closed shop (321)	wildcat strike (324)
craft union (309)	jurisdiction (318)	union shop (322)	slowdown (324)
strike (310)	collective bargaining (318)	agency shop (322)	boycott (324)
industrial union (311)	ratification (319)	maintenance shop (322)	lockout (324)
National Labor Relations Board (NLRB) (314)	seniority (320)	grievance procedure (322)	strikebreaker (325)
	overtime (320)	shop steward (322)	mediation (325)
	job security (321)	arbitration (323)	

Review Questions

- Briefly describe the history of unions in the United States.
- Describe the three characteristics common to most union-management partnerships. Discuss the benefits of union-management partnerships to management, unions, and workers.
- How has government regulation of union-management relations evolved during this century?
- For what reasons do employees start or join unions?
- Describe the process of forming a union, and explain the role of the National Labor Relations Board (NLRB) in this process.
- List the major areas that are negotiated in a labor contract.
- Explain the three issues involved in negotiations concerning employee pay.
- What is the difference between job security and union security? How do unions attempt to enhance union security?
- What is a grievance? Describe the typical grievance procedure.
- What are the steps involved in collective bargaining?
- Why are strikes and lockouts relatively rare nowadays?
- What are the objectives of picketing?
- In what ways do the techniques of mediation and arbitration differ?

Discussion Questions

1. Do unions really derive their power mainly from their membership and labor legislation? What are some other sources of union power?
2. Which labor contract issues are likely to be the easiest to resolve? Which are likely to be the most difficult?
3. Discuss the following statement: Union security means job security for union members.
4. How would you prepare for labor contract negotiations as a member of management? As head of the union negotiating committee?
5. Under what circumstances are strikes and lockouts justified in place of mediation or arbitration?

Video Case 11.1

Understanding Labor Unions with the Writers Guild of America



Most people probably don't think "Hollywood" when they think "unions." Perhaps they think of truck drivers, teachers, autoworkers, electricians, and other members of powerful and well-known labor unions. But in fact, the Writers Guild of America (WGA) is a long-standing and potent force in the media business and has been protecting and advocating for creative workers across the United States for over 50 years.

The Guild consists of two separate unions that are loosely linked but often act together—the Writers Guild East and the Writers Guild West. It's a not-for-profit organization whose members include thousands of graphic artists and writers for motion pictures, television, radio, newscasts, and increasingly the Internet. One direct result of the three-month writers' strike in 2008 was the Guild's extension of its jurisdiction to include Internet content, and the organization is now in the process of developing rules to protect and govern its members' work online. The Guild has created the position of New Media Project Manager for this purpose.

As one writer associated with a late-night TV talk show observed, in the entertainment business "all ideas start with the writer. Without writers you don't have a business at all—we start the ball rolling." That's the kind of pride in authorship that members of the Guild readily feel with the power of their union behind them.

The main purpose of the Writers Guild union is to protect its members, ensuring they get proper credit for their work and are properly paid. Compensation for scriptwriters consists of two parts: up-front money, which is paid on delivery of the work, and residuals, which are continuing payments made when the work is reused—for instance, when a show is rerun or goes into syndication. One way the Guild protects members is by receiving their residuals directly from the networks and other broadcasters, so it can check their accuracy before turning the money over to the individual writer who earned it. The Guild maintains a complex monitoring system that allows it to track reruns and verify payments

and crediting. When something goes wrong—if someone isn't properly paid or credited—the Guild will step in on the writer's behalf. In the event of disagreements, the Guild will take the case to arbitration to ensure the writer gets what he or she has earned.

Most networks are closed shops, meaning writers must belong to the union to work there. In return, the Guild provides benefits like health care plans and pensions. Members' income can range widely, so the Guild makes special efforts to draw them together and develop the kind of solidarity that can make picketing and strikes effective. Recently, for instance, almost 1,000 WGA members filed a class-action lawsuit against two leading talent agencies claiming age discrimination. A \$4.5 million settlement fund was the result.

Picketing has been successful, too. WGA picket lines recently won members protection against employers' ability to fire workers at will (employment at will means an employee can be fired at any time for almost any reason and with few legal rights). And strikes, while costly to all parties, can get good, if imperfect, results for union members. The 2008 writers' strike, for instance, sought a penny increase in the fee writers earned from the sale of movie videos and a percentage of the income from foreign sales of films (many U.S. films earn even more money abroad than they do at home). After three long months of a strike that disrupted the fall seasons of many top-rated TV shows and left other workers associated with those shows temporarily out of work, the strike ended with the achievement of only one of the goals—the percentage of foreign sales. Union officials were satisfied that the deal made everyone at least a little bit happy, and from that perspective it was a good outcome.

The WGA continues to support creative workers in the entertainment area. Writers Guild West recently came out in support of Hollywood's composers and lyricists, who are currently not unionized but are seeking entry to Teamsters Local 399. "We're very supportive," said a Guild

spokesperson. “We consider composers and lyricists our colleagues, and we believe they deserve the benefits of a union contract.”¹¹

Questions

1. Should union members in nonessential industries like entertainment have the right to strike when their actions may put others out of work as well?
2. Do you think a labor dispute outcome that leaves both sides partly satisfied is a good outcome? Why or why not?
3. Union membership in the United States has been on a slow decline for about 30 years. What factors do you think account for this drop?

Case 11.2

When Nurses and Hospitals Don't Agree

What happens when unionized nurses and hospital administrators do not agree? Not long ago, the California Nurses Association threatened a one-day strike against dozens of California hospitals. The union wanted to call attention to its serious concerns about hospitals' preparations for protecting nurses against the potentially deadly H1N1 swine flu. At the time, 200 people in California had died from the flu strain, and hospitals around the state were coping with an influx of patients suffering from swine flu. The union was also in the middle of negotiating a new contract for its members, seeking higher pay and higher staffing levels than specified in the previous contract, which had expired months earlier.

Only days before the strike was scheduled to take place, however, it was called off as union negotiators and hospital administrators sat down with a federal mediator and worked to resolve their differences. The two sides were able to reach an agreement, and the union's members ratified the contract, which included extra safety precautions to protect nurses against swine flu.

This is only one example of how complex the negotiations can be when nurses' unions and hospital management disagree. Adding to the challenge, the U.S. health care system is currently facing two conflicting issues: a shortage of nurses and pressure to contain costs while providing proper medical care. The quality of care is, in fact, an important consideration for both sides, especially in light of research published by the National Bureau of Economic Research. Covering 50 nurses' strikes in New York state hospitals over 20 years, the study found higher mortality rates and higher readmission rates among patients hospitalized during the strikes, even when hospitals hired replacement nurses to cover for those on the picket line.

Because the stakes are so high, some nurses' unions are banding together to boost their advocacy efforts. In 2009, the California Nurses Association, the Massachusetts Nurses Association, and the United American Nurses merged to create National Nurses United, a union which has 150,000 members nationwide. The union's top priority is to lobby for a higher ratio of nurses to patients.

Strikes are not the only way a nurses' union can put the spotlight on their concerns. When members of the Wash-

ington State Nursing Association were unhappy with proposed contract changes that could limit rest breaks, the nurses walked an informational picket line outside the Providence Sacred Heart Medical Center. The nurses were worried about fatigue affecting the quality of care, and they wanted to ensure that they had a full ten minutes of break time every four hours to rest. Rather than call a strike, nurses carried explanatory picket signs outside the hospital before and after their regular shifts. This nurses' union also set up an informational picket line when its contract negotiations with Tacoma General Hospital were stalled over pay increases and changes to retirement programs.

Sometimes nurses' unions and hospital administrators disagree on other issues. The Pennsylvania Association of Staff Nurses and Allied Professionals decided to strike Temple University Hospital in Pennsylvania after working without a contract for months. One of the key reasons was to protest a clause preventing union leaders and members from publicly criticizing hospital administration and staff. The hospital's CEO said the “non-disparagement” clause would not prevent nurses from alerting administrators to concerns about patient care. Other issues included pay, retirement programs, and college-tuition benefits for the children of hospital workers. The hospital hired 850 temporary nurses to maintain staffing levels during the strike, which lasted for a month. At the end, union and hospital negotiators bargained for days about the issues that had divided them, reached an agreement acceptable to both sides, and the union promptly ratified the new multiyear contract.¹²

Questions

1. Identify the major issues that have led to disagreements between nurses' unions and hospitals. Which do you think are most important for each side, and why?
2. Why would a nurses' union choose an informational picket instead of a strike when it wants to call attention to important contract issues?
3. Should U.S. lawmakers forbid nurses' unions from striking unless mediation and arbitration fail to settle their disputes with management?



1 JOURNALING FOR SUCCESS

Discovery statement: This chapter focused on the unionization process and why employees join unions.

Assignment

1. What are the major reasons for joining and being a part of a labor union?
2. Under what conditions would you like to be a union member?
3. Are there any circumstances under which a striking union member should cross a picket line and go back to work? Explain.
4. Will the unions in the United States grow or decline over the next decade? Why?

2 EXPLORING THE INTERNET

Union Web sites provide a wealth of information about union activities and concerns. Just as a corporate home page gives a firm the opportunity to describe its mission and goals and present its image to the world, so too does a Web site allow a union to speak to its membership as well as to the public at large. Visit the text Web site for updates to this exercise.

Assignment

1. Visit the following Web sites:
AFL–CIO: <http://www.aflcio.com>
United Auto Workers: <http://www.uaw.org>
2. What are the mission statements of these unions?
3. Briefly describe your impression of the areas of interest to union members.
4. What is your impression of the tone of these Web sites? Do they differ in any way from a typical business Web site?

3 DEVELOPING CRITICAL-THINKING SKILLS

Recently, while on its final approach to an airport in Lubbock, Texas, a commercial airliner encountered a flock of ducks. The flight crew believed that one or more of the ducks hit the aircraft and were ingested into the plane's main engine. The aircraft landed safely and taxied to the terminal. The flight crew advised the maintenance and operations crews of the incident. Operations grounded the plane until it could be inspected, but because of the time of day, maintenance personnel available to perform the inspection were in short supply. A supervisor, calling from an overtime list, made calls until contacting two available off-duty mechanics. They worked on overtime pay to perform the inspection and return the aircraft to a safe flying status. Several days after the inspection, a mechanic on the overtime list who was not home when the supervisor called complained that she had been denied overtime. This union member believed that the company owed her overtime pay for the same number of hours worked by a mechanic who performed the actual inspection. The company disagreed. What options are available to resolve this conflict?

Assignment

1. Using the following questions as guidelines, determine how this dispute can be resolved.
 - a. What options are available to the unhappy mechanic? What process must she pursue? How does this process work?
 - b. Do you believe that the mechanic should receive pay for the time she did not work? Justify your answer.
 - c. What do you think was the final outcome of this conflict?
2. Prepare a report describing how you would resolve this situation.

4 BUILDING TEAM SKILLS

For more than a century, American unions have played an important role in the workplace, striving to improve the working conditions and quality of life of employees. Today, federal laws cover many of the workers' rights that unions first championed. For this reason, some people believe that unions are no longer necessary. According to some experts, however, as technology changes the workplace and as cultural diversity and the number of part-time workers increase, unions will increase their memberships and become stronger as we move into the new century. What do you think?

Assignment

1. Form a "pro" group and a "con" group and join one of them.
2. Debate whether unions will be stronger or weaker in the next century.
3. Record the key points for each side.
4. Summarize what you learned about unions and their usefulness in a report, and state your position on the debated issue.

5 RESEARCHING DIFFERENT CAREERS

When applying for a job, whether mailing or faxing in your résumé, you should always include a letter of application, or a cover letter, as it is often called. A well-prepared cover letter should convince the prospective employer to read your résumé and to phone you for an interview. The letter should describe the job you want and your qualifications for the job. It should also let the firm know where you can be reached to set up an appointment for an interview.

Assignment

1. Prepare a letter of application to use with the résumé you prepared in Chapter 9. (An example appears in Appendix A online.)
2. After having several friends review your letter, edit it carefully.
3. Ask your instructor to comment on your letter.



Graeter's: Where Tenure Is "a Proud Number"

Although you might think working for an ice-cream company would be motivating under almost any circumstances, Graeter's doesn't take its employees' commitment for granted. Including full-time and part-time seasonal workers, Graeter's employs about 800 hourly workers in nearly 30 retail stores in Cincinnati and surrounding areas. Over the last few years, it has benefitted from tightening up some of its long-standing human resource management (HRM) procedures, including those for hiring and evaluating employees.

IMPROVING TRAINING AND PERFORMANCE MEASUREMENT

According to an HR consultant who works with top management at this fourth-generation family-owned firm, in past years the company ran more or less on unquestioned directives from the top down. There was a Laissez-Faire attitude, and goals and measurement systems weren't strongly emphasized. "If [employees] came in and they made ice cream, if they made enough for the week, for the day, that was enough," says the consultant. Now "that has really radically changed. If you walk around now we have measurement systems up. People understand what their expectation is, and we have defined the behaviors that are acceptable and not acceptable within the company. We communicate that. We teach and educate people. We've done a lot of work in retail about exceptional customer service and what that looks like and how you do that.... Employees are going to engage you... and you are going to have a good time."

Turnover is low. "We don't hire based on race," says David Blink, the company's controller. "We don't hire based on gender. We hire based on potential... We are looking for people who are conscientious about their work, who do a good job, who show up every day. We are a fun place to work.... We have turnover based on seasonal work only because we hire a lot of college kids [and] high school kids that are here for the summer and then they come back for the holidays." Each store is staffed with a manager and an assistant manager as well as team leaders. Some employees spend their entire working careers with Graeter's and eventually retire from the firm.

RAISING THE BAR FOR PRODUCTION

Graeter's looks for people with baking industry skills for its factories, which recently grew from one to three as the company has undertaken a major and possibly nationwide expansion of its supermarket distribution system. Higher production goals have given newly empowered factory employees achievements to boast about on the slogan T-shirts they wear. Employee suggestions for improvement

pour in, and morale is going up. Employees also wear badges with their names and the number of years they have worked for the firm, "and that is a proud number," says Blink. Some factory employees have been with Graeter's for 25 years, a milestone that merits a party. Birthdays and anniversaries are also celebrated with flair.

BENEFITS THAT PAY

The benefits package is competitive. Graeter's offers its employees profit sharing, and it has made a profit every year. It also has a 401k retirement plan that matches employees' contributions and a rolling allowance for paid time off that is separate from paid vacations and based on the employee's tenure with the firm. The health care plan covers 65 percent of employees' medical expenses; dental insurance, life insurance, and short- and long-term disability insurance are offered. Employees who don't use the company's insurance plan (because they are covered by a spouse's plan, for instance) are rewarded with a stipend. Store employees wear uniforms for which the company pays as well.

ADDING EXECUTIVES BECAUSE "YOU CAN'T DO IT ALONE"

Hiring at the executive level is largely the province of CEO Richard Graeter II, who, like his cousins Robert (vice president of manufacturing) and Chip (vice president of retail stores), is a great grandson of the 140-year-old company's founders. The company has adopted ambitious expansion plans and has taken advantage of the unexpected opportunity to purchase several Graeter's stores and a factory from the last of its franchisees, increasing its production capacity overnight. Therefore, the management team has also grown, altering the structure of the growing firm.

"In the last few months," says Richard, "I have hired a vice president of sales and marketing... we now work with a food broker... we hired a vice president of finance, basically a CFO [chief financial officer] because we are big enough to support that. Actually when we bought the franchisee we kept his entire team, so we added another vice president of sales for the Columbus area. We elevated our director of sales to a vice president level here in Cincinnati, and I think we are going to find someone to be our marketing director, which is a position we've never had on our staff before.... Identifying the gaps in your executive team and your talent pool, and going out and finding people to fill those gaps, is probably one of my most critical functions in addition to looking out to define the strategic direction of the company. I've got some wonderful people on the team now, and they are really helping us make the jump from a small business to a medium-sized business.... People at that level, you've

got to pay them well. It's worth it, though.... They can command the kind of salary they do because they bring the talent you need to navigate the waters."

"You can't do it alone," Richard concludes. "That is the other thing that I think my cousins and I all have come to realize; we can't do it alone. Our fathers and aunt and the folks that came before them... they did it all, from figuring out where to build the next store to hanging up the laundry at the end of the day." But now, as the company's growth begins to surge, "you need to rely on talent that is beyond just you."¹³

Questions

1. If you were a Graeter's human resource executive, would you expect to do more internal recruiting or external recruiting for the company's retail stores? Why?
2. Graeter's controller believes the company "must be doing something right" because employee turnover is low. What are some of the factors that might be contributing to Graeter's low turnover?
3. Graeter's is currently a non-union company. How might the experience of working there change if a union were to be introduced?

Building a Business Plan PART 4



To access the online *Interactive Business Plan*, go to www.cengagebrain.com.

In this section of your business plan, you will expand on the type and quantity of employees that will be required to operate the business. Your human resources requirements are determined by the type of business and by the size and scale of your operation. From the preceding section, you should have a good idea of how many people you will need. Part 4 of your textbook, "Human Resources," especially Chapters 9 and 10, should help you in answering some of the questions in this part of the business plan.

THE HUMAN RESOURCES COMPONENT

To ensure successful performance by employees, you must inform workers of their specific job requirements. Employees must know what is expected of the job, and they are entitled to expect regular feedback on their work. It is vital to have a formal job description and job specification for every position in your business. Also, you should establish procedures for evaluating performance.

The labor force component should include the answers to at least the following questions:

- 4.1. How many employees will you require, and what qualifications should they have—including skills, experience, and knowledge? How many jobs will be full-time? Part-time?
- 4.2. Will you have written job descriptions for each position?

- 4.3. Have you prepared a job-application form? Do you know what can legally be included in it?
- 4.4. What criteria will you use in selecting employees?
- 4.5. Have you made plans for the orientation process?
- 4.6. Who will do the training?
- 4.7. What can you afford to pay in wages and salaries? Is this in line with the going rate in your region and industry?
- 4.8. Who will evaluate your employees?
- 4.9. Will you delegate any authority to employees?
- 4.10. Have you developed a set of disciplinary rules?
- 4.11. Do you plan to interview employees when they resign?

REVIEW OF BUSINESS PLAN ACTIVITIES

Remember that your employees are the company's most valuable and important resource. Therefore, make sure that you expend a great deal of effort to acquire and make full use of this resource. Check and resolve any issues in this component of your business plan before beginning Part 5. Again, make sure that your answers to the questions in each part are consistent with the entire business plan. Finally, write a brief statement that summarizes all the information for this part of the business plan.

The information contained in "Building a Business Plan" will also assist you in completing the online *Interactive Business Plan*.