

C

E



Center for
Effective
Organizations

**Unions and the New
Management**

**CEO Publication
G 85-9 (75)**

Edward E. Lawler III
Susan A. Mohrman
Center for Effective Organizations

May 1994

**Unions and the New
Management**

**CEO Publication
G 85-9 (75)**

Edward E. Lawler III
Susan A. Mohrman
Center for Effective Organizations

May 1994

ABSTRACT

The reasons for the decline of the union movement are considered. It is concluded that unless unions change in important ways they will continue to decline. It is argued that there is a viable role for them in participatively managed organizations. This new role depends on them dropping much of their adversarial role and becoming representatives of the workforce in the participative process.

UNIONS AND THE NEW MANAGEMENT

by

Edward E. Lawler III and Susan A. Mohrman
University of Southern California

The American union movement is in trouble. Indicators of it's health show that it is very ill. The only debatable point is whether the illness is terminal or simply another of the down cycles that the union movement has had during its lifetime in the United States. The severity of its illness is best illustrated by its declining membership. Recent data from the Bureau of Labor Statistics show that union membership fallen from 23% of the work force in 1980 to 18.8% in 1984, the lowest level in recent history. This percentage decline represents a decrease of 2.7 million union members. As recently as the 1950s over 30% of the work force belonged to unions.

The reasons commonly cited for the decline in union membership are many and somewhat varied: automation, layoffs in unionized industries such as automobiles and steel, the increasing success of employers' anti-union efforts, the sharp growth of service industries, the changing legal situation with respect to union organizing and employee rights and the changing expectations of the new workforce. In short, the environment that unions have historically operated in has changed dramatically and as a result, their very existence is threatened. It is threatened because the role that they used to fill is not viable in the present environment. Their survival, therefore, depends on their finding a new role that is viable given the changes which have taken place. Before we discuss some of the changes that unions will have to make in order to be

viable, some attention needs to be paid to their traditional role and their success in fulfilling that role.

TRADITIONAL ROLE OF UNIONS

Union management relationships in the United States have traditionally been adversarial. Unions have consistently taken the position that the best way to accomplish their objectives is to adopt a predominantly adversarial relationship with management. The reliance on adversarial relationships in many ways follows directly from the kinds of objectives that unions have had and the kinds of promises that they have made to their membership.

Essentially, they have presented themselves as organizations that can offer their members certain tangible benefits which are not obtainable in the absence of unions. These tangible benefits are primarily in the area of wages, working conditions, job security, and due process appeals.

Few question that unions have been effective in accomplishing many of their objectives. The wages of unionized employees have been estimated to be as much as 33% higher than those of non-union employees and unions are often credited with dramatically improving working conditions and safety in the United States.¹ The protections that unions offer against arbitrary management action are also well documented. Grievance procedures and contractual terms protect employees from unfair salary actions, layoffs, and discipline. Overall, the evidence supports the view that unions have been highly successful in accomplishing what they set out to do for their members.

Indeed, there is evidence to suggest that not only have they improved conditions for their membership, many of the gains that they

have gotten for their membership have spread to the work force in general. This has come about through legislation that they have supported and because companies have given their non-union employees comparable working conditions in order to avoid unionization. In short, the union movement has established many of the standards of employment that are generally accepted in our society today.

If unions have been highly successful, why are they in a state of serious decline? At first glance this is puzzling, but it is explainable. Essentially, unions have been so successful they have made themselves unnecessary. That is, they have accomplished their objectives so well that now many believe they are no longer needed. It is somewhat reminiscent of the American Polio Society which, after eradicating polio, was faced with a situation of either changing its agenda or going out of business.

One alternative clearly is to suggest that unions should go out of business because they are no longer necessary. There are, however, some serious problems with this idea. First, there is still considerable work to be done with respect to the traditional issues that unions have addressed. Far too many people in the United States are killed and maimed by avoidable accidents, too many rogue managements still engage in unfair and unreasonable practices, there certainly is room to improve the economic plight of many employees and the existence of unions probably motivates many managers, even those in non-union settings, to do the right thing. Second, we are at a time in history when fundamental changes are occurring in the organization of work and the structure of the economy. Organized labor is an important institutional voice for the workforce during this time of change. Thus, from a societal point of view, it is desirable to have a vibrant, viable union

movement in the United States. However, there is no denying that there is a declining market for traditional unionism and that this could lead to the demise of unions even though it is societally desirable for them to continue.

The declining market for traditional unionism is being recognized by the leadership of some major U.S. unions, and there is evidence that change is taking place in the union movement. A recently completed study by the AFL-CIO addressed the issue of the future of unionism in the United States. In many respects the results of the study represented a revolution of thinking within the top echelon of the union movement. The study pointed out that unions often find themselves behind the pace of change and stated that "it is not enough merely to search for more effective ways of doing what we've always done: we must expand our notions of what it is workers can do through unions."² But what can employees do through unions that is new and different? In short, what are the new services or products that unions can offer people which will prevent them from being obsolete? In answering this question unions must deal with the changes which management is making. It too is developing strategies to deal with many of the same changes which are causing such severe problems for unions.

THE NEW MANAGEMENT

A mini-revolution or at least a significant change in the way a number of American corporations are being managed is occurring.³ This change started in the 1970s but has gained its major momentum in the 1980s. The new management approaches are a response to such challenges as increasing foreign competition, the complexities of a global economy, and declines in the rate of growth.⁴ In essence, the new approaches to management move toward greater power sharing and participative decision

making. Information, knowledge, and power, which previously have been held at the top of U.S. corporations, have increasingly been shared and moved to lower levels. Motorola, General Motors, Honeywell, Xerox, and GTE are among the major U.S. corporations that have publicly committed themselves to a total corporate change in the way they manage their people. They have adopted a management approach which consciously blurs the line between workers and managers and which creates an organizational culture characterized by employees caring more, knowing more, and doing more. This represents a substantial departure from the traditional management approach of emphasizing control and compliance in order to get effective behavior from lower level members of the organization.⁵ In short, it emphasizes getting effective behavior through commitment to the goals of the organization.

This new management approach is probably best represented in the over two hundred high involvement new plants that have been started by U.S. manufacturing organizations in the last decade.⁶ Almost all of these have been started as non-union plants and have successfully resisted union organizing drives. In essence, they have made unions unnecessary in the eyes of their employees, not so much because they offer the same things as unions offer but because they have created a world that has more appeal to the work force than the one offered by unions. They offer a world with blurred distinctions between managers and workers and jobs with enhanced variety and responsibility. In this world, employees often control the organization to such a degree that they determine their own wages, the distribution of overtime, the structure of their work, and who will be laid off. This creates an environment in which workers already make decisions about many of the issues which contracts cover and which have historically been subject to

grievances. In this environment, it is hard to see what role traditional unionism has.

It is possible to conclude here that as organizations move toward more and more employee involvement there is no role left for unions. Before we conclude this, it is important to note that some of the new high involvement organizations are in fact organized. The UAW, for example, has jointly started a number of high-involvement plants with General Motors, and is currently involved in starting the Saturn operation of General Motors. The Shell polypropelene plant in Sarnia, Canada has a high involvement design that was jointly implemented with OCAW. Although the evidence from these settings is slim, it does suggest that there is a viable and important role for unions in these high involvement work settings. Indeed our view is that if unions change their approach they can offer services to members that will make them viable in high involvement organizations. Let us therefore turn to a consideration of what this new role looks like.

NEW ROLE FOR UNIONS

The role of unions in high involvement organizations needs to switch from being primarily adversarial to being primarily oriented to assuring participation. The union needs to become a representative of the work force in decision making and to assure that their inputs and views are effectively represented in the business decision making process. There still needs to be a contract, and collective bargaining certainly has an important role, but it too must change.

Table 1 shows that there are some important differences between the traditional contract and one that might be negotiated with this new approach. To begin with, the new approach suggests that the whole

contract might be only a few pages of general philosophy and culture setting. It needs to focus on setting up decision processes that allow the details of work methods, procedures and pay to be handled in an on-going basis through a regular participative structure in the organization. With respect to the reward systems, rather than detailing the actual reward levels for individuals the contract could talk about the kinds of reward systems that will be put in place and leave it to the participative process to decide how specific individuals will be affected by the reward systems. Overall, rather than establishing a time-bound legal template and a "judicial" appeals process to handle violations, the new contract would bind the parties to general principles and guidelines. It would specify participative processes for determining the particulars, introducing changes, and addressing problems which arise.

Table 2 carries the idea of a new union role further. In several areas it calls for unions to take on a much more important role than they have in the past, and in others it suggests a dramatic change in union activities. For example, with respect to corporate policy and organizational effectiveness, it calls for unions to have a very active role because they represent a natural spokesperson for the employee perspective as the elected representatives of the work force.

With respect to organizational effectiveness the union represents an organized vehicle for building employee commitment to having an effective organization as well as assuring that employee knowledge and expertise are well utilized by the organization. In the important area of rewards, the union's role is that of an active participant in

designing and structuring the reward system which will be used. This can include such new practices as skill-based pay and profit sharing, which align company and employee interests in well trained workers and well performing business units.⁷ In these systems the union also needs to take on the role of monitoring their operation and assuring their effectiveness. Unions also should be quite active in the design of work methods and job structures. This inevitably means that they will be involved in selecting and implementing new pieces of technology and that they will become partners in the design process. Union involvement in work design, pay, and other decisions should have a dramatic and positive impact on the quality of work life that employees experience.

Unions can do a great deal to assure that the participative process and the attention to quality of work life, which are characteristic of the new management, become institutionalized parts of the management process. Indeed, the single most important role that unions can fulfill may be as a check and balance on the management group. As numerous studies of participative management have shown, it is all too easy for management to slip in and out of participative management practices as the environment and the management personnel change.⁸ Likewise, in the absence of a union, management can pick and choose the issues on which participation is permitted, soliciting no input on issues such as the introduction of technology, in which the workforce is centrally concerned. A union that is firmly committed to involvement can be an important safeguard that insures worker input into key decisions.

Finally, with respect to job security, the new role suggests an interesting change for unions. It suggests that union members get their security through the quality of their own skills and through the effectiveness of the organization. Unions can play a critical role in

both of these areas. As already mentioned, they can help see that the organization is effective through its actions. They can also help to assure that its members are trained, and developed in ways that will give them the personal security that comes from having transferable skills and the ability to cope with a turbulent economic environment. This, of course, is a quite different kind of job security than the one which typically comes with seniority-based union contracts.

The details of the new role that unions may have in participative organizations clearly need to be worked out. At the moment there are no union management relationships that incorporate all the elements suggested in Table 2. Perhaps the closest example is the work that GM and the UAW have been doing on the Saturn Project. There the union and management have jointly made policy decisions and participated in structuring the work environment. It has the promise of being a prototype of the new union management relationships in the United States. There are also a number of union management quality of work life programs in the United States. GM, Ford, Xerox and a number of steel companies have highly publicized programs in this area. They clearly present a step toward establishing a viable role for unions in more participatively managed organizations. In most cases they have stimulated employee involvement through problem solving groups and have reduced the grievance levels by using cooperative problem solving for day-to-day disputes.⁹ Thus, they represent further evidence that it is possible to have viable, cooperative union management relationships in the United States. However, they fall far short of the kind of role relationship that can be developed if unions commit themselves to a participative management model and a cooperative working relationship with management.

CHANGING UNIONS

Moving toward a high involvement approach represents a dramatic change in orientation for the union movement and the need for dramatically different behaviors on the part of many union leaders. Different skills are needed when union leaders assume a role in business decision-making. To start with, they need to understand the business, they need to problem solve around its issues and, of course, they need to remain in touch with the needs, desires and views of their membership.

For this and many other reasons it is not surprising that many union leaders are opposed to union management quality of work life programs. The Saturn Project is highly controversial within the UAW. One UAW official has noted that "inherent in this agreement is the demise of the UAW and the trade union movement as we now know it." Perhaps so, but in our view it does not necessarily signal the end of the UAW; quite to the contrary it may signal a new beginning for the labor movement. Some union leaders recognize the opportunities which are present in employee involvement and are trying to position the union movement to take on a new role.

Glen Watts of the Communication Workers of America and Irv Bluestone and Don Ephlin of the United Auto Workers are good examples of union leaders who see the opportunity for a new role for unions and are trying to move their unions in this direction. However, they represent a minority of all union leaders. Most seem to prefer the traditional adversarial model. They remain convinced that the pendulum will swing back toward them again and that union movement will once again be strong, viable, and adversarial. They may be right, but if they're not, the union movement is in for a long period of decline and perhaps even

eventual demise. The macro-economic trends affecting the United States suggest to us that the adversarial model is doomed because of the restructuring of work and organizations in the society. The current economic challenges facing American organizations are far too complex to be easily addressed by single stakeholder advocacy and wasteful adversarial struggles.

In our opinion the window of opportunity is now open. Throughout the country, managements are beginning serious efforts to alter their management style and introduce new participative systems, structures and practices. If these efforts are put into place without the involvement of Unions it will be nearly impossible for unions to find a role. Thus, unless union leaders endorse and become effective at taking an active participative role unions are headed for continuing decline. If this occurs, a new management will have been fashioned in the United States that has no organized voice for the workforce. In addition the workforce will have had only spotty input into the organizational changes which will determine the form and vigor of our future organizational world. In our opinion this is not a set of events. Thus, it is important that unions revitalize themselves. There is an important role for them to play in participatively managed organizations and in contributing to emerging innovative organizational practices.

TABLE 1

ROLE OF CONTRACT/BARGAINING

TRADITIONAL

DETAILED COVERS ALL
CONTINGENCIES

FIXED/REGULAR
NEGOTIATIONS

REWARD LEVEL DETERMINED

NEW APPROACHES

CULTURE PHILOSOPHY
SETTING

OPEN PARTICIPATIVELY
ALTERED-ON LINE

REWARD SYSTEM
DETERMINED

TABLE 2

UNION ROLE

	<u>TRADITIONAL</u>	<u>NEW APPROACHES</u>
CORPORATE POLICY	NO ROLE	REPRESENTS WORKFORCE AT TOP LEVEL
DUE PROCESS	GRIEVANCES	GRIEVANCES AS A LAST RESORT
REWARDS	BARGAINING FOR SPECIFIC LEVELS	BARGAINS FOR AND HELPS ADMINISTER GENERAL GUIDELINES, MAY INCLUDE GAIN SHARING, SKILL BASED PAY, PROFIT SHARING, ALL SALARY WORKFORCE
ORGANIZATIONAL EFFECTIVENESS	NO DIRECT ROLE	FACILITATES INPUT IMPROVES DECISION MAKING
WORK METHODS, JOB DESIGNS	BARGAINING	PARTICIPATES IN DESIGN PROCESS
QUALITY OF WORK LIFE	BARGAINING GRIEVANCES	FACILITATES DECISION INPUT, IMPROVES JOB DESIGN, ASSURES EMPLOYEE INPUT
JOB SECURITY	BARGAINING	SKILLS, ORGANIZATIONAL EFFECTIVENESS

REFERENCES

1. Freeman, R. B. and Medoff, J. L. What Do Unions Do? New York: Basic, 1984.
2. AFL-CIO Committee on the evolution of work. The Changing Situation of Workers and Their Unions. AFL-CIO, 1985.
3. Lawler, E. E. High Involvement Management, San Francisco: Jossey-Bass, 1986.
4. O'Toole, J. Vanguard Management, New York: Doubleday, 1985.
5. Walton, R. E. "From Control to Commitment in the Workplace," Harvard Business Review, 1985, 63(2), 76-84.
6. Lawler, E. E. "The New Plant Revolution," Organizational Dynamics, 1978, 6(3), 2-12.
7. Lawler, E. E., Pay and Organization Development, Reading, Mass: Addison-Wisley, 1981.
8. Perkins, D., Nieva, R., and Lawler, E. E. Managing Creation: the Challenge of Building a New Organization, New York: Wiley, 1983.
9. Simmons, J. and Mares, W. Working Together, New York: Knopf, 1983. Seashore, S. E. "Quality of Working Life Perspective," Chapter in Perspectives on Organization Design and Behavior, A. Van de Ven and W. F. Joyce (eds.) New York: Wiley Interscience, 1981, 89-120. Lawler, E. E. and Ledford, G. E. "Productivity and the Quality of Work Life." National Productivity Review, 1982, 1, 23-36. Lawler, E. E. and Ozley, L. "Winning Union-Management Cooperation on Quality of Work Life Projects." Management Review, 1979, 68(3), 1924.