15.660
Strategic Human Resource Management

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How much say should workers be given concerning their work lives?

- Should they be consulted about work practices?
- Should they be allowed to *determine* work practices?
- What about compensation practices?
- Should they be given a veto over large-scale layoffs or decisions to send work outside of the firm or overseas?
- Should they have a voice in major strategic decisions made by management?
What is a Union?

An organization recognized by the National Labor Relations Board (NLRB), that has legal authority to negotiate with the employer on behalf of employees -- to improve wages, hours, and the condition of employment – and to administer the ensuing agreement.
Why should we care?

<table>
<thead>
<tr>
<th>Country</th>
<th>Union Membership (% of total employment)</th>
<th>Contract Coverage (% of total employment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Japan</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>U.K.</td>
<td>33</td>
<td>37</td>
</tr>
<tr>
<td>Germany</td>
<td>29</td>
<td>90</td>
</tr>
<tr>
<td>France</td>
<td>9</td>
<td>90</td>
</tr>
<tr>
<td>Argentina</td>
<td>39</td>
<td>73</td>
</tr>
</tbody>
</table>

Source: International Labour Office, World Labour Report (Geneva, Switzerland)
Reasons to care

- Unionization rates in manufacturing industries are substantially higher
- Firms face the “threat” of unionization
- Unionization rates shift over time
- U.S. is an outlier
- Collective bargaining agreements extend to non-union members
What do unions do?

- Increase wages and benefits
- Decrease turnover
- Preserve existing employee rights
- Implement formalized work rules
- Institute grievance procedures
- Enhance productivity and efficiency
- Lower profitability
What do unions do?

On average, unions create a bigger pie to be split between workers and owners.

But, on average, the slice of the pie taken by unionized workers is so much bigger than the slice taken by non-unionized workers, that the owners in a union setting are left with a smaller absolute slice.
What would a manager want a union?

Jim Casey, founder of United Parcel Service, invited the Teamsters to organize his firm.

Why?
Potential Benefits of Unionization

- Enhanced communication and coordination
- Depersonalized interactions between constituencies
- Increased trustworthiness on both sides based on reputation concerns
- Potential for cooperative relationships with most senior and stable employees
“Cooperative agreements are particularly fragile. A lot of times when they break down it’s not because of new economic circumstances. An individual can make a difference – a new plant manager, a new local president.”

Douglas Fraser
Past President
United Auto Workers
American Labor Relations

New Deal (1930s-1970s)
- **Workplace**: narrow job definitions, grievance procedures
- **Collective Bargaining**: “bread and butter issues”
- **Strategy**: Left entirely to management--outside the influence of workers and unions

Transformation (1980s)
- **Workplace**: participation, teams, quality, flexibility
- **Collective Bargaining**: work rule flexibility, job security; new pay systems
- **Strategy**: Info sharing, consultation, joint governance, employee ownership
Exemplars

- Saturn
- NUMMI
- Southwest Airlines
Eastern Airlines

- Founded in 1938
- Long history of antagonistic labor relations
- Uses debt to fund expansion
- 1978 – Deregulation – “The War Years”
- Early 80s -- labor and management cooperation
- Acquired by Texas Air in 1986 for $660 million
- Mechanics strike, March 1989
- Liquidated in 1990
Freeman and Rogers
What Workers Want

- Nationally representative survey of employees
  - Conducted in 1994
  - N=2308
  - 18+, PRIVATE SECTOR, FIRMS OVER 25 EMPLOYEES, ALL BUT TOP MANAGEMENT
  - REPRESENTS 75% OF PRIVATE SECTOR WORKERS
EMPLOYEE/MANAGEMENT RELATIONS

Source: Freeman and Rogers
FEEL LOYALITY TO FIRM

Source: Freeman and Rogers
SATISFIED WITH AMOUNT OF INFLUENCE

Source: Freeman and Rogers
WANT MORE INFLUENCE

Source: Freeman and Rogers
# Preferred Type of Employee Organization

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>All</th>
<th>Union</th>
<th>Members</th>
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</thead>
<tbody>
<tr>
<td>No Power, Management Cooperates</td>
<td>63%</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>More Power, Management Opposes</td>
<td>22</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td>8</td>
<td>7</td>
<td></td>
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</tbody>
</table>

Source: Freeman and Rogers
REPORT CARD FOR MANAGERS

Source: Freeman and Rogers
<table>
<thead>
<tr>
<th></th>
<th>NON-UNION</th>
<th>UNION MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>32%</td>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
<td>55</td>
<td>No</td>
</tr>
<tr>
<td>DK</td>
<td>13</td>
<td>DK</td>
</tr>
</tbody>
</table>

TOTAL UNION VOTE 44%

SOURCE: Freeman and Rogers
MANAGERIAL ATTITUDES IN NON-UNION FIRMS

WOULD OPPOSE UNIONS 53%

WOULDN’T CARE 27

WOULD SUPPORT UNIONIZATION 15

SOURCE: Freeman and Rogers
MANAGERIAL ATTITUDES IN UNIONIZED FIRMS

UNIONS IMPROVE EMPLOYEES’ LIVES 64%

UNIONS HURT PERFORMANCE A LOT 8%
UNIONS HURT PERFORMANCE A LITTLE 25
UNIONS HELP PERFORMANCE A LITTLE 8
UNIONS HELP PERFORMANCE A LOT 19
NO EFFECT 40

SOURCE: Freeman and Rogers