

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?

Country	Union Membership (% of total employment)	Contract Coverage (% of total employment)
United States	14	12
Japan	24	24
U.K.	33	37
Germany	29	90
France	9	90
Argentina	39	73

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

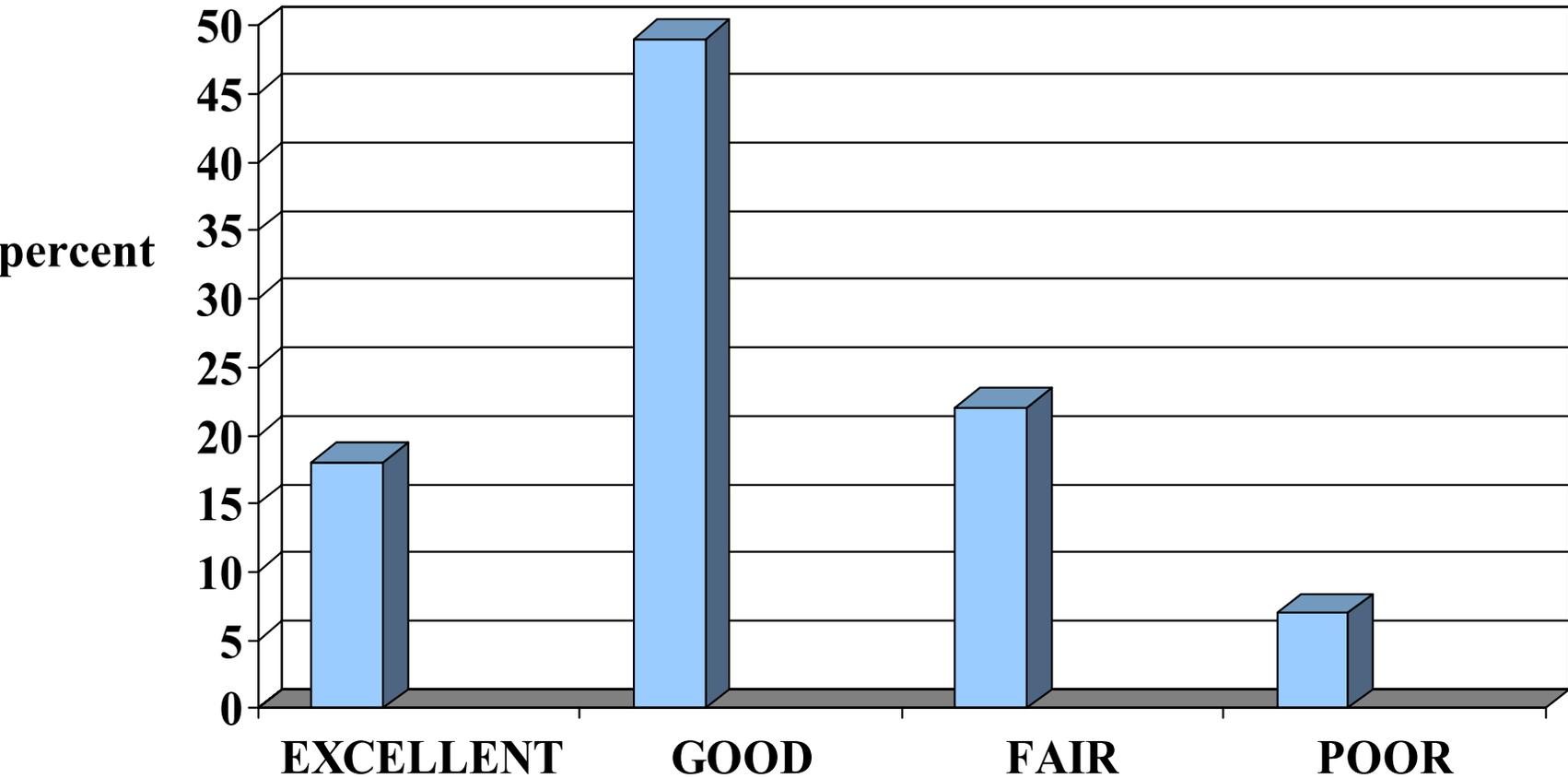
Freeman and Rogers

What Workers Want



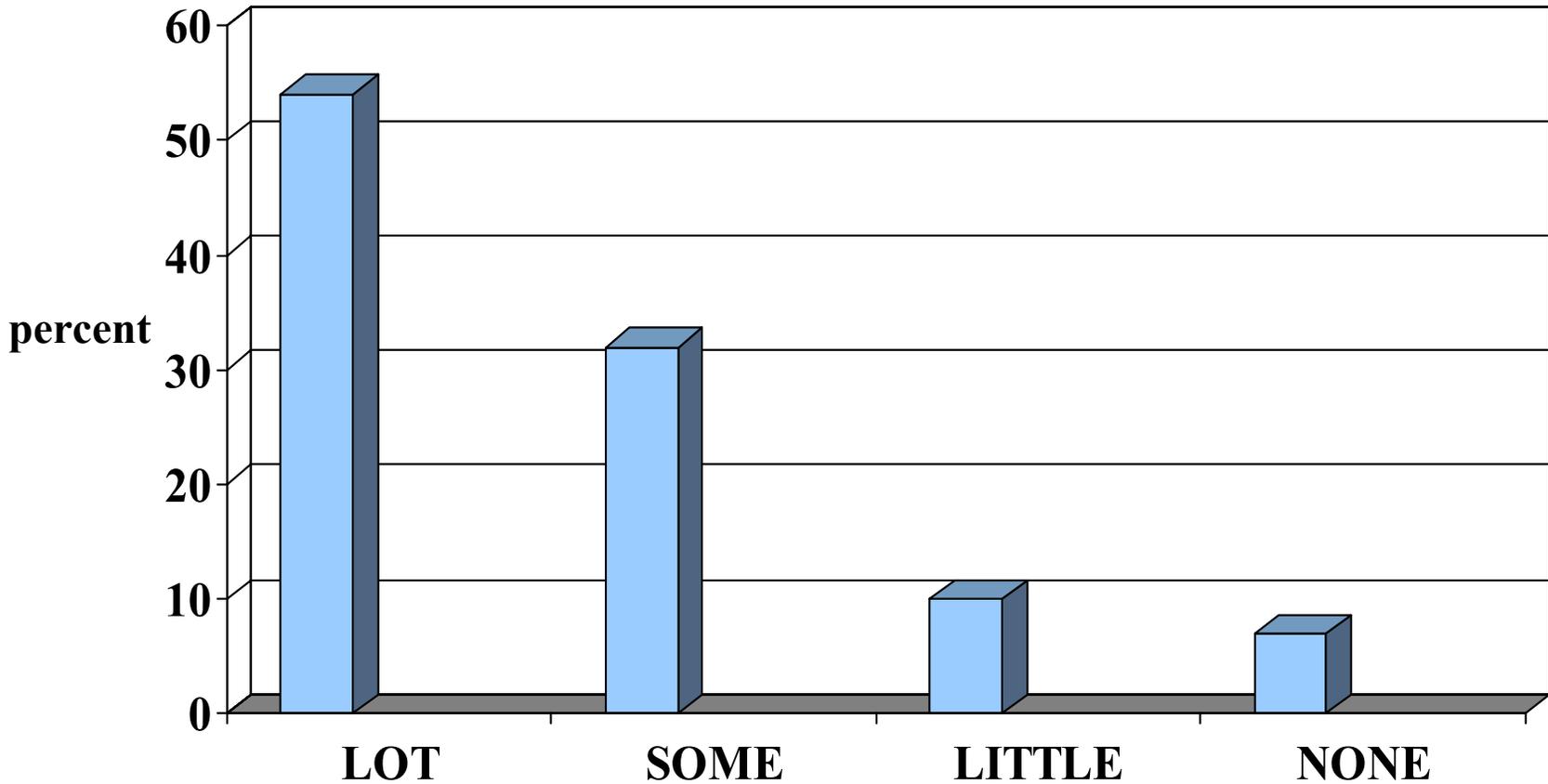
- ❖ Nationally representative survey of employees
 - ❖ Conducted in 1994
 - ❖ N=2308
 - ❖ 18+, PRIVATE SECTOR, FIRMS OVER 25 EMPLOYEES, ALL BUT TOP MANAGEMENT
 - ❖ REPRESENTS 75% OF PRIVATE SECTOR WORKERS

EMPLOYEE/MANAGEMENT RELATIONS



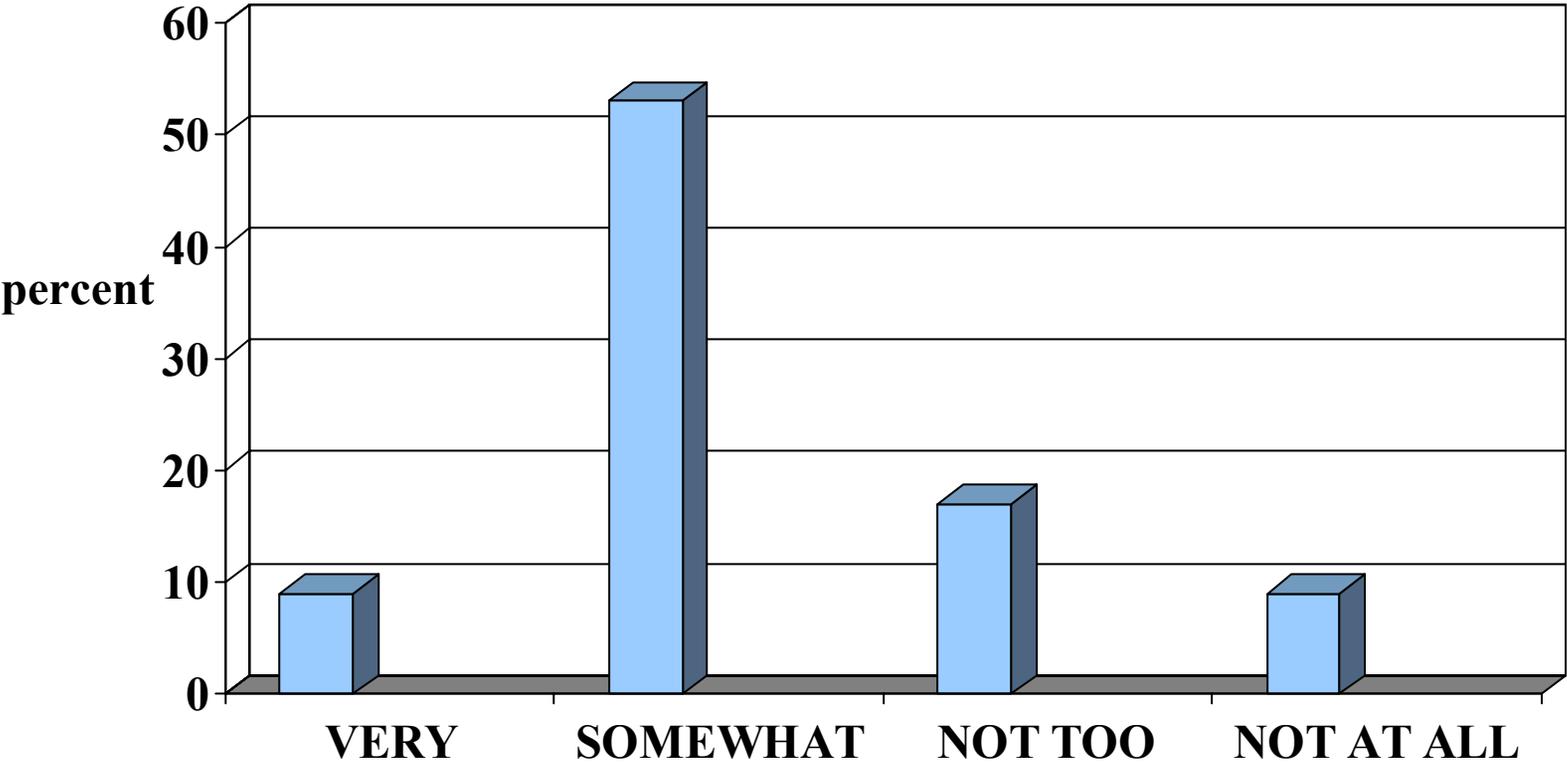
Source: Freeman and Rogers

FEEL LOYALTY TO FIRM



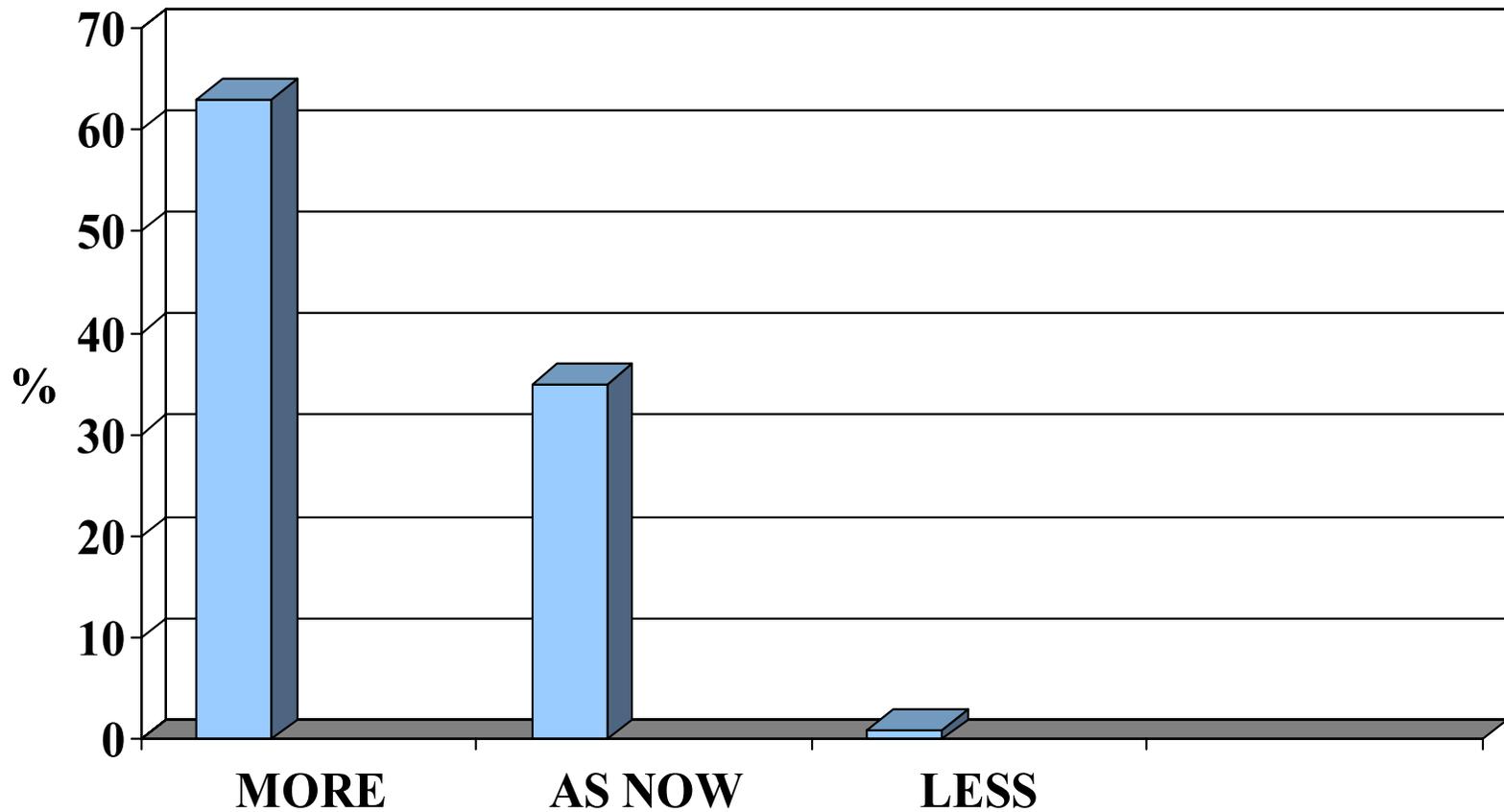
Source: Freeman and Rogers

SATISFIED WITH AMOUNT OF INFLUENCE



Source: Freeman and Rogers

WANT MORE INFLUENCE



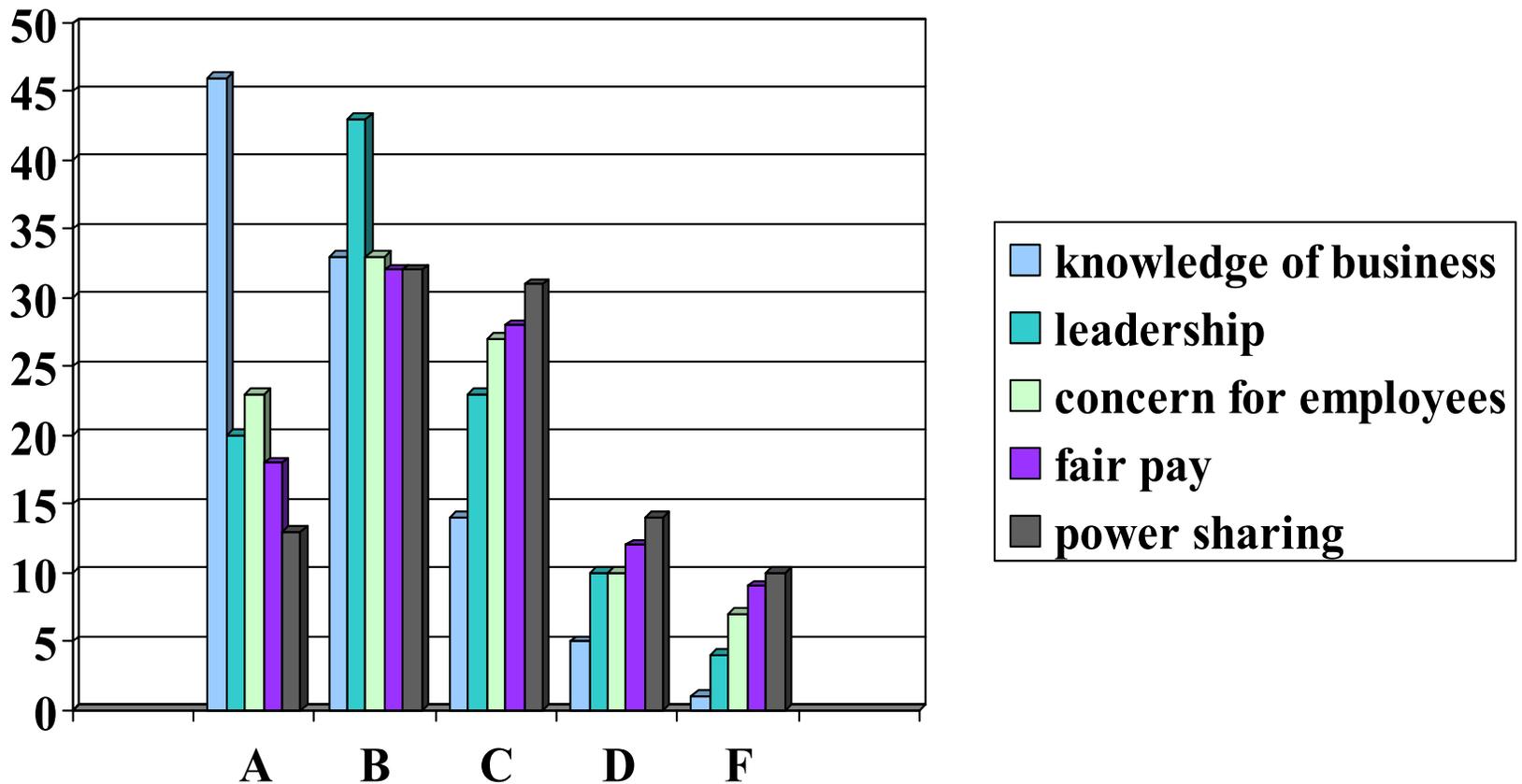
Source: Freeman and Rogers

PREFERRED TYPE OF EMPLOYEE ORGANIZATION

ALL	UNION	MEMBERS
NO POWER, MANAGEMENT COOPERATES	63%	65%
MORE POWER, MANAGEMENT OPPOSES	22	23
NONE	7	5
DK	8	7

SOURCE: FREEMAN AND ROGERS

REPORT CARD FOR MANAGERS



Source: Freeman and Rogers

VOTE FOR UNION



NON-UNION

UNION MEMBERS

YES	32%
NO	55
DK	13

YES	90%
NO	8
DK	2

TOTAL UNION VOTE 44%

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