

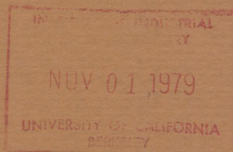
Labor unions
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THE IMPACT OF UNIONISM ON AMERICAN
BUSINESS: EVIDENCE FOR AN ASSESSMENT

by

David Lewin*

(Research Working Paper No. 157 A)



GRADUATE SCHOOL
OF BUSINESS COLUMBIA UNIVERSITY

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Introduction

What has been the impact of organized labor on American business? The answer to this question is important, for it will indicate the extent to which a major societal interest group has been able to hold business accountable to its members. Elsewhere in this journal, Kuhn tells us that such accountability, rather than verbal fealty toward social responsibility, is an appropriate standard for evaluating business behavior in the modern world.¹ Yet the question is not easily answered, especially if one wishes to consider the wide range of impacts and to treat both the direct and indirect impacts on business which unionism may have brought about.

For example, it is not difficult to identify unions that have achieved substantial inroads into the management of specific firms, but it also is possible to pinpoint unions that have made little bargaining headway. Or consider that a conclusion about labor's clout which is based solely on unionism's direct wage impact under bargaining, is more easily reached than one which tries to encompass such indirect impacts as wage spillovers to the nonunion sector, reduced employment discrimination resulting from labor-supported civil rights legislation, and greater industrial democracy due to the extension of negotiated grievance procedures to unorganized workers.

How should these areas of union impact, which vary in scope and depth, be added up to reach an overall response to the question posed here? That is a judgement which readers of this journal can make individually, guided, it is hoped, by the evidence to be presented in this paper. That evidence ranges across several dimensions of unionism instead of being narrowly confined to one of them. My conclusion, drawn from this and other evidence, is that unionism's

impact on business has been rather modest, that business shares decision-making power with and is accountable to organized workers on relatively few issues, and, surprisingly perhaps, that unionism's indirect impacts on business through political activity may be more substantial than its direct impacts via collective bargaining. None of this is to say that unionism in America is unimportant, quite the contrary; it is only to reach a judgement about American unionism's impact on business institutions and the business system.

Unionization Trends²

Over the past two decades or so, labor union membership as a proportion of the total American work force has declined markedly. This is clear from the data in the lower portion of Table 1, which show union membership at just over 20 per cent of the work force in 1976, down from over 24 per cent in 1958, and at less than 26 per cent of the nonagricultural work force in 1976, or 7.5 percentage points below the 1958 level. The only important membership gains recorded during this period were in the public sector, especially in state and local government where, by 1976, fully half of all full-time employees were organized and well over one-third of all workers were represented in collective bargaining. Interestingly, almost half of all organized public workers belong to employee associations rather to labor unions. The associations overwhelmingly consist of white-collar personnel, who retain their aversion to blue-collar type labor organizations even as they have increasingly adopted militant, union-like tactics. The combined union and association membership is shown in the upper portion of Table 1; it declined by two percentage points over the 1968-76 period. By 1976, government employees were almost one-quarter of all organized workers, nonmanufacturing personnel were about 42 per cent, and manufacturing workers, once in the majority, were only 33.5 per cent.

This demonstrates that the business sector of the economy which, prior to the

1960's, was virtually the exclusive repository of organized American workers and the target of their bargaining and political activity, is considerably less so today. The public sector, not the business sector, is where the action is in terms of union organizing and bargaining advances. This is further reflected in the creation, in 1974, of a separate public employees department within the AFL-CIO, at the time only the seventh departmental entity in the federation; in the rise of the American Federation of State, County and Municipal Employees (AFSCME), which is made up exclusively of government workers, to the top spot among AFL-CIO-affiliated labor organizations with 1.1 million dues-paying members in 1978³; and in the rapid growth of negotiated agreements in the public sector to more than 25,000 by 1976, while the number of private sector agreements stabilized at about 150,000. None of this means that traditional or long-standing labor organizations do not have impacts of various kinds on the business sector, but it does reveal that, by the criteria of membership advances and new bargaining activity, the public sector has emerged as the focal point of the American labor movement in the 1970's.⁴ And, while a similar trend has occurred in most other industrialized nations⁵, the United States continues to have one of the lowest overall rates of union membership among developed and some developing countries, as the data in Table 2 make clear.

The failure of the American labor movement not only to grow but to hold its own in so far as membership is concerned does not, as some have argued, necessarily spell unionism's doom. It does, however, portend more limited bargaining activity in the private sector and more limited bargaining impacts on employers. For example, the most rapidly growing sectors of the American economy, apart from government, are services, trade and finance, insurance and real estate. Generally speaking, unionism has made few inroads into these sectors, though it is reasonably well established in some component industries such as supermarkets and private sanitation service. Why is this so? Perhaps it is because these expanding sectors are more

competitive and the typical business is of smaller size than in such traditional union strongholds as manufacturing and transportation, communications and utilities. But this seems unlikely, given that some relatively competitive industries such as trucking, apparel manufacturing, and construction are highly organized. Indeed, American unionism has its origins not in the large firm or in concentrated industries, but in small business, where, in the 19th century, craft workers organized to protect their conditions of work and to ward off the fractionalization of their jobs and skills brought about by competitive expansion of the market.⁶

Alternatively, the inability of unions to develop in rapidly growing business sectors may have less to do with competition than with the composition of the work force in these sectors. Services, trade and finance, insurance and real estate employ large proportions of white-collar workers and of women. Neither group has shown itself to be particularly receptive to unionism. For example, in 1976, white-collar workers comprised about 60 per cent of the American labor force but well under 30 per cent of all union and association members. Women, who account for more than 40 per cent of the workforce and whose labor force participation rate surpassed 50 per cent in the fall of 1978⁷, are but one-quarter of all labor union and employee association members. It is, of course, possible to look at the other side of this issue and point out that the incidence of labor organization among white-collar workers and women is at an all-time high. But that is well below the membership rates which prevail among blue-collar workers, among men, and, as is well worth noting, among racial minorities.⁸ Moreover, recent studies of American union growth support the structuralist position that some labor force groups, women and white-collar workers in particular, largely remain as barriers to rather than opportunities for expansion of the labor movement.⁹ If this is so, it suggests a continued decrease in the proportion of the business sector that is subject to collective bargaining and thereby held accountable to organized workers.

Impact Analysis

Knowing that unionism has declined in the United States tells us little about the impacts of existing unions on business. Such impacts may be achieved through collective bargaining, in which case they are directly felt by some employers who negotiate written agreements and indirectly by others who choose to adopt some of the terms of those agreements. Additionally, the impacts of unionism on business may come about through labor's support of legislation which, if enacted, can affect employers whether or not they bargain agreements with organized workers. These would be indirect (though no doubt purposive) union impacts on the business sector. In the following sections, we shall first treat the wage impacts of unionism, then consider unionism's non-wage bargaining impacts, and finally explore the indirect effects on business resulting from organized labor's political activity.

Unionism's Wage Impacts

Many studies of the wage impacts of unionism have been conducted over the years as scholars have sought to pin down just how much organized workers are able to raise their wages above those of their unorganized counterparts. Union officials commonly claim responsibility for the totality of wage increases that flow to the members from a specific collective negotiation or over several bargaining rounds. Their claims are as commonly supported by managers, and are widely believed by union members and the public. But many factors -- the elasticity of the demand for labor, the supply of labor to a particular firm or market, firm size and profitability, the ratio of labor to total cost, the extent to which workers invest in human capital -- influence the determination of wages, and the careful student of this subject is concerned with what difference unionism makes with respect to wages after these other contributing factors are taken into account.

Despite the difficulties of holding constant the key variables that affect wages and of identifying samples of workers who are alike in most respects other than unionism, substantial evidence of union wage impacts has been gathered over the years. For example, studying the period from the early 1920's to the late 1950's, Lewis estimated the average relative wage effect of American unions to be between ten and fifteen per cent.¹⁰ That is, a typical union was able to establish a wage differential of about this magnitude between its members and unorganized workers performing the same kinds of jobs. This could result by setting a new differential where none prevailed before, by widening an existing differential, or by the raising of organized workers' pay and the lowering of unorganized workers pay. This last form of impact comes about when, in response to union-imposed wage increases, employers reduce their work forces, and the disemployed shift over to nonunion labor markets, increasing the labor supply to and lowering the wages in those markets.

Studies conducted of unionism's wage impacts in the 1960's and 1970's yield somewhat larger estimates than those provided by Lewis for earlier periods, with the result that, over the span of a half century to the mid-1970's, the average effect of all American unions on the wages of their members has probably been within the ten to twenty per cent range.¹¹ Though we do not have space here to discuss the conceptual and methodological complexities involved in studying this subject, the reader should be aware of two caveats. First, the larger union wage impacts reported in recent years may be the result of new data and refined measurement methods rather than an increase in union power. Second, those who employ the more sophisticated analytical techniques have produced evidence which suggests that the chain of causality in all of this may be from wages to unionism, not the reverse; that is, high wages lead to a higher incidence of unionization.¹²

Recognizing these limitations, the available evidence nevertheless tends to show a rather modest pattern of union wage impacts, especially in relation to the very large impacts presupposed by popular opinion. To be sure, there are instances of unions which have been able to achieve relative wage impacts of 50 per cent or more, but there are others whose impact has been little above zero. As to wage spillovers to nonunion sectors, these have always been somewhat troublesome analytically, not in the least because a decision by one firm to pay a wage (or charge a price) set by another may simply reflect the workings of competitive forces and not necessarily a desire to avoid unionization. Those who have investigated the spillover effects of wage bargaining conclude that, yes, they have not been sufficiently considered in most union wage impact studies but, when properly taken into account, raise estimated union wage impacts by no more than two to three per cent.¹³

What about unionism's impact on business, on all business, that comes about through the contribution of bargained wage increases to economy-wide inflation? Again, that impact would be large if the work force was more heavily unionized or if union wage gains were more broadly transmitted throughout the economy. In the United States, however, the clear majority of wages are set in unorganized labor markets, and a negotiated pay increase spreads only to those firms and to those workers who are closely comparable and in close geographical proximity to the locus of a wage bargain. Moreover, absent a perfectly inelastic demand for labor, the larger the negotiated pay increase the larger its associated disemployment effects, as employers choose to produce less or, over longer periods, substitute relatively lower cost capital and (where possible) nonunion labor for organized workers.¹⁴ We noted earlier that those who become unemployed in this fashion move to other labor markets, where they expand the labor supply and dampen wages. This serves to moderate rather than exacerbate inflationary pressures emanating from the organized labor sector.

In sum, by the measure of the wage differentials that they have been able to bring about between themselves and unorganized workers, American unionists have had only a modest impact upon business. Undoubtedly labor costs (and product prices) in some industries and firms are higher than they would be in the absence of unions, and some businesses have been driven out of the market by union-imposed wage rates. But the vast bulk of those businesses that negotiate labor agreements with unions have been able to adjust to these higher rates and, more important, in one way or another to marshal sufficient strength to prevent these rates from being higher still. The same appears to be true with respect to negotiated fringe benefits, although the data and research on this subject are so skimpy as to make this conclusion quite tentative. Finally, wages (and perhaps benefits) set through collective bargaining are not willy-nilly extended to the nonunion sector, even if they are adopted by some businesses in the hopes of remaining unorganized.

But if these conclusions hold in terms of wage bargaining, perhaps it is in nonwage areas that American unions have had their largest impact. This is a provocative hypothesis which we take up in the following section.

Unionism's Nonwage Impacts¹⁵

The dominant nonwage impact of unionism in America is on personnel management, and a major avenue for achieving this impact is the grievance procedure. Through it, organized workers are permitted to challenge management decisions concerning job classifications, overtime assignments, discipline, transfers, promotions, and other conditions of employment. This does not mean that all management decisions are subject to challenge, for they typically are limited by the terms of a collective bargaining agreement and by the practicalities of contract administration which permit the processing of some but not all grievance claims. Nor does it mean that grievances are always settled to workers' satisfaction, with management actions continually overturned. Instead, the grievance procedure opens

up to a form of joint decision making a broad range of issues which formerly were decided unilaterally by management. Indeed, if labor and management cannot satisfactorily resolve a grievance, they will call in a neutral third party, an arbitrator, to decide the issue. The grievance procedure is found in all but a small fraction of private sector collective bargaining agreements, and, in better than 95 per cent of the contracts, voluntary, binding arbitration is the final step of the process.¹⁶

The use of the grievance process to resolve day-to-day workplace disputes has been more fully developed in the United States than in any other industrialized nation.¹⁷ If not entirely an American device, it is nevertheless one of the leading indicators of the American labor movement's philosophy of business unionism, which emphasizes wages, conditions of employment, and workplace protections.¹⁸ Collective bargaining rather than political action is the vehicle which American unionists have chosen to define and protect their property in work. In this light, they have been especially able to hold management accountable through the grievance procedure. In some instances, this has meant the reinstatement of laid-off workers to their jobs, in others the awarding of back pay and restoration of benefits, and in still others a broadening of the scope of issues that are grievable and subject to arbitration. But whether or not organized workers are successful in pursuing specific actions through the grievance procedure, it is the availability of that procedure and the sharing of decision making authority with management which it represents that reflects the impact of unionism on personnel management. And, as with wages, this impact spills over to portions of the nonunion sector where grievance and other forms of appeals procedures have been developed, though these do not provide for arbitration as the terminal step.

But if this is a significant area of union impact on business, the benefits that business obtains from the presence of grievance procedures should not be overlooked. The resolution of workplace conflicts through an orderly procedure that generates decisions adhered to by labor and management assures the uninterrupted production of goods and services. Through a collective bargaining agreement that incorporates grievance procedures, American management is virtually assured of continuous production over the life of the contract. The wildcat strike which afflicts other industrialized countries is a rarity in the United States, largely because a well established grievance procedure works to contain and often resolve workplace conflicts.

Another benefit which business obtains from the grievance procedure is enforcement by union officials of contractual provisions spelling out the rules of the shop, office, plant and factory. It is first the shop steward and then union officers who judge the merits of their members' grievances, and who often must inform those members that they violated one or another working rule and that management's remedial action was justified. So, too, must they decide which meritorious grievances deal with significant rather than minor issues, and hence should be taken through the grievance procedure, and also when settlement of grievances at lower levels of the procedure is politically judicious in terms of the union's relationship with management even if a more favorable result could be obtained in arbitration. In other words, business managers are sometimes able to get union officials to perform certain managerial tasks, leaving themselves free to devote their time to other key business problems.

Finally, the systematic evidence that accumulates under the grievance procedure permits managers to identify trouble spots in their business operations and to decide on appropriate corrective actions. This may mean establishing a training program in labor relations for first-time supervisors, or, more significantly, reorganization of a company's labor relations function or even

production process. The underlying analytical point, though, is that the grievance procedure can be viewed as part of a business organization's information system, and the data it generates can be used for diagnostic, evaluative and corrective -- that is, for management -- purposes.

These are the benefits which business obtains from the grievance procedure, and they remind us that collective bargaining between labor and management is, in essence, a process of exchange. The grievance procedure is not something which unions have simply imposed on management, for if that were the case it would not be so commonly found in collective agreements; instead, both labor and management benefit from this procedure. If that is so, then the impact of unionism on business in this respect is on decision-making authority rather than on the basic goals or operations of business. Indeed, because the grievance procedure upholds or is consistent with those goals and objectives, the union impact on business is to support, not oppose, its systems of personnel management.

Other Nonwage Impacts

The nonwage impacts of unionism on business are further revealed in contractual provisions that cover work rules, manning schedules, and the like; in unionists responses to technological change; and in the unfair labor practices that unions have charged management with committing and have brought to the National Labor Relations Board (NLRB) for resolution. Some of the issues that have been raised in these respects concern personnel management and production processes, while others deal with broader issues such as plant location, subcontracting, and the contractual obligations of a successor employer.

As with grievance procedures, these nonwage activities of labor unions have circumscribed the authority of management to act unilaterally. For example, the NLRB has ruled that a business which maintains a labor agreement with organized workers cannot decide to subcontract work traditionally performed by those workers

without consulting their union. Similarly, a firm cannot decide to relocate or shutdown a unionized plant without consulting the union, and can be prevented from taking such actions if the underlying motive is to avoid the union. When a company acquires another that has labor agreements in force, the NLRB has ruled that it cannot simply dispense with those agreements -- and with the unions involved-- though it may attempt to renegotiate them and to challenge a union's status as the certified bargaining agent of the workers.¹⁹

In terms of technological change, some unions have fought hard against it and a few have warded it off, but most of them have sought to cushion its effects by negotiating job guarantees, severance pay, retraining and relocation allowances, work sharing provisions, and new wage and incentive pay arrangements with employers.²⁰ They have done so out of a desire to protect their property in work, which does not mean that their jobs and conditions of employment must be preserved but does mean that management must provide them some benefit in exchange for altering or eliminating their jobs and conditions of employment. In fact, American unionists appear quite willing to trade off or "sell" their property in work, including the right to strike, for some corresponding benefit. This was exemplified in 1974 and again in 1977 in the steel industry, where the United Steel Workers of America (USW) and the large companies concluded an Experimental Negotiating Agreement (ENA), which substituted compulsory arbitration for the strike and lockout in the event of a subsequent bargaining stalemate. In exchange, USW members received guaranteed annual cost-of-living and other pay adjustments over the life of the contract.²¹

The steel example and others demonstrate that through bargaining over non-wage issues, unions have impacts -- impose costs -- on business. That is, after all, what they are in the business of doing. But these nonwage cost impacts would be much larger if unionists were unwilling to make trade-offs in collective bargaining with employers. That such trade-offs are common rather than exceptional is reflected in recent bargaining developments in those industries

which have allegedly been saddled with especially outdated work rules and onerous featherbedding practices. Thus, the most recent railroad agreements provide for elimination of the firemen or diesel engines, big city newspapers have "negotiated out" the setting of bogus type and are successfully pursuing the mechanization of their composing rooms, and apparel manufacturers in the Northeastern United States have bargained major changes in piece-rate payment systems, production methods and efficiency incentives with the International Ladies Garment Workers Union (ILGWU). Incidentally, this last industry provides a rare example on the American scene of a union that has had a major impact on the financial and marketing functions of business as well as on personnel management and production methods.

To summarize, through collective bargaining, unions have had important nonwage impacts on business, but these largely are confined to the areas of production and personnel management. When owners and managers of business want to change the nonwage provisions of a labor agreement or undertake programs of technological change and innovation that will affect terms and conditions of employment, they generally are able to bring this about but must recompense unionists for giving up their property in work. By this device are businessmen held accountable to organized workers. But recognize that business has one other choice in all of this, and that is to proceed ahead with the changes it wishes to make -- in work methods, incentive systems, manning schedules, overtime assignments, plant relocation -- without reaching agreements with unions. Though it is the public policy of the United States to support unionism and collective bargaining in the private sector, this does not compel agreements between labor and management. If the parties bargain in good faith -- and that is not always easily determined -- then they are as free not to agree as to agree to terms and conditions of employment. Neither organized workers nor the NLRB can force business into contracts with labor unions. Whether or not a labor agreement is

concluded and whether few or many provisions are included in an agreed upon contract, fundamentally depends on the relative bargaining power of labor and management. And ultimately, it is management's bargaining power that limits unionism's impacts -- wage and nonwage alike -- on business.²²

The Quality of Working Life

To more fully appreciate the rather limited impacts of unionism on the business sector and the narrow role that unions play as participants in business decisions, briefly consider the recent experience with attempts to improve the quality of or "humanize" work life in America. These take such forms as work redesign, job enrichment, new work teams and worker-paced production, and commonly seek to overcome the deadening and sometimes alienating effects of very specialized machine-paced tasks. Many have highly commended such efforts to business, especially the authors of a federally-sponsored volume, Work In America, published in 1972, who asserted that boredom, dissatisfaction and disaffection from work were rampant in the labor force.²³ The general remedies for these ills were thought to be more interesting work and participation by workers in decisions about how work should be performed.

At first glance, nothing could seem to be more in line with the views of unionists, whose collective bargaining activity bespeaks a desire to share decision-making authority with management. But far from being an integral part of the movement to improve the quality of working life, American unionists have been almost totally divorced from it. Even more, they have been (or been portrayed as) opposed to it. Thus William Winpisinger, President of the International Association of Machinists and an AFL-CIO vice-president, recently described job enrichment as "just another name for time and motion study," and characterized the quality of work life movement as the "introduction of gimmicks, like doing away with time clocks or developing 'work teams' or designing

jobs to 'maximize personal involvement,' whatever that means."²⁴ He went on to recommend that "if you want to enrich the job, enrich the paycheck...decrease the number of [work] hours...do something about...nerve-shattering noise, heat and fumes."²⁵

Consider that what Winpisinger and other American labor leaders oppose is not job enrichment, work redesign or other efforts to improve the quality of work life but, rather, the notion that businessmen by themselves (or with hired consultants) can diagnose and resolve workplace ills. Unionists fear that the result will be to erode their share of decision making authority through collective bargaining, which they fought long and hard to obtain, and to allow employers to reassert and broaden their prerogatives. It is perhaps no coincidence, then, that most work humanization experiments have been carried out in nonunion settings -- and often in new locations with new plants, new equipment and new management.²⁶

More recently, labor and management in a variety of industries -- steel, retail food, and autos offer some examples -- have formed joint committees to study the prospects for improving the quality of work life, particularly in relation to issues of safety and health at the workplace.²⁷ But this usually occurs outside of formal collective bargaining, is confined to relatively few unionized settings, and does not reflect a major union thrust into management. Further, American unionists stringly disavow Western European type worker participation schemes such as job control and codetermination, and are also opposed to worker-owned enterprises of the type found in some Eastern European nations.²⁸ Instead, American labor leaders and union members continue to prefer collective bargaining and to adhere to the notion of business unionism, even as they have expanded the scope of issues subject to negotiations with employers. That they have not gone in for the types of worker participation and work

humanization practiced elsewhere, despite their critics' advice that they do so, indicates that they have not had significant impacts on the American business sector in this sphere of industrial relations.

Multinational Bargaining

Unlike its stance on the work humanization movement, organized labor favors the international coordination of collective bargaining. This is especially true of international unions that negotiate agreements with American-based multinational corporations, for they are strongly concerned with preserving domestic jobs and with standardizing terms and conditions of employment to avoid being undermined by relatively cheap foreign labor. But to favor such coordination of bargaining is not to achieve it. Studies of the chemical, flat glass, automobile, farm equipment, metal, rubber tire, electrical and petroleum industries, among others, have uncovered little evidence of successful coordination of collective bargaining across national boundaries, although a few limited inroads in this direction have been made by Western European unions.²⁹ International union secretariats gather and disseminate information to their member organizations in different nations, but to this point seem not to have brought about the coordination of bargaining based upon that information.

There are many obstacles to multinational or internationally coordinated collective bargaining, and these are unlikely to be easily overcome. Differences among nations in their political structures, economies, technologies, cultures, and wages and working conditions, are important barriers to the international coordination of collective bargaining. So too is the diminution of the power of national union officials that such coordination would require. Perhaps most important, union constituencies are national rather than international in scope, and, in the U.S., are often regional or local. Indeed, the structure of American unionism and of bargaining have long been decentralized, and they remain

so despite a rising incidence of union mergers and a somewhat stronger tendency toward multiemployer bargaining.³⁰

The importance of the local union and of local union officials in the American labor movement, and the continued dominance of the single-union, single-employer labor agreement in this country, mitigate the prospects for more centralized or coordinated bargaining domestically let alone internationally. Thus, while the international coordination of collective bargaining may develop further, perhaps spurred by narrowing labor cost differentials among industrialized nations, from the American vantagepoint swift progress appears unlikely and unionism has so far had very little impact in this respect on American business.

Unionism's Political Impacts

If, through collective bargaining, the impact of unionism on business is narrow and relatively modest, can the same be said of organized labor's political impact? This depends upon whether we focus on labor's attempts to influence legislation pertaining to labor-management relations or to broader social and economic issues. If the former, then a strong case can be made for a rather small impact; if the latter, then labor's impact looms larger. Consider some of the evidence that leads to these contrasting assessments.

In recent years, organized labor has been almost singularly unsuccessful in achieving or amending national legislation to regulate private sector labor relations according to its preferences. For example, it has continually sought repeal of section 14(b) of the Taft-Hartley Act which allows individual states to outlaw (or support) union security arrangements, and just as continually has been rebuffed on this issue. In the early 1970's, the AFL-CIO, with the backing of the Nixon Administration, sought expansion of the picketing rights of construction workers, but the Congress refused to amend federal law in this manner.³¹ In 1977

and again in 1978, organized labor strongly supported a bill that would have increased penalties on businesses that commit unfair labor practices, reduced the time required to hold union representation elections, and increased the size of the NLRB from five to seven members in order to strengthen compliance with the Taft-Hartley Act. Both times the Congress failed to pass this proposed Labor Reform Act.

Indeed, readers may recall that organized labor was strongly opposed to passage of both the 1959 Landrum-Griffin and 1947 Taft-Hartley Acts, which it regarded as virulent anti-labor legislation. But that opposition did not prevent these laws from coming into existence, and to this day the labor movement seems unable to counter public opinion that its power is excessive and that, internally, it is ridden with corruption. That empirical evidence does not support these views may be known to scholars and comforting to union leaders, but has hardly altered the citizenry's judgements about organized labor.³² Those judgements together with the active opposition of business, have generated sufficient political clout to thwart organized labor's legislative proposals in the areas of labor-management relations and collective bargaining. Unionism's indirect impact on business in this respect has, therefore, been minimal.³³

On broader issues, however, the labor movement has supported legislation which, it can be argued, has substantially affected the business community. As an example, the AFL-CIO was instrumental to passage of the 1964 Civil Rights Act and subsequent amendments, which sanctioned the enforcement of equal opportunity and affirmative action in employment. So too was the labor movement a driving force in manpower training and development legislation, including the 1973 Comprehensive Employment and Training Act (CETA); in the extension of unemployment insurance benefits paid to jobless workers for a maximum of 65 weeks, which helped to counter the debilitating effects of the 1974-5 recession; in the

enactment in 1974 of the Employee Retirement Income Security Act, popularly known as the Pension Reform Law, and also the Trade Act, which provides adjustment assistance to workers whose employment is adversely affected by international trade; in passage of the 1977 amendments to the Fair Labor Standards Act which raise the nation's minimum wage in a series of stages from \$2.30 to \$3.35 by 1981; and in Congressional approval in early 1978 of a change from 65 to 70 in the mandatory retirement age for privately employed workers.

This is not to say that organized labor by itself was responsible for passage of these laws, or that it supported all of them with equal fervor, or that a particular piece of social legislation was not also perceived as serving the economic interests of union members. Nor is it to contend that the labor movement's record on broad social and economic legislation is one of unmitigated success. Witness, for example, its failure to prevent legislative approval of wage-price controls during the 1971-1974 period,^{and} its inability during the 1970's to secure import quotas and tariffs on foreign made goods -- two issues, by the way, on which organized labor was allied with the business community. Similarly the labor movement was no more than lukewarm toward the 1974 Occupational Safety and Health Act. Further, organized labor has been unable to prevent the authorization under federal legislation of corporate committees to seek voluntary contributions from executives to support candidates for political office. Though these committees may be regarded as counterparts to labor's national and state-wide Committees On Political Education (known as COPEs), they are likely to generate far more funds than the union-sponsored committees.³⁴

On balance, though, a strong case can be made that the American labor movement has a better record of success in its political activity to affect broad social and economic legislation than to support legal reforms in labor-management relations and collective bargaining. If this conclusion is correct,

then organized labor may have substantial indirect impacts on business institutions, unionized as well as nonunion, and on the business system. Whether these are large, small or something in between, however, is for the reader to judge, and such a judgement admittedly is difficult to make because unionism's indirect impacts through political activity are much less susceptible to careful measurement than unionism's wage and even non-wage impacts on business through collective bargaining. In other words, the empirical base is far firmer for drawing conclusions about unionism's bargaining impacts than its political impacts on business. Still, because some of these impacts are indirect, are achieved politically, and are describable almost solely in qualitative terms, is no reason to ignore them. In the aggregate, they may well be more substantial than the impacts of unionism on business that are achieved through collective bargaining.

Whither Accountability?

Where does this analysis leave us with respect to the idea of business accountability? For one thing, it tells us that a part -- an increasingly smaller part -- of the private sector is held directly to account by labor organizations for a relatively narrow but also well specified set of terms and conditions of employment. Collective negotiations, the labor agreement and the grievance procedure are the leading mechanisms through which this accountability is achieved. Here lies the most tangible evidence of unionism's impact on American business.

But that leaves a very large portion of activities for which business is not accountable to organized labor (including, we should note, basic hiring decisions), and that accountability is not widened when the indirect impacts of unionism are recognized. Wage and nonwage bargaining spillovers to the nonunion sector do occur, to be sure, but they represent the decisions of business owners and

managers to follow bargains struck elsewhere, and do not bring into play contractual obligations to which they will be held by union leaders and members. As to the indirect impacts on business stemming from organized labor's political activity, these may be substantial, as we tend to believe they are, but again they create no accountability on the part of business to unionists. Labor-supported social and economic legislation can widen the accountability of business, but to government rather than to organized workers. The extent to which such widened accountability is a reality depends upon governmental enforcement of the social and economic legislation in question. And, though this subject surely deserves closer scrutiny, it can be proposed that the enforcement of modern social and economic legislation of the type supported by organized labor has not fundamentally deprived business owners and managers of their decision making authority or dramatically altered the configuration of their accountability.³⁵

On the American scene, then, it is best to recognize unionism as a limited purpose institution which calls business to account for the terms and conditions of employment, for the property in jobs, which organized workers hold dear. Some prefer that the American labor movement broaden its horizons in bargaining and in political action, and it may have to do if it is to remain a viable institution. But those who seek wider business accountability and who desire institutions that will more broadly counter business power, are well advised to look beyond the labor movement, which has "made it" in America by closely adhering to the pragmatic philosophy of business unionism.

Notes

1. James W. Kuhn, "To What and For What Are Business Managers Responsible?," Columbia Journal of World Business, 14 (Winter, 1979), pp. .
2. Unless otherwise indicated, the data in this section are from U.S. Bureau of Labor Statistics, "Labor Union and Employee Association Membership — 1976," in News (Washington, D.C.: U.S. Department of Labor, September, 1977), passim; and U.S. Bureau of Labor Statistics, Directory of National Unions and Employee Associations, 1975 (Washington, D.C.: G.P.O., 1977), pp. 57-76.
3. Bureau of National Affairs, Daily Labor Report (Washington, B.N.A., April 20, 1978), Number 78, pp. 4-12. The total put AFSCME slightly ahead of the United Steelworkers of America, who reported just under 1.1 million members for the same period.
4. For evidence of the impacts of public sector unions on government, see David Lewin, Peter Feuille and Thomas A. Kochan, Public Sector Labor Relations: Analysis and Readings (Glen Ridge, N.J. Horton, 1977), especially chapters Six and Seven; and David Lewin, Raymond D. Horton and James W. Kuhn, Collective Bargaining and Manpower Utilization in Big City Governments (Montclair, N.J.: Allenheld Osmun, 1978).
5. On this point, see Charles M. Rahmus, Editor, Public Employment Labor Relations: An Overview of Eleven Nations (Ann Arbor: Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, 1975).
6. See, for example, John R. Commons and Associates, History of the Labor Movement In the United States, Four Volumes (New York: Macmillan, 1918); and Selig Perlman, A History of Trade Unionism in the United States (New York: Macmillan, 1937).

7. As announced in October, 1978 by the U.S. Department of Labor.
8. See U.S. Bureau of Labor Statistics, Selected Earnings and Demographic Characteristics of Union Members, 1970 (Washington, D.C.: G.P.O., 1972), pp. 26-27, which shows that blacks were 11.6 per cent of all wage and salary workers in 1970, but 12.4 per cent of all union members.
9. For example, William J. Moore and Robert J. Newman, "On The Prospects For American Trade Union Growth: A Cross-Section Analysis," The Review of Economics and Statistics, 57 (November, 1975), pp. 435-45. Also see Myron Roomkin and Harvey A. Juris, "Unions In the Traditional Sectors: The Mid-Life Passage of the Labor Movement," paper presented to the thirty-first annual meeting of the Industrial Relations Research Association, Chicago, Illinois, August 30, 1978.
10. H. Gregg Lewis, Unionism and Relative Wages in the United States (Chicago: University of Chicago Press, 1963).
11. This accords with the conclusion of Albert Rees, in The Economics of Trade Unions, Revised Edition (Chicago: University of Chicago Press, 1977), pp. 53-57. An example of the type of study referred to here is Orley Ashenfelter, "Racial Discrimination and Trade Unionism," Journal of Political Economy, 80, Part I (May/June, 1972), pp. 435-64.
12. See Orley Ashenfelter, "Union Relative Wage Effects: New Evidence and a Survey of Their Implications for Wage Inflation," Working Paper 89 (Princeton, N.J.: Princeton University, Industrial Relations Section, August, 1976); Orley Ashenfelter and George E. Johnson, "Unionism, Relative Wages and Labor Quality in U.S. Manufacturing Industries," International Economic Review, 13 (October, 1972), pp. 488-507; and Peter Schmidt and Robert Strauss, "The Effect of Unions on Earnings and Earnings on Unions: A Mixed Logit Approach," International Economic Review, 17 (February, 1976), pp. 204-12.

13. Lewis, op. cit., and Rees, op. cit., Chapter Three. For evidence of public sector union wage impacts, see David Lewin, "Public Sector Labor Relations: A Review Essay," Labor History, 18(Winter, 1977), pp. 133-44. These appear to be smaller than those achieved by private sector unions. However, some argue that wage spillovers from public sector bargaining also have not properly been taken into account. See Ronald G. Ehrenberg and Gerald S. Goldstein, "A Model of Public Sector Wage Determination," Journal of Urban Economics, 2(July, 1975), pp. 233-45.

14. The construction industry provides a case in point, as the high rates of negotiated pay increases in the late 1960's and early 1970's led to the emergence of many nonunion firms in the industry. The volume of non-union construction in the United States may now be as much as half the total. See Herbert R. Northrup and Howard G. Foster, Open Shop Construction (Philadelphia: Industrial Research Unit, The Wharton School, University of Pennsylvania, 1975).

15. Systematic treatments of unionism's nonwage bargaining impacts are a rarity. One exception and still the most comprehensive work on the subject is Sumner Slichter, James J. Healey and E. Robert Livernash, The Impact of Collective Bargaining on Management (Washington, D.C.: Brookings, 1960). An earlier and more theoretical work is Neil W. Chamberlain, The Union Impact on Management Control (New York: Harper, 1948).

16. U.S. Bureau of Labor Statistics, Characteristics of Major Collective Bargaining Agreements, July 1, 1975 Bulletin No. 1957. (Washington, D.C.: G.P.O., 1977), pp. 93-94.

17. For an insightful analysis, see James W. Kuhn, Bargaining the Grievance Settlement (New York: Columbia University Press, 1961).

18. The term "business unionism" is due to Robert F. Hoxie, Trade Unionism in the United States (New York: Appleton-Century-Crofts, 1921), pp. 336-37. Also see Selig Perlman, A Theory of the Labor Movement (New York: Kelley, 1966, a reprint of the 1928 Macmillan edition), for the foundations of American unionists' concern for property in work.

19. For accounts of NLRB decisions on these and other bargaining issues, see American Bar Association, The Developing Labor Law: The Board, The Courts and the National Labor Relations Act, 1977 Supplement, edited by Alan L. Beoff, Bernard T. King and Arthur B. Smith, Jr. (Washington, D.C.: Bureau of National Affairs, 1978), passim.

20. See, for example, Harold M. Levinson, Charles M. Rehmus, Joseph P. Goldberg and Mark L. Kahn, Collective Bargaining and Technological Change in American Transportation (Evanston, Ill.: The Transportation Center, Northwestern University, 1971).

21. For a fuller account, see U.S. Bureau of Labor Statistics, Wage Chronology, United States Steel Corporation and United Steelworkers of America, March, 1937 - April, 1974, Bulletin No. 1814; and May 1974 - June, 1977 Supplement to Bulletin 1814 (Washington, D.C.: G.P.O., 1975 and 1977).

22. This concept of bargaining power as it applies to private and public sector negotiations is elaborated in Neil W. Chamberlain, Donald E. Cullen and David Lewin, The Labor Sector (New York: McGraw-Hill, 1979), Chapters Five and Six.

23. Report of A Special Task Force to the Secretary of Health, Education, and Welfare, Work in America (Cambridge, Mass: The M.I.T. Press, 1972). For critiques of the report, see Harold Wool, "What's Wrong With Work in America? -- A Review Essay," Monthly Labor Review, 96(March, 1973), pp. 38-44; and Bernard J. White, "The Criteria For Job Satisfaction: Is Interesting Work Most Important?,"

Monthly Labor Review, 100(May, 1977), pp. 30-35.

24. William Winpisinger, "Job Enrichment--Another Part of the Forest," Proceedings of the Twenty-Fifth Annual Meeting of the Industrial Relations Research Association, 1972 (Madison, Wis.: IRRA, 1973), pp. 157-59.

25. Ibid., p. 157.

26. See the experiments reported in Louis Davis and Albert G. Cherns, Editors, The Quality of Working Life, Volume Two: Cases and Commentary (New York: Macmillan, 1975). For evidence that union leaders have responded positively through collective bargaining and in other ways to their members' wishes for improvements in the quality of working life, see Chamberlain, Cullen and Lewin, op. cit., Chapters Two and Five.

27. National Center For Productivity and Quality of Working Life, Recent Initiatives In Labor-Management Cooperation (Washington, D.C.: G.P.O., February, 1976); and Thomas A. Kochan, Lee Dyer and David B. Lipsky, The Effectiveness of Union-Management Safety and Health Committees (Kalamazoo, Mich.: W. E. Upjohn Institute, 1977).

28. For examples of these participatory practices, see Veljko Rus, "Influence Structure in Yugoslav Enterprise," Industrial Relations, 9 (February, 1970), pp. 148-60; Noel M. Tichy, with the assistance of Thore Sandstrom, "Organizational Innovations In Sweden," Columbia Journal of World Business, 9 (Summer, 1974), pp. 18-28; and Robert J. Kuhne, "Co-Determination: A Statutory Restructuring of the Organization," Columbia Journal of World Business, 11 (Summer, 1976), pp. 17-25.

29. Herbert R. Northrup and Richard L. Rowan, "Multinational Collective Bargaining Activity: The Factual Record In Chemicals, Glass and Rubber Tires," Columbia Journal of World Business, 9 (Spring and Summer, 1974), pp. 112-124 and 49-63, respectively; Northup and Rowan, "Multinational Bargaining Approaches

to the Western European Flat Glass Industry," Industrial and Labor Relations Review, 30 (October, 1976), pp. 32-46; and Northrup and Rowan, Multinational Collective Bargaining Attempts: The Record, The Cases and the Prospects (Philadelphia: Industrial Research Unit, The Wharton School, University of Pennsylvania, 1978). For an example of the relative powerlessness of a union to overcome a firm's desire to transfer its operations abroad, see Charles Craypo, "Collective Bargaining in the Conglomerate, Multinational Firm: Litton's Shutdown of Royal Typewriter," Industrial and Labor Relations Review, 29 (October, 1975), pp. 3-25.

30. See U.S. Bureau of Labor Statistics, Directory of National Unions and Employee Associations, 1975, pp. 56 and 77-81. Also see U.S. B.L.S., Characteristics of Major Collective Bargaining Agreements, July 1, 1975, and prior issues; and Wallace Hendricks, "Conglomerate Mergers and Collective Bargaining," Industrial Relations, 15 (February, 1976), pp. 75-87.

31. The backing came largely from the Secretary of Labor at that time, John T. Dunlop, whose principal goal was to modify the decentralized bargaining structure of the construction industry, thereby hopefully restraining whip-sawing and the inflationary settlements to which it led. Employers would have none of it, however, and were instrumental in thwarting the proposed legislation.

32. An example of this evidence is John E. Hutchinson, The Imperfect Union: A History of Corruption in American Trade Unions (New York: Dutton, 1970). For further discussion, see Chamberlain, Cullen and Lewin, op. cit., Chapter Four.

33. The one political success which organized labor recently has scored in this regard is in achieving state legislation to sanction collective bargaining for public employees. About half the states now have such legislation, which together with the unionization data presented earlier attests to the growing importance of the public rather than the private sector to organized labor.

34. Indeed, Epstein observes that even prior to passage of the Federal Election Campaign Act, business was able covertly to solicit political contributions which far exceeded what organized labor could accumulate covertly. See Edwin M. Epstein, "Labor and Federal Elections: The New Legal Framework," Industrial Relations, 15 (October, 1976), pp. 257-74. Note that we do not have space here to treat the role of labor — or business — in attempting to elect candidates to political office. Suffice it to say that organized labor does not uniformly support Democratic candidates, as some suppose; that the "union vote" is no guarantee of a candidate's election to office; and that union members display a mix of political persuasions and voting records. In fact, one can say that organized labor is less solidly democratic than business owners and managers are republican. For more on this, see Chamberlain, Cullen and Lewin, op. cit., Chapter Four.

35. Indeed, when business leaders try to define their responsibilities more broadly than making profits for themselves or shareholders, they inevitably conclude that they, not government or others, should decide how to balance and deal with the claims of competing interest groups. See Committee For Economic Development, The Social Responsibilities of Business Corporations, A Statement of the Research and Policy Committee (New York: CED, 1971). Note, further, that those who favor stronger constraints on business power focus almost exclusively on the corporation, leaving aside the question of checks, if any, to be placed on medium and small size businesses. Our discussion of union impacts on business has not been confined to the corporate sector, for labor organization and collective bargaining in the United States are not confined to large corporate enterprises.

Table 1

National union and employee association membership as a proportion of labor force and nonagricultural employment, 1958-1976¹

(Numbers in thousands)

Year	Member- ship excluding Canada	Total Labor Force		Employment in nonagricultural establishments	
		Number	Percent members	Number	Percent members
Unions and associations:					
• 1968	20,721	82,272	25.2	67,951	30.5
1969	20,776	84,272	24.7	70,442	29.5
1970	21,248	85,903	24.7	70,920	30.0
1971	21,327	86,929	24.5	71,222	29.9
1972	21,657	88,991	24.3	73,714	29.4
1973	22,276	91,040	24.5	76,896	29.0
1974	22,809	93,240	24.5	78,413	29.1
1975	22,298	94,793	23.5	77,051	28.9
1976	22,463	96,917	23.2	79,443	28.3
Unions:					
1958	17,029	70,275	24.2	51,363	33.2
1959	17,117	70,921	24.1	53,313	32.1
1960	17,049	72,142	23.6	54,234	31.4
1961	16,303	73,031	22.3	54,042	30.2
1962	16,586	73,442	22.6	55,596	29.8
1963	16,524	74,571	22.2	56,702	29.1
1964	16,841	75,830	22.2	58,331	28.9
1965	17,299	77,178	22.4	60,815	28.4
1966	17,940	78,893	22.7	65,955	27.9
1967	18,367	80,793	22.7	65,857	27.9
1968	18,916	82,272	23.0	67,951	27.8
1969	19,036	84,240	22.6	70,442	27.0
1970	19,381	85,903	22.6	70,920	27.3
1971	19,211	86,929	22.1	71,222	27.0
1972	19,435	88,991	21.8	73,714	26.4
1973	19,851	91,040	21.8	76,896	25.8
1974	20,199	93,240	21.7	78,413	25.8
1975	19,473	94,793	20.5	77,051	25.3
1976	19,432	96,917	20.1	79,443	24.5

¹ Totals include reported membership and directly affiliated local union members. Total reported Canadian membership and members of single firm unions are excluded.

Source: U.S. Bureau of Labor Statistics, "Labor Union and Employee Association Membership--1976," in News (Washington, D.C.: U.S. Department of Labor, September, 1977), pp. 2-5; and U.S. Bureau of Labor Statistics, Directory of National Unions and Employee Association, 1975, (Washington, D.C.: G.P.), 1977), p. 63

Table 2

Organized Labor as Percent of Nonagricultural Labor Force

	<u>For Twenty Developed Nations, 1976*</u>		<u>Organized Labor (% of Labor Force)</u>
	<u>Population (000)</u>	<u>Labor Force (000)</u>	
Argentina	25,887	10,000	25
Australia	13,808	4,760	44
Austria	7,524	2,657	67 ¹
Belgium	9,826	4,000	48
Brazil	111,666	30,000	50 ²
Canada	23,314	10,000	27
Chile	10,543	3,300	25
Denmark	5,079	2,500	65
Finland	4,738	2,200	60
France	53,096	22,100	17 ³
German Democratic Republic	16,778	8,200	88
Germany, Federal Republic of	61,590	26,700	31 ⁴
Italy	56,410	19,549	20
Netherlands	13,868	4,700	33
Norway	4,037	1,700	60
Spain	36,161	13,300	90 ⁵
Sweden	8,326	4,000	80
Switzerland	6,415	3,000 ⁵	20
United Kingdom	56,043	25,600	40
United States	215,966	92,000	23

Population estimates are projection to January, 1977.

1. Rough Estimate
2. Although 50% of the work force is organized, only 1.5 million pay dues.
3. This is an approximation. 23.4% of the salaried work force is organized.
4. 31% of the entire labor force is organized, 37.5% of the wage and salary earners.
5. 90% of the labor force is in compulsory government controlled syndicates.

Source: U.S. Central Intelligence Agency, National Basic Intelligence Factbook, January 1977 (Washington, D.C.: C.I.A., 1977).