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PRESCRIPTION FOR THE SURVIVAL OF THE UNITED STATES TRADE UNION MOVEMENT--OR SELF-INTEREST FOR THE REMAINDER OF THE 20th CENTURY [by]

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ABSTRACT

PRESCRIPTION FOR THE SURVIVAL OF THE UNITED STATES TRADE UNION MOVEMENT--OR SELF-INTEREST FOR THE REMAINDER OF THE 20th CENTURY

The authors argue that the U.S. trade union movement for the most part did not gradually evolve but was created practically overnight by two catastrophic cataclysmic events: 1) World War II, and 2) The Great Depression. Furthermore, the U.S. trade union movement is being rapidly destroyed by: 1) dramatic changes in the product markets, 2) unprecedented technological developments, and 3) radical shifts in the attitudes of the body politic.

The authors attempt to destroy the myths that have been sustaining the advocates of the "Rerun Theory," and provide ammunition for the proponents of the "New Stage Theory."

Most importantly, the authors propose a prescription for union survival that is consonant with the new economic order and the gratification of the needs of contemporary workers.

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UNITED STATES TRADE UNION MOVEMENT AS A PRODUCT OF CATACLYSMIC CHANGE:

Since the acceptance of the theories of Charles Darwin we, the products of western civilization, typically think in terms of evolutionary trends rather than cataclysmic events, and the analysis of the United States trade union movement has succumbed to this evolutionary predisposition; moderated to be sure by the notion of ebbs and flows of union fortunes, with the 1980s constituting an ephemeral ebb tide. It is high time to reinterpret the history of the United States labor movement in terms of cataclysmic events. Such a reinterpretation is hinted at in the works of Barbash (1983, 1984), Derber (1983), Piore (1982), and Kassalow (1984).

It is true that craft unions have existed along the Atlantic Seaboard from practically the beginning of this nation, first as beneficial associations and later in a collective bargaining relationship with the employer, and a few industrial unions as well as a couple union movements also predate 1935. However, the United States industrial unions, in the main, trace their origin to 1935. Industrial unions on a large scale were made possible by two cataclysmic events: 1) the great depression and 2) World War II.

In fact, the golden age of the U.S. Labor movement, and a short one at that (roughly the quarter of a century immediately following World War II), was a direct result of the war and the great depression.

Of all the industrial economies of the world at the end of the war, only the United States economy remained intact. Since American companies enjoyed oligopoly or monopoly power in domestic and international marketplaces, they acquiesced to union demands not justified by productivity increases and passed the cost on to consumers in the form of higher prices rather than resist in a dedicated way. In the absence of vigorous competition, companies (organized and unorganized) slid into inefficient practices of all sorts.

The truth of the matter is that American management and American labor have not been tested in the international markets until the mid-1960s, at which time the rebuilt economies of war ravaged nations and economies of emerging industrial nations, such as Taiwan and Singapore, entered the mainstream of international trade. The catapulting of the U.S. economy into the arena of international trade must be construed as a cataclysmic event. In 1970 only 9.3 percent of American made goods were exported, while 19 percent of American made goods were exported in 1980. In 1970, 9.3 percent of the goods used by Americans were imported, while in 1980 Americans imported 22 percent of the goods that they used (Reich 1983). As a result of this dramatic increase in foreign competition, significant structural changes have taken place in the economy, and generally it is the highly unionized industries that have fared most poorly in the international marketplace (shipbuilding, steel, automobiles, machine tools, consumer electronics, textiles, and footwear). Incidentally, such is the case in Europe as well.

Although the march of technology has been inexorable, it has proceeded at an uneven pace. Robotics, with its potential for flexible systems of production (flexible manufacturing systems), poses such a threat to the kinds of workers who in the past have shown the greatest proclivity for unionization that it too must be viewed as a dramatic event.

To survive, trade unions must operate within boundaries established by the social and political milieu, as well as by the economoic environment (Dunlop 1958). Unions and their leaders today are held in considerably lower esteem than other institutions and their leaders, and this establishes a degree of vulnerability that singularly afflicts the labor movement. In light of this reality, it is very difficult for unions to appeal to the citizenry at large for sympathy and support (Heshizer 1985). Support for the open shop has risen (74% preferred it in 1980), while backing for the union shop has fallen (20% in 1980). How long will it take before these public sentiments work their way into public policy?

Even though Eisenhower, Nixon, and Ford were Republicans, Reagan's departure from mainstream Republicanism could easily be viewed as a cataclysmic event (Barbash 1984, p. 17). Had it not been for the "watergate" scandal, Republicans would have carried the White House the last five times, instead four of the last five.

The loss of the presidency to a party or a person unsympathetic to the union cause is crucial because of the appointive powers inherent in that office. Many of the decisions recently handed down by federal judges and the NLRB are a direct result of Reagan's appointments. Seeding the top echelons of the DOL with administrators who espouse anti-union attitudes also injures the union movement.

It is true that reasonable people can argue that no single event identified by the authors is really cataclysmic. It would be difficult, however, to deny that the cumulative effect of the combination is anything short of a cataclysm. The authors then are siding with the proponents of the "New Stage" view and against the advocates of the "Rerun Theory" (Derber 1983, p. 1).

In summary, three points emerge. First, a trade union ideology as traditionally defined is not imbedded in the collectve psyche of the U.S. culture. For further support

of this proposition see Kassalow (1984, p. 53). Second, a large scale union movement in the U.S. is made possible by catastrophic cataclysmic events and their aftermath. In their absence, the fate of unions is bleak, indeed.
Third, if the unions cannot prosper in their present form, then they have little to lose by altering it. Gradual adjustments to the new reality (the evolutionary approach) simply will not save the unions in time.

ECONOMIC LAWS AND MANAGEMENT AND LABOR RESPONSES:

Even though economists have been unable to predict the economic future very well, nonetheless, they do know some things--so well in fact that we can call them economic laws. And one cannot violate economic laws for very long with impunity. Let us enumerate those that are germane to the thrust of this undertaking.

1. The dollar will flow to wherever it gets the highest return.
2. As the cost of labor increases, the cost of machines vis-a-vis labor decreases, and a substitution of technology for people takes place. Furthermore, an incentive is provided to invent new technologies.
3. Competition forces either efficiency or demise.
4. Deregulation produces competition; and in industries with many companies unions cannot prevent a large number of firms from maintaining union-free status,

and taking business away from the higher cost union firms, e. g., trucking, airlines, residential construction, and meatpacking).

5. When confronted with a differentially priced product, the consumer will opt for the lower price, ceteris paribus, of course; and it does not make a difference if it is a consumer purchasing an end product, or an industrial purchasing agent buying a component.
6. Free trade among nations, providing it is fair trade, enhances the welfare of all consumers.

When the high cost of labor, union rigidity, and union intransigence make it difficult to do business in a particular geographic area, management can resort to one or more of the following options:

1. Escape to a state(s) with a right to work law or to a foreign country.
2. Resort to outsourcing (from either non-union shops or off-shore facilities).
3. Substitute machines for workers (Brown and Medoff 1978).
4. Political action--lobying on behalf of some combination of tariffs, import quotas, and content legislation. This is one strategy in which unions join management as partners.

5. Abandonment of unprofitable product lines through diversification into profitable product lines or liquidation of the business. Let us not forget that the U.S. once had a proud commercial shipbuilding industry, and that U.S. Steel raised $6 billion to acquire Marathon Oil rather than modernize its plant and equipment.

Non-unionized firms, of course, will attempt to remain so by pursuing human resource policies that eliminate the incentive to unionize through gratification of employees economic and psychological needs (Foulkes 1981; Verna and Kochan 1985). Also, many of these organizations will retain the assistance of consultants to make organizing that much more difficult.

When confronted by one or more of the economic laws enumerated above and/or one or more of the management responses to these economic laws, unions may respond by:

1. Organizing workers in right-to-work states and foreign countries.
2. Organizing workers: a) who have shown little interest in unions or vice versa; b) in unoganized industries.
3. Blind resistance.
4. Granting concessions grudgingly and out of necessity.

5. Political action (either alone or in concert with management).
6. Applying public pressure on the employer by appealing directly to consumers, potential consumers, and the general public.
7. Using union pension funds as leverage.
8. Redefining the purpose of unions and the nature of the relationship between union leaders, rank and file, and management.

The authors are assuming that restructuring American society along Marxist or socialist lines is not a realistic alternative in the foreseeable future.

Let us then examine the potential union responses with the purpose of assessing their viability. The United States worker can compete effectively against the European and Canadian worker, providing the dollar is not very overvalued. No doubt the extent of unionization and the type of unions that exist in Western Europe and Canada are partly responsible for this parity or even a U.S. advantage. The inability to organize workers in the emerging industrial nations along U.S. and Western European trade union lines gives those nations a very substantial comparative advantage. Japanese unions are such a fundamentally different animal from their U.S. and Western European counterparts that in no way do they impair Japan's ability to compete in the international markets.

Unions have enjoyed very limited success organizing workers in right-to-work states, in industries outside of what Barbash (1983, p. 10) calls the American union heartland (autos, steel, rubber, meatpacking, airlines, agricultural implements, construction, trucking, newspapers, and public employment), and in occupations the members of which have traditionally shown little interest in unions.

The blind resistance strategy has resulted in abandoned factories. Political action by the union movement has failed to blunt the Reagan juggernaut, though it produced an occasional and temporary victory, such as the four-year "voluntary" restriction on export of Japanese cars to the United States. So far the unions have not taken their case to the general public, although it appears as though they are contemplating such a strategy through radio, television, and newspaper advertisements (Apcar and Trost 1985a). Given the negative perceptions of unions and union leaders by the general public, it is highly doubtful that such a strategy will produce a positive outcome. Also, unions have been reluctant to utilize their pension funds as a tool to enhance their interests, perhaps because doing so might make for poor invesment portfolio management and violate the "stewardship" responsibility.

The "concessions" or "givebacks" strategy deserves a more extended discussion. In 1982, Ford's labor costs averaged $21.68 an hour. At various Japanese auto companies, total hourly compensation ranged from $11.87 down to $10.16 in the same year (Myers 1983). The much ballyhooed givebacks granted by the Ford workers barely make a dent in this $10 to $11 per hour labor cost gap. The same observation can be made for the steel industry. Givebacks are part of the answer, but clearly they are not the whole answer.

How will the auto industry respond? In October 1984 General Motors Corp. announced that it was going to invest $52 million in an axle factory in Saginaw, Michigan. One would think that the UAW would be ecstatic because of the new membership. In fact, 50 robots will move parts within 40 manufacturing and assembly cells. Driverless carts will move parts between cells and transport finished products to shipping areas. Little automatons will sweep the floors. A master computer will orchestrate the whole plant, switching operations when needed, keeping records, managing inventory, and ordering raw materials. True, other tasks requiring "greater skills" will be performed by humans, but these will not be humans who show a serious interest in traditional unions. The General Motors/Toyota Motor Corp. joint venture in Fremont Calif. and Buick City in Flint, Michigan will provide numerous lessons for reducing the number of manhours needed to manufacture a car. GM's

Saturn project, Chrysler's Liberty car and Ford's Alpha car will provide many more ways of eliminating manhours. Mini mills offer the same lessons for the steel industry. Machining centers, most of them manufactured abroad, serve notice to production employees in other manufacturing industries that fewer manhours will be needed to produce a given product. While automobile companies are reducing the number of manhours needed to make a car or truck, in the meantime they are importing subcompacts from their foreign subsidiaries or joint venture partners to sell in the U.S. Also, they are importing more and more components from the same sources for the cars and trucks assembled in this country. It is no coincidence that the Ford Escort is called a world car.

Furthermore, let us not lull ourselves into thinking that clerical jobs cannot be exported. West Publishing Co., St. Paul, Minn., flies complex legal documents to South Korea, where non-English-speaking workers keypunch them into the firm's Westlaw data bank. Barbados workers earn $2.50 an hour keypunching data into American Airlines computers. The work had been performed in Tulsa, Oklahoma by 200 workers making $6.50 an hour. The savings to American Airlines in 1983 was $3.5 million. This practice is sufficiently widespread that the term "telescabbing" was invented to describe it (The Wall Street Journal 1985, p. 1). Also, clerical jobs can be replaced by machines. Equipment already exists, as does the computer software, to permit a microcomputer to read and print documents typed on most typewriters, while sophisticated character and voice recognition technology capable of replacing many clerical personnel is just around the corner. Rapid technological advances are being made to permit soon banking and shopping at home via the personal computer.

MYTHS THAT SUSTAIN THE ADVOCATES OF THE RERUN THEORY:

1. High Wages Provide Markets For Goods and Services. This is a variant of the underconsumption explanation of the Great Depression, which stated that the Depression was caused by the failure of purchasing power to keep up with the productive capacity of U.S. industries. Whereas Government spending was the Keynesian solution, high wages are the solution to the latter day underconsumptionists. This notion may have made sense in the past when high productivity increases obviated the need to increase prices that would have resulted from the wage increases. Given the recent productivity record of the U.S. economy (average annual growth of 0.8% in the non-farm sector between 1973 and 1983, according to the U.S. Department of Labor), there is no reason to believe that high productivity increases will neutralize that proportion of inflation caused by wage increases.

Furthermore, the U.S. economy was relatively self-contained when Henry Ford allegedly asked: Who will buy my cars unless I pay top dollar to my workers? Today's high U.S. wages buy foreign made goods more and more, as evidenced by the increasing trade deficit. Factory orders declined 0.9% during January 1985 at the same time as as government statistics indicated that consumer demand was strong in December 1984 and January 1985. The explanation by the U.S. Department of Commerce and leading economists was staight forward: "Imports are really taking a huge market share even in places they've never been before" (Murray 1985). The "Henry Ford" theory of consumer demand does not hold much water in free international markets, regardless of how glibly it is defended (Tyler 1985).

2. <u>The U.S. Worker Is the Most Productive Worker in the World.</u> This is true if one accepts the common definition of productivity, which is output per hour of paid work. Even by this rather meaningless measure, the U.S. lead is rapidly disappearing. However, productivity is not only a function of labor but also of all the other inputs, such as: materials, capital, management, and technical services. Moreover, the current measures of productivity exclude cost. For example, if 300,000 U.S. automobile workers produce 5% more cars than 300,000 Japanese workers, but the Japanese workers are paid 40% less, the Japanese car manufacturers

are more competitive even though the U.S. workers are more productive. At the very least, it would make much more sense to measure productivity as output per labor dollar rather than per paid hour of work. Afterall, how meaningful can a productivity measure be that makes it possible for the most productive workers to be among the least competitive. Let us face it, consumers do not look at productivity indexes. They consider the price tag (ceteris paribus, of course) and cost plays a significant part in determining the price tag of a manufactured product. Let us illustrate with an example:

EXAMPLE "A" $$\frac{\text{200 units}}{\text{200 labor hours times \$10 per hour}}$$ = one unit per hour and .1 of a unit per labor dollar

EXAMPLE "B" $$\frac{\text{200 units}}{\text{200 labor hours times \$12 per hour}}$$ = one unit per hour and .083 of a unit per labor dollar

It is clear from the above example and Table 1 that incorporating cost into the productivity index would provide a much different and more meaningful view of comparative productivity. It is by omitting the cost factor from the measure of productivity that economists conclude at times that unionized enterprises are more productive than nonunionized ones (Freeman and Medoff 1984, pp. 162-180). On the other hand, economic studies show a clear negative union impact on profits (as measured by either the price-cost-margin or the return-to-capital measures). This is the case because the productivity increases that might result from organization are insufficient to offset the cost increases that accompany unionization (Freeman and Medoff 1984, pp. 183, 169). If unions were so conducive to productivity, management would be welcoming them with open arms rather than resisting organizing efforts with every means at its disposal.

One week after President Reagan announced that the Japanese were free to export to the U.S. as many cars and trucks as they wished, Chrysler announced the formation of a new corporate unit to increase purchases of auto and truck parts overseas and perhaps to explore joint ventures with overseas concerns. Chrysler notified Caterpillar Tractor Co. that it no longer had an interest in buying a vacant Caterpillar plant in Peoria, Illinois, and cancelled an option to purchase an unused Western Electric Co. plant located in Indianapolis, Indiana that Chrysler was planning to convert to automobile manufacturing. Furthermore, Chrysler informed its 15%-owned Japanese affiliate, Mitsubishi Motor Corp., that it will need 200,000 cars on top of the 87,500 Chrysler already imports (Darlin 1985).
One would think that companies would be running toward the "most productive workers" in the world rather than avoiding

them.

Table 1. Hourly Pay Levels Abroad as Percentages of the U.S. Level

	1983	1982	1981
West Germany	83	89	96
Netherlands	78	84	90
Sweden	73	86	108
France	62	67	74
Italy	62	63	67
Britain	53	58	65
Japan	51	49	56
Brazil	14	21	20
Taiwan	13	13	14
Mexico	12	17	33
South Korea	10	10	10

SOURCE: U.S. Department of Labor. The estimates include fringe benefits, and all pay is calculated in U.S. dollars.

3. Once the Dollar Is Devalued and the Economies of Our Trading Partners Improve, the U.S. Trade Deficit Will Disappear. This argument has merit with regard to Western Europe and Canada. It is very doubtful that a weaker dollar will sufficiently redress the trade imbalance between the U.S., the Pacific basin countries, and other newly emerging industrial nations. The labor cost and work ethic gaps are too great for a devaluation of the dollar alone to cure. Again, the reader is invited to examine Table 1. Furthermore, the U.S. has been running merchandise trade deficits since 1976, long before the high interest rates and the economic recovery created such a strong dollar. The problem was masked by a surplus in the trade of services, which made the balance of payments deficit on the current

account look acceptable until 1983. Table 2 reveals the magnitude of the problem. When one acknowledges that most unionized industries are the least competitive in the international marketplace, it becomes quite difficult to accept, without major reservations, the conclusions of Freeman and Medoff (1984, pp. 189-190) that "unionism in many instances also improves the operation of the economy," and is "beneficial to the economy in many ways."

Table 2. U.S. Merchandise Trade Deficit (in Billions)

YEAR	AMT.	
1979	$-37.3	
1980	$-24.2	
1981	$-27.6	
1982	$-31.8	
1983	$-69.4	
1984	$-123.3	
1985	$-140.0	(projected)

SOURCE: U.S.Department of Commerce

4. High Technology Jobs Will Replace the Ones Lost in the Smoke Stack Industries. This proposition amounts to wishful thinking. In 1982 the U.S. Department of Labor projected that demand for computer programmers would grow between 74% and 148% while overall job growth would only be 22%. However, the percentages are misleading. The total number of new jobs for computer programmers is expected to be 150,000. Some 1.3 million new jobs are projected for janitors, nurses' aides and orderlies. That is nine unskilled jobs in these categories alone for every computer

programmer. In fact, no high-tech job even makes the Labor Department's top twenty list in terms of total number of jobs added to the U.S. economy. New jobs for data processing machine mechanics, the fastest growing job category, will increase 148%, which translates into fewer than 100,000 new jobs, juxtaposed against 800,000 new jobs for fast-food workers and kitchen helpers alone. Furthermore, after approximately 250 organizing drives, unions have largely abandoned efforts to organize high-tech workers (Miller 1984), most of whom are low paid assemblers.

The U.S. economy has been a remarkable job creation machine over the past decade. It has created 13 million new jobs during that period, or a 14% increase, as compared to a loss of 3 million jobs in Western Europe during the same time frame. Many of these new jobs are in the service sector and are relatively low paid. In other words, many Americans have priced themselves down into jobs, unlike their European counterparts, who have priced themselves out of jobs. If unions were to organize many of these low paid jobs and increase the wages, then many of these jobs would disappear as well. The service sector has also created jobs for accountants, engineers, doctors, lawyers, scientists, and the like, but these high priced wage earners are unlikely to join unions in significant numbers (Greenwald 1984).

5. <u>Never Underestimate the Staying Power of the U.S.</u>

Labor Movement. This thesis is simply unsupported by facts. Prior to 1935, American trade unions enjoyed a small modicum of success during periods of prosperity, and flirted with extinction during recessions and depressions. Their growth and prosperity from 1935 to the early 1970s is explained by the two cataclysmic events that have been discussed in the opening of this paper. The jury is still out on whether or not U.S. unions can survive on a large scale in a free international marketplace. This observation also applies to European unions, which have a much longer tradition.

Let us illustrate union vulnerability to economic forces and social and political sentiments with recent membership trends. Trade union membership has declined between 1980 and 1984 in absolute and percentage terms (from 22.4 to 17.3 million, a decline of 23%). The percentage of the unionized nonagricultural workforce has fallen from 33% in the mid-1950s to approximately 19% in 1984. The union win rate in representation elections has declined from 60% in the late 1960s to about 45% in the 1980s. Freeman (1985) estimates that if unions maintain their current .3% organizing rate, the proportion of the nonagricultural labor force that is organized will continue to decline until it reaches an equilibrium level of about 10%. Hills (1985) concluded that only in the public sector, already highly unionized, did a majority of nonunion workers support organization.

PRESCRIPTION FOR SURVIVAL (THE ECONOMIC/BEHAVIORAL MODEL):

Modern day industrial relations is predicated on the assumption of duality of interest, or the principle of adversary relationship (Barbash 1983, p. 15). An industrial relations system built on the notion of adversarial relationship between management and unions moderated by the Federal Government was practical and even advisable under the old economic order, but will not survive the new one. The countries that provide the U.S. with its severest economic challenges have constructed an industrial relations system predicated on the recognition of a commonality of interest between management, trade union leaders, rank and file, and government. In other words, unions and their members have realized that their fate is inextricably intertwined with the financial health of their employers and the industry in which they work. And it is those industrial relations systems that have made possible the creation of economies with which the U.S. no longer can compete effectively.

All organisms, be they biological or social, must change in order to survive. How quickly and radically an organism needs to change depends on the speed and magnitude of the changes in the organism's environment. The rapid onset of relatively unfettered international product markets and other fundamental changes obsolete the "orderly retreat until times get better" strategy as described by Barbash (1984, p. 18).

Gradual adaptations will no more save the unions today than they saved the dinosaurs eons ago. The authors are convinced that only a radical change will preserve unions on a large scale. The first principle of unionism, "a union is only as effective as its product market allows it to be," is as valid today as it ever was.

For unions to prosper they must: 1) be compatible with the economic reality of the time; and 2) satisfy what employees deem to be their important needs. Of course, such advice is equally applicable to business enterprises, and that is what mutuality or commonality of interest is all about.

Let us now operationalize this mutuality of interest for it constitutes the prescription for survival. Once one accepts the necessity of substituting the principle of "common interest" for the principle of "adversary relationship," for the sake of union survival, then the question becomes how does one either restore or maintain the competitiveness of U.S. enterprises. The answers to that question then constitute the agenda of union leaders, regardless of how difficult that agenda is to swallow, and hard it will be.

A note of caution must be extended regarding the notion of borrowing solutions from abroad. It appears that European labor movements are faced with the same or even more severe problems than the U.S. labor movement (Alexander 1985). It may be that European unions are even less able to withstand free market forces than are U.S. unions (Perry 1985, p.22; Kamm 1985, p. 22). When the dollar is devalued to a more acceptable level, the precarious position of European unions will become even more apparent. Therefore, it is problematic whether or not the European experience has anything to offer American trade unions.

The U.S. economy experienced two back-to-back recessions several years ago. The first one started January 1980 and terminated in July 1980, while the second one bagan in July 1981 and ended in November 1982, and proved to be exceptionally severe. However, even two years after the second recession ended, Japan continued to enjoy a $36.8 billion trade advantage with the United States, according to U.S. Department of Commerce data for 1984.

When the economy of one country has fallen upon hard times, it is quite natural to look to the prosperous one(s) for solutions. Thus, many in the U.S. recommended a careful scrutiny of the Japanese management system and the Japanese industrial relations system, with the intent of importing at least some solutions (Levine 1983). However, Japan and the U.S. have fundamentally different cultures. Japan is a "normative" culture. Japanese workers are more likely to produce at high levels because of values that they embrace rather than because hard work leads to the attainment of their important goals. United States, on the other hand, is an "instrumental" culture. American workers will produce at high levels when they are convinced that work will obtain for them the goals that they consider important. Many of the Japanese management and industrial relations practices are culture bound or culture specific. One simply cannot emulate a management practice such as "consensus decision making" the way one can copy a piece of equipment. The U.S. must solve its problems with its own solutions.

Establishing a strong connection between performance and rewards. Behavioral scientists explain work motivation in an instrumental culture through expectancy or instrumentality motivation theory (Gibson et al. 1985, pp. 155-160), and path-goal leadership theory (Gibson et al. 1985, pp. 391-395). Briefly, the theory states that employees will work hard when they believe that: 1) their efforts will result in high performance; and 2) high performance will lead to rewards that they value. Yet, the sad truth of the matter is that in many organizations with productivity problems, the below average, average, and above average employees at all levels of the organization receive the rewards that these organizations have to offer in about the same amounts, and this applies to non-unionized organizations as well. Therefore, the extrinsic incentives for performing at high levels are absent from the workplace. If executives who lead their firms into bankruptcy are paid hundreds of thousands of dollars, how much would they be worth if their firms made a profit?

Numerous studies have been conducted over the years comparing the impact on performance of incentive plans vs. hourly rates. In the preponderance of the studies, workers under incentive plans outproduced those under day wages. One survey of twenty-nine studies revealed that incentive plans increased productivity in twenty-six instances, in two cases there was no difference, and only in one comparison did productivity decrease. The literature indicates that incentive pay systems increase productivity between 15% and 35% (Lawler 1984).

According to a 1983 Public Agenda Foundation Study, only 22% of American workers say there is a direct link between how hard they work and how much they are paid. The same study reveals that 73% of American workers attribute their decreased job efforts to a lack of incentive pay. There is some evidence that the absence of incentive pay is a disincentive or demotivator (Lawler 1984).

Individual incentive plans are inappropriate for many of today's jobs because it is difficult to assign to individuals measurable units of output due to the interconnected nature of work assignments. That is why union leaders and employers are urged to consider group incentive plans and, especially, plant-wide gainsharing plans, such as the Scanlon Plan, Rucker Share-of-Production Plan, and Improshare.

We must be mindful that incentives must approach a motivational threshhold in order to have significant impact on performance. Workers will take their pay in the form of leisure rather than exert maximum effort for an extra five or ten cents an hour. We have much to learn about motivational thresholds from Lincoln Electric. In 1981, Lincoln Electric employees received on the average a $22,000 bonus on top of their regular compensation. In 1982, the bonus was $15,640, but no one was laid off, although employees worked a shortened work week because sales declined 25%. For that kind of incentive, employees will work harder and smarter.

Although Lincoln Electric is not unionized, Briggs and Stratton is. The principal reason for high productivity at Briggs and Stratton is the fact that sixty percent of the employees are on either group or individual incentive plans, and some workers earn as much as $30,000 a year. The union has no problems with incentives because the employees prefer them (Muczyk and Hastings 1985). Union leaders should insist that the compensation of everyone in the organization be tied to performance. In those instances where individual, group, and plant-wide incentive systems are inappropriate, the connection between performance and rewards for all levels of the organization could and should be established through reliable and valid performance appraisals.

Unless organizations implement performance evaluations capable of identifying high, average, and below average performance, then these organizations simply cannot reward performance in a differential manner. And employees who are convinced that rewards do not follow performance will become and remain demotivated. Indeed, improving performance appraisals for everyone should be among the highest priorities of contemporary union leaders and managers.

The Primacy of Technology as a Force for Increasing Productivity. The stark truth of the matter is that from time immemorial increases in productivity as traditionally measured (output per paid hour of work) have been largely a function of technology. Union leaders should be in the forefront of the movement to insure that the American worker is backed up with more technology than any other. After all, that is exactly the reason why the U.S. worker was and continues to be the most productive worker when measured by output per paid hour of work. Furthermore, union leaders should push for the kind of education and training that will qualify its members for the jobs that are currently being created and will continue to be by the unrelenting march of technology.

Today's Research and Development is tomorrow's new technology. Union leaders should pressure management to emphasize research and development. Moreover, union leaders should ally themselves with those forces that push for tax policies that encourage capital investment. Between 1960 and 1973 the amount of plant and equipment provided each American worker increased 2.3%. Since 1973, it has been .14%. Failing to invest in Research and Development and in capital stock is the most effective form of economic suicide.

Advocating Efficient Practices. Union leaders should push for the elimination of restrictive work rules, such as narrow job classifications, rather than resisting them. Contemporary workers, especially the younger and better educated ones, desire to perform interesting, meaningful, and challenging work, as opposed to routine, repetitive, and boring tasks. Therefore, negotiating broad job classifications will not only increase efficiency, but please numerous employees (Gibson et al. 1985, pp. 468-475). The concept known as "pay for knowledge" is one approach with which to break down traditional job classifications and rigid work rules. Under this system, workers earn extra money for acquiring new skills (Apcar 1985b).

Union leaders also should agitate for a reduction in the number of layers of management and pairing of bloated staff departments. In a typical Japanese factory, foremen report directly to plant managers. The foremen in the typical U.S.

factory confronts three additional layers of management that are expensive and create bureaucratic rigidity. The ratio of staff positions to production workers in American manufacturing companies increased from 35 per 100 to 41 per 100 between 1965 and 1975. The increase has been even more dramatic in certain industries. Between 1968 and 1977 blue-collar employment rose 9.8%, while the number of white collar employees increased 27%. The average productivity increase during this period was 1.6% (Muczyk and Hastings 1985). A study at a large U.S. firm revealed that 30% of the workers' time was wasted because of work scheduling problems alone. When an engineer at Intel Corporation wanted a $2.79 mechanical pencil, processing the order required 12 pieces of paper and 95 administrative steps (Main 1981). No one really knows how much of the workers' time is wasted when one takes into account all the inefficient management practices. How can the employees take their job seriously when they observe on a daily basis management's indifference to ineficincy? There is nothing new about the suggestion that unions should concern themselves with the efficiency of the entire enterprise. Total enterprise efficiency through everyone's cooperation and the sharing of the resulting benefits is the essence of the Scanlon Plan philosophy. After all, Joseph Scanlon was a union leader, and his plan was first introduced in unionized organizations in severe economic straights. This is another illustration of what the authors mean by mutuality of interest.

Tough-Minded Human Relations. It is imperative that employees perceive that they are valued by the employer. Toward that end, union leaders should urge management to experiment with:

a. Participative decision making

-Quality circles

-Paricipative goal setting programs

b. Job enrichment

c. Shared ownership, e.g., Employee Stock Option Plans

d. Ways of minimizing social distance between workers and management

It would certainly be desirable if all work related problems could be solved through quality of work life programs. However, in numerous organizations with productivity problems, it is because of a general breakdown in discipline that absenteeism is high, coffee breaks excessive, reject levels intolerable, instances of insubordination too frequent, and disregard of rules, policies, and procedures commonplace. Union leaders must form a partnership with management to bring about a work environment that conduces to productivity. Union leaders are advised to draw an object lesson from the Mahwah, New Jersey Ford plant, where plant management lost control over the workers to the local union, and as a result corporate executives closed the plant. Increasingly, such are the consequences of an industrial relations system constructed on the principle of adversary relationship.

Educating Local Union Leaders and the Rank and File. Too many U.S. workers do not appreciate the relationship between productivity and their self-interest (viz., their job security, size of their paychecks, and their promotional opportunities. This observation also applies to union leaders, especially at the local level). National and international unions need to produce and disseminate hard hitting attitude change programs based on: 1) examples of companies that went insolvent because they couldn't compete; examples of companies that prosper because of high productivity; and 3) the folly of relying on the Federal Government to enact protective legislation. An excellent example of such a program is the "Hearts and Minds" program initiated at Jaguar. The program began with a series of videotapes, describing the history of Jaguar and the efforts to turn the decline of Jaguar's fortunes around. The videotapes present Jaguar's total investment program, and illustrate how the firm is pumping in money in support of all of Jaguar's workers. The videotapes make it clear that if the Jaguar employee does not do his job as well as his German counterpart, he will lose his job.

Union leaders, with their own self-interest in mind, must play a leading role in the kind of attitude change programs being proposed. The reasons are twofold: 1) union leaders have more credibility with rank and file than do managers and consultants; 2) unless productivity is increased in many firms, union leaders, especially at the local level, will be looking for work. Labor leaders must remember that in any economic system it is they who are the most dispensable.

SUMMARY:

It appears quite vividly to the authors that dramatic changes over the past two decades in the product markets and in the attitudes of the body politic have given management a dominant position vis a vis unions, and the trade union movement is helpless to do anything about it. Of course, union leaders can hope for changes that will redress the imbalance in power. However, another world war will not do the unions much good this time, or for that matter anyone else. A major world wide economic failure, on the other hand, would probably usher in extremist political systems from the left or the right, and unions do not prosper under either.

If unions are to survive in more than a skeletal form, they must redefine their relationship with management and the rank and file, and they must do so quickly. The emergent relationship must be compatible with the new economic order, while at the same time satisfying the needs of contemporary workers. Behavioral scientists have discovered that collaborative or cooperative models frequently are more successful than competitive models (Golembiewski 1979). The Japanese economic miracle corroborates these findings on a national scale. Hence, the new relationship ineluctably must be based on the principle of common interest.

Many forces will impede attempts to redefine the unions relationship to management and the rank and and file. There is always inertia and the inevitable threat of change. Just as importantly, an industrial relations system built on the adversary principle has created its own constituency (industry, if you will--much like the military/industrial complex). There are the so called "neutrals"--arbitrators, mediators, and factfinders. Neither can we overlook the myriad of labor lawyers working both sides of the fence and the middle. Last but not least, we have the bureaucrats--employees of the DOL, NLRB, FMCS, and the state equivalents. These people make a nice living from the adversary system, and would no more like to see it disappear than generals and admirals would welcome total disarmament.

The "Scientific Management" theories of Frederick Taylor had an enormous potential for improving industrial efficiency as well as the weal of the factory worker. Since industrial unions did not exist at the time to negotiate a fair application of "Scientific Management" principles, the movement became in many cases little more than "speed-up." Trade unions are needed to protect the interests of employees, and it is in the general interest of this nation that they survive as viable entities. See Freeman and Medoff (1984) for a comprehensive defense of the U.S. union movement. Hopefully, the authors have made a modest contribution toward the identification of the path upon which the unions must embark in order to prosper in an environment that is inimical to their survival in a traditional form, and that will in all likelihood persist into the forseeable future.

Talented young people today have practically unlimited educational and career opportunities, whereas their forebears often only had the union hierarchy. Moreover, the younger generations have a different complex of needs, aspirations, and expectations than did their forefathers. The authors believe that the economic/behavioral prescription that they propose will have considerable appeal to young employees in terms of joining unions and pursuing positions of leadership within the structure of the union movement.

The balance of power has shifted dramatically to management. Therefore, unions are at the mercy of management, and unless they are perceived by management as assets instead of serious liabilities, they will be emasculated. The authors believe that their prescription is much more likely to serve unions in their struggle for survival than the cosmetic pabulum proposed by the AFL-CIO Committee on the Evolution of Work, entitled "The Changing Situation of Workers and Their Unions."

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