

Fifth Edition

Labor Relations

Striking a Balance

John W. Budd

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A SPECIAL NOTE TO STUDENTS

My goal in writing this book is to create the foundation for you to learn about the important issues and concepts in labor relations in an engaging and enjoyable fashion. Studying labor relations can be both intellectually stimulating and fun! Labor relations have been influenced by everything from violent strikes to religious writings, from libertarians to Marxists, from radical union leaders to great industrialists. You will encounter two characters named Big Bill, the brazen yet grandmotherly Mother Jones, and the still-missing Jimmy Hoffa—not to mention the colorful language of labor relations, which includes yellow dog contracts, the blue flu, hot cargo, whipsawing, and a narcotic effect. You can enrich your studies by listening to union folk songs and watching *Norma Rae*, *On the Waterfront*, *Matewan*, *Billy Elliot*, *Pride*, and other films. Studying labor relations draws on scholarship in industrial relations, management, economics, history, psychology, sociology, political science, law, working class and women's studies, and philosophy, and I hope you find this diversity both stimulating and interesting.

At the same time, labor relations can be controversial, and many people have strongly formed opinions about labor unions even if they've had little or no firsthand experience with them. I encourage you to approach this book and your labor relations course with an open mind. As you will see, whether labor unions are good or bad depends largely on how one thinks the employment relationship works, especially the extent to which one believes that labor markets are competitive. You do not need to change your beliefs about the employment relationship (and by extension, labor unions), but you do need to understand other perspectives and respect those with other views—just as they must respect your viewpoint. Try to learn from your classmates with different perspectives and engage them in reasoned and respectful discussions with an open mind. I've worked hard to include diverse materials in this textbook to help you understand labor relations from multiple perspectives and to foster lively classroom exercises and discussions. Be an active yet respectful learner in your classroom.

U.S. labor relations are often equated to negotiating thick contracts full of detailed work rules. This is undeniably an important part of labor relations, and it will receive the necessary attention in this book; but do not sell labor relations short by limiting your expectations to this narrow view. I wrote this book so you can learn not only *how* the traditional labor relations processes (like negotiating contracts) work but also *why* these processes exist. Ultimately, labor relations are not about negotiating work rules—they are about trying to balance the economic and human needs of a democratic society and foster broadly shared prosperity. As you learn about the existing processes, continually ask yourself how they contribute (or not) to balancing these needs, and whether there are better ways of achieving these objectives—with traditional unions, with new types of unions, or without any unions at all—in the 21st century world of work. Even if you are a current or future manager or union leader with practical concerns, understanding the pros and cons of the labor relations processes—not just simply grasping how things currently work—is necessary because the labor relations system is in flux. Designing new policies, practices, and strategies that are effective hinges on a deep understanding of the employment relationship and the past, present, and future of labor relations.

Enjoy your stimulating journey through the fascinating world of labor relations!

John W. Budd

To my students and my colleagues

Labor Relations: Striking a Balance

Fifth Edition

John W. Budd
University of Minnesota

LABOR RELATIONS: STRIKING A BALANCE, FIFTH EDITION

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About the Author

John W. Budd is a professor in the Center for Human Resources and Labor Studies at the University of Minnesota's Carlson School of Management, where he holds the Industrial Relations Land Grant Chair. He is a Phi Beta Kappa graduate of Colgate University and received M.A. and Ph.D. degrees from Princeton University. Professor Budd has taught labor relations to undergraduates, professional master's students, and Ph.D. candidates and has received multiple departmental teaching awards as well as an excellence in education award from the Labor and Employment Relations Association (LERA). He has served on LERA's education committee and executive board and has published journal articles about teaching labor relations. Professor Budd's main research interests are in industrial relations, especially labor relations. He is the author of *The Thought of Work* (Cornell University Press) *Employment with a Human Face: Balancing Efficiency, Equity, and Voice* (Cornell University Press), and *Invisible Hands, Invisible Objectives: Bringing Workplace Law and Public Policy into Focus* (with Stephen Befort, Stanford University Press) and the coeditor of *The Ethics of Human Resources and Industrial Relations* (with James Scoville, Labor and Employment Relations Association). He has also published numerous articles in *Industrial and Labor Relations Review*, *Industrial Relations*, the *Journal of Labor Economics*, the *British Journal of Industrial Relations*, the *Journal of Industrial Relations*, *Labor Studies Journal*, and other journals and edited volumes. He is the recipient of a LERA Outstanding Young Scholar Award and serves on the editorial boards of the *British Journal of Industrial Relations* and *Industrial and Labor Relations Review*. Professor Budd is director of the University of Minnesota's Center for Human Resources and Labor Studies and has also served as director of graduate studies for Minnesota's graduate program in human resources and industrial relations, one of the oldest and largest such graduate programs in the United States. He also has a monthly blog called "Whither Work?"

Preface

The traditional approach to studying U.S. labor relations focuses on an uncritical exploration of how the existing labor processes work: how unions are organized, how contracts are negotiated, and how disputes and grievances are resolved. And because U.S. unions have typically used these processes to win detailed work rules, there is a tendency to equate labor relations with work rules and therefore to structure labor relations courses and textbooks around examination of these work rules. In other words, traditional labor relations textbooks are dominated by rich descriptions of the *how*, *what*, and *where* of the major labor relations processes. But what's missing is the *why*. Labor relations are not about work rules. Labor relations processes and work rules are simply a means to more fundamental ends or objectives. What are these objectives? Under what conditions are collectively bargained work rules a desirable or undesirable method for achieving these objectives? In the 21st century world of work, are there better ways of pursuing these objectives? These are the central and engaging questions of labor relations—questions ignored by textbooks that narrowly focus on how the existing labor relations processes and detailed work rules operate in practice.

The importance of moving beyond a process-based focus in studying labor relations is underscored by the fact that today's labor relations processes are under attack from all directions. Business professionals, labor leaders, and diverse academics frequently criticize the operation of contemporary U.S. labor relations, albeit usually for different reasons. Analyzing whether the labor relations system needs updating and evaluating alternative options for reform requires an intellectual framework that is rooted in the objectives of the employment relationship. A description of how the current processes work without any discussion of what the processes are trying to achieve fails to provide the basis for determining whether the processes are working and fails to supply metrics for judging alternative strategies, policies, and processes.

This textbook presents labor relations as a system for striking a balance between the employment relationship goals of efficiency, equity, and voice and between the rights of labor and management. It is important to examine these goals to discover what motivates contemporary U.S. labor relations processes and to evaluate whether these processes remain effective in the 21st century. What are the differing assumptions (such as whether labor markets are competitive) that underlie alternative mechanisms for achieving efficiency, equity, and voice? Why is a balance important? These questions provide the framework for analyzing the existing processes—especially organizing, bargaining, dispute resolution, and contract administration—as well as the major issues facing these processes—particularly the need for workplace flexibility, employee empowerment, and labor–management partnerships in the context of globalization and financialization. Another recurring theme is that the current processes are one option for balancing workplace objectives and rights, but that this system is under fire from many directions. The book therefore concludes with chapters to promote reflection on the strengths and weaknesses of the current system and the possibilities for reform. This material includes a comparative examination of labor relations systems in other countries and a consideration of varied U.S. reform proposals that include changes in union and corporate behavior as well as public policies.

This textbook thus replaces the tired paradigm of “labor relations equal detailed work rules” with the dynamic paradigm of “labor relations equal balancing workplace goals and rights.” This is *not* to say that the existing processes are unimportant. Labor law, union organizing, bargaining, dispute resolution, and contract administration are central topics that are thoroughly covered in the heart of this book using diverse historical and contemporary examples. Current and future labor relations practitioners will certainly learn the

ins and outs of the traditional labor relations processes. But this is no longer sufficient for effective practice because labor relations practices are in flux. Indeed, recent movements in various states to change public sector labor relations or implement right-to-work laws, sometimes punctuated by large-scale protests such as those we witnessed in Wisconsin, as well as the new dynamism around fast food strikes, highlight the unsettled nature of contemporary labor relations. As such, the labor relations processes are not presented in this textbook as self-evidently good; they are placed in the broader context of the nature of the employment relationship to foster a deep understanding of labor relations. The logic and relevance of the existing labor relations processes are more readily understood when explicitly linked to the beliefs about the employment relationship that underlie these processes. This deep understanding further provides the foundation for critically evaluating future directions for labor relations and labor policy—what labor relations strategies, policies, and practices can most effectively balance the workplace goals and rights of workers and employers in the environment of the 21st century?

ORGANIZATION

Labor Relations: Striking a Balance has four parts and is written for upper-level undergraduates and professional-level graduate students. Part One provides the intellectual framework for studying labor relations. Chapter 1 sketches the major concerns in labor relations within a context explicitly rooted in the objectives of the employment relationship (efficiency, equity, and voice) and of labor relations (striking a balance). In Chapter 2 four different views of labor unions in the employment relationship are presented from the perspectives of mainstream economics, human resource management, industrial relations, and critical (or radical or Marxist) industrial relations. The industrial relations viewpoint shapes the existing U.S. policies on collective bargaining, so a thorough understanding of this school of thought is essential, and this understanding is best achieved through contrasts with the other three schools.

Part Two focuses on the New Deal industrial relations system—today’s U.S. labor relations system: its historical development (Chapter 3), labor law (Chapter 4), the strategies and organizational structures used by labor and management and the environmental constraints they face (Chapter 5), how new unions are organized (Chapter 6), how contracts are negotiated (Chapter 7), how bargaining disputes are resolved (Chapter 8), and how grievances over contract administration are resolved (Chapter 9). Part Two provides a thorough understanding of these processes to help develop effective management professionals and labor advocates, as well as for thinking more critically about future directions for U.S. labor relations. Part Three focuses on four issues that are putting particular strain on the New Deal industrial relations system in the 21st century: workplace flexibility, employee empowerment, and labor–management partnerships (Chapter 10) as well as globalization and financialization (Chapter 11). These are important issues for business, policymakers, and labor unions and also reflect struggles with efficiency, equity, and voice and trying to balance labor rights and property rights. Consequently, these issues are critical for both policy and practice.

The goals of Parts One, Two, and Three are to develop a deep understanding of the current state of U.S. labor relations—its goals, major processes, and current pressures. But many individuals from nearly every viewpoint—pro-business or pro-union, liberal or conservative, Republican or Democrat, academic or practitioner—have called for reform of the existing U.S. labor relations system. Thus, Part Four reflects on the current state of U.S. labor relations and options for reform. Other countries wrestle with the same goal of balancing efficiency, equity, and voice, and Chapter 12 presents some comparative examples of different labor relations systems. In a global economy it is important to understand how things work in other countries to be a better manager or labor leader, but there are also

lessons for reflection and reform. The concluding chapter returns to the starting questions: What should labor relations do? What should labor relations seek to accomplish? And in light of the material in the rest of the book, what reforms are needed—in union strategies, corporate governance and social responsibility, and labor law? Chapter 13 therefore integrates the past lessons with directions for the future. Throughout the chapters, engaging historical and contemporary examples are combined with concrete issues for both practice and policy to develop a deep understanding of the past, present, and future of U.S. labor relations for managers, unionists, workers, and anyone concerned with the employment relationship. Much of the material has important implications for nonunion managers, too.

The first four editions of *Labor Relations: Striking a Balance* were well received by instructors and students alike. In fact, the first edition was recognized with a Texty excellence award from the Textbook and Academic Authors Association for the best textbook in accounting, business, economics, and management in 2005. This fifth edition continues to refine and update rather than overhaul the successful approach of the earlier editions. The particular emphases of the revisions for this fifth edition are engagement with new events, pressures, and ideas as well as removal of unnecessary details and additional clarity of specific topics identified by the reviewers. In various places in this new edition, issues raised by the Fight for \$15 movement, alt-labor initiatives, protests over proposals to change public sector bargaining laws, debates over right-to-work laws, and new NLRB policies and rulings are incorporated. Every chapter now includes an explicit nonunion application element as well as two online exploration exercises in the flow of the text. And Chapter 11 has been significantly re-written to more efficiently focus on the labor relations relevance of globalization while adding a brand new section on financialization which many scholars now recognize as another very important pressure on labor relations. Updated statistics and references appear throughout the text.

KEY FEATURES

- Extensive supporting pedagogical materials (discussed below).
- A rich intellectual framework for understanding both the current labor relations system and possible alternatives. This framework focuses on three conceptual elements: the objectives of the employment relationship (efficiency, equity, and voice), the objectives of labor relations (striking a balance), and differing views of labor markets and conflict.
- Comprehensive, even-handed coverage of the New Deal industrial relations system—including history, law, and all the major labor relations processes—as well as current issues (workplace flexibility, employee empowerment, labor–management partnerships, globalization, and financialization) and multiple alternative directions for union strategies, corporate behavior, and labor law. Engaging historical and contemporary examples illustrate many issues; these examples are drawn from a wide variety of industries, occupations, and demographic groups.
- Discussion of whether workers’ rights are human rights. Moreover, the clash between property rights and labor rights is highlighted as a central conflict in labor relations. This theme is used to increase the understanding of the legal doctrines that underlie the labor relations processes by seeking to balance these competing rights.
- A serious treatment of ethics integrated throughout the text. Unlike any other labor relations textbook, major ethical theories and principles are discussed (Chapter 5). Many chapters ask students to apply these principles to important labor relations issues.
- Contemporary management and union strategic issues integrated throughout the text, including integrative bargaining, workplace flexibility, work teams, reengineering, leadership, change management, the organizing model of union representation, and social movement unionism.

- Separate chapters on globalization/financialization and comparative labor relations systems. The comparative chapter discusses labor relations in representative industrialized countries (Canada, Great Britain, Ireland, France, Germany, Sweden, Australia, and Japan) as well as in Mexico, eastern Europe, China, and other Asian developing countries, along with the debate over convergence of policies and practices. The globalization and financialization chapter is unique among labor relations textbooks and explores the pros and cons of globalization, debates over free or fair trade, the use of corporate codes of conduct and the International Labor Organization to promote workers' rights, transnational union collaboration, issues for international managers, multiple dimensions of financialization, and ethical concerns.
- Issues specific to public sector labor relations integrated throughout the text rather than relegated to a special topics chapter. Nonunion applications appear in every chapter, too.
- Explicit discussions of four schools of thought about the employment relationship—mainstream economics, human resource management, pluralist industrial relations, and critical industrial relations—and the importance of these different perspectives in understanding conflicting views of labor unions and labor policies.
- Inclusion of diverse scholarship on labor relations incorporated throughout the text to promote a broad understanding of the subject and to create an engaging, interesting book for the reader that draws on many disciplines and perspectives.
- Appendixes including the full text of the National Labor Relations Act, the United Nations' Universal Declaration of Human Rights, and a sample NLRB decision.
- The Zinnia and Service Workers Local H-56: An accompanying online bargaining simulation for students to experience the collective bargaining process by renegotiating a hotel's union contract. The simulation is structured around websites for the hotel and the union, and all the necessary materials are online at www.thezinnia.com.

LEARNING AIDS

Labor Relations: Striking a Balance combines a rich intellectual framework and the latest issues and debates in labor relations with extensive pedagogical aids. My teaching philosophy embraces contemporary developments in learning theory by using active learning strategies that are responsive to diverse learning styles. In my own teaching of labor relations, this approach has resulted in a stimulating classroom environment as well as multiple teaching awards. Helping instructors create similar learning environments to facilitate enriched student learning is an important objective of this textbook. Significant learning aids in this textbook include the following:

- Numerous case studies to promote classroom discussion appear throughout each chapter. Tables and figures also summarize and reinforce important elements of each chapter.
- Varied active learning exercises to foster an active learning approach and increase student participation are included in the text and supplementary materials.
- Each chapter begins with an advance organizer, list of learning objectives, and outline to prepare students for the chapter's material. Each chapter concludes with a list of key terms (boldfaced in the chapter) and reflection questions.
- Visual learning aids such as diagrams, pictures, cartoons, time lines, and charts help students with diverse learning styles connect with the material. Each chapter also includes two online exploration exercises integrated into the flow of the text to help learners engage with the material.
- Ten labor law discussion cases in Chapters 4, 6, 7, 8, 10, and 11 help students apply important legal concepts. An additional 10 grievance discussion cases in Chapter 9 help

students wrestle with the central elements of contract administration. A sample NLRB decision is also included in Appendix C.

- The accompanying web-based bargaining simulation at www.thezinnia.com also promotes active learning. Rather than reading a spoon-fed narrative, students must explore the web-sites of a fictitious employer and union to learn about the bargaining environment.

TEACHING AIDS

Labor Relations: Striking a Balance includes and with a variety of teaching aids to help instructors create a dynamic learning environment.

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Instructor Library

The Connect Management Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture.

The Library for the fifth edition includes the following resources:

- The detailed instructor’s manual contains
 - Chapter outlines, learning objectives, lecture ideas, teaching tips, active learning exercises, ideas for using technology in the classroom, and suggestions for videos and other supplementary materials, along with a glossary of key terms and answers to the end-of-chapter questions.
 - Detailed teaching notes for all of the text’s 20 labor law and grievance cases that appear in Chapters 4, 6, 7, 8, 9, 10, and 11.
 - Tips and hints for using the accompanying online collective bargaining simulation, The Zinnia and Service Workers Local H-56 (available at www.thezinnia.com).
 - A unique “Pedagogical Introduction to Teaching Labor Relations” that discusses the use of active learning techniques and other best practices to help instructors engage students with diverse learning styles.
- The revised test bank contains approximately 100 questions per chapter and consists of multiple-choice, true/false, and essay questions; correct answers are accompanied by page references and tags indicating level of difficulty.
- PowerPoint presentations outline the important concepts of each chapter and reference relevant text exhibits.

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*John W. Budd
Minneapolis, Minnesota
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Part One

Foundations

It is tempting to study labor relations by focusing on how the key processes work, such as how union contracts are negotiated. But we cannot effectively understand these processes unless we know both what they are trying to achieve and how they fit with the employment relationship. The first two chapters therefore provide a foundation for studying labor relations by introducing the key issues and problems in contemporary labor relations within a context that emphasizes the objectives of labor relations and alternative models of the employment relationship.

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Chapter One

Contemporary Labor Relations: Objectives, Practices, and Challenges

Advance Organizer

You probably have preconceived notions about labor relations and labor unions—perhaps from your parents, from the news media, or from personal experiences. Now it is time to think more carefully about labor relations in an open-minded way. The starting point for studying labor relations is consideration of the objectives of a labor relations system. Specifically, the U.S. labor relations system attempts to balance the objectives of employees, employers, and society; but this system faces significant pressures and continues to be criticized from many directions.

Learning Objectives

By the end of this chapter, you should be able to

1. **Understand** why studying labor relations is important and how the subject can be fascinating.

2. **Define** the objectives of the employment relationship (efficiency, equity, and voice) and of labor relations (striking a balance).
3. **Describe** the basic features of the contemporary U.S. labor relations system—collective bargaining, detailed union contracts, and private sector union density decline.
4. **Discuss** the current pressures on the U.S. labor relations system—on the corporate side, workplace flexibility and employment involvement (stemming at least partly from globalization); on the labor side, low union density, a representation gap, and difficulties in organizing new workers.

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On April 14, 2016, fast-food workers walked off the job or didn't report to work in New Orleans. And Milwaukee. And Atlanta, Denver, Boston, Minneapolis, and Seattle. And in Chile, Thailand, and France. In fact, thousands of workers in over 300 cities demonstrated for higher minimum wages and better working conditions for low-paid workers as part of the ongoing "Fight for \$15" movement. These protesters were supported by many others through tweets, re-tweets, online petitions, Facebook pages, and other social media actions. Indeed, throughout history individuals have used collective action to voice dissatisfaction and to seek change. It is for these reasons that millions of people in all kinds of

occupations—perhaps your parents, your grandparents, or even you—have joined and been represented by labor unions around the world.

Although many labor unions today are large, bureaucratic organizations, the essence of a **labor union** is a group of workers who join together to influence the nature of their employment. Perhaps they are seeking improved wages and benefits, protection against arbitrary treatment and discharge, or a greater voice in workplace decision making. Even retired managers and executives turn to collective action to redress perceived injustices, as with the formation of the Association of BellTel Retirees and other retiree organizations to challenge unilateral corporate reductions in pension cost-of-living increases and health care benefits for retirees. From the worker's perspective, this is fundamentally what labor relations are about: collective work-related protection, influence, and voice.

For employers, in contrast, labor relations are about managing relationships with employees and labor unions in ways that promote organizational goals such as profitability (in the private sector) or cost-effective service delivery (in the public sector). Nonunion employers typically pursue these goals by trying to remain union-free through preventive labor relations strategies (see the “Ethics in Action” case at the end of this chapter). These strategies can range from aggressive union-busting tactics that scare workers away from unions to progressive human resource management tactics that seek to make unions unnecessary. Unionized employers might also try to undermine labor unions by using these same strategies, but most deal with their unions constructively, primarily through collective bargaining, adhering to the resulting union contracts, and resolving disputes through grievance procedures. Competitive pressures are thereby transferred to the bargaining table, where managers try to keep their wage and benefit costs in line with those of their competitors, and try to negotiate for work rule changes when additional flexibility is needed.

Society, too, has an important stake in labor relations. The Occupy movement's slogan “We are the 99 percent” has raised awareness about the dramatic increase in income inequality that has occurred since 1980.¹ At least part of the cause of this increase has been the weakening of labor unions, and these inequalities burden taxpayers and can destabilize society.² Strikes and other forms of labor–management conflict can deprive consumers of goods and services and can even jeopardize safety: for example, hospital strikes increase mortality rates, and defective Firestone tires that caused numerous deaths were significantly more likely to have been produced during two critical periods of labor–management conflict when managers demanded concessions and when permanent strike replacements were used.³ At the other end of the spectrum, labor–management relationships that produce well-trained and motivated unionized employees produce clear benefits for society, such as the thousands of police, firefighters, and other unionized rescue workers who performed heroically after the 9/11/2001 terrorist attacks, or the unionized nurses and other health care professionals who work all hours of the day providing compassionate care. Labor relations can also serve democracy by allowing labor unions to promote the decent working and living conditions that free and equal citizens deserve, and to provide a voice for workers in the political arena.⁴

Employees, employers, labor unions, the public, and policymakers therefore are affected by the major processes of labor relations. Consequently, studying labor relations frequently emphasizes these processes—the union organizing process (how unions are formed), the collective-bargaining process (how contracts are negotiated), the dispute resolution process (how bargaining impasses are prevented or resolved), and the contract administration process (how grievances over the application of the contract are managed). These are important processes in U.S. labor relations, and they are the focus of the middle part of this book (for a road map to the entire book, see the “Organization” section of the preface). But these processes are only means to deeper objectives. This book therefore also emphasizes the importance of understanding what the labor relations processes try to achieve.

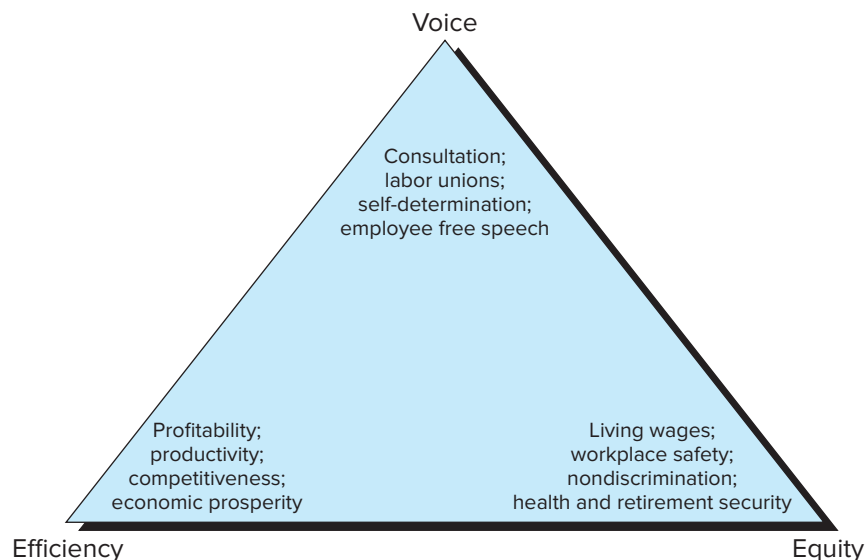
THE OBJECTIVES OF LABOR RELATIONS

The foundation of studying any work-related subject is the objectives of the employment relationship. When you work, what do you want to get out of it? Money? Health insurance? A feeling of accomplishment? A sense of self-worth? Other things? When you work, how would you like to be treated? Like a machine? Or with dignity and respect? Would you be satisfied to always have someone else telling you how your job should be done, or would you like to have input into the nature of your job? What does your employer want? Now think about society at large. From this perspective, what should be the goals of work?

This book is based on three objectives of the employment relationship: **efficiency, equity, and voice.**⁵ Efficiency is the productive, profit-maximizing use of labor to promote economic prosperity; equity is fairness in the distribution of economic rewards, the administration of employment policies, and the provision of employee security; and voice is the ability of employees to have meaningful input into workplace decisions. Efficiency is a standard of economic or business performance; equity is a standard of fair treatment for employees; and voice is a standard of employee participation. In the public sector, efficiency can be seen as including cost-effective service delivery and other indicators of an efficient government agency. Workplace policies that promote flexibility and productivity are examples of how efficiency might be achieved; decent wage and benefit packages or policies that dismiss workers only for valid, performance-related reasons are examples of providing equity; and employee autonomy and representation by labor unions are examples of ways to pursue the voice dimension (see Figure 1.1).⁶

Sometimes these three objectives work together, such as when equitable treatment and employee voice increase commitment, reduce turnover, and therefore improve productivity and quality (efficiency). Unfortunately these goals often conflict: Equitable treatment might reduce flexibility and therefore efficiency, or employee voice might make decision making more cumbersome and therefore less efficient. The sharpest conflicts are typically between efficiency on one hand and equity and voice on the other. But equity and voice can also clash, such as when unions centralize their power to better achieve equity but in the process become less responsive to individual needs and voices. Labor relations, therefore,

FIGURE 1.1
Aspects of Efficiency,
Equity, and Voice
in the Employment
Relationship



must strike a balance between these three sometimes conflicting goals.⁷ As a result, studying labor relations involves analyzing how employee representation through independent labor unions contributes to achieving a balance among efficiency, equity, and voice. This is the first major theme of this book.

Furthermore, it is the official policy of the United States to “encourag[e] the practice and procedure of collective bargaining” and to protect workers’ rights to join together for “negotiating the terms and conditions of their employment” and for “other mutual aid or protection.”⁸ U.S. policy, at least as written in law, is not to *tolerate* collective bargaining but to *encourage* it. And according to the United Nations’ Universal Declaration of Human Rights, “Everyone has the right to form and to join trade unions for the protection of his interests.” But why should society encourage or discourage the formation of labor unions? This is the second major theme of this book.

Finally, what do labor unions do? U.S. unions are stereotypically associated with inflated wages and restrictive work rules.⁹ However, an alternative perspective sees unions as securing better wages to provide decent living standards for their members and as negotiating extensive work rules to protect their members against unfair treatment by management. Moreover, unions can provide voice and representation to individual workers while the labor movement can advocate for working people in the social and political arenas. Based on these and other activities, why do some workers support unions while others oppose them? Why do employers typically oppose unions? And *if* labor unions are a good thing, how should they be structured and promoted in the 21st-century world of work? This is the third theme of this book.

Isn’t Efficiency Enough?

For business leaders, business schools, the business press, and business-friendly politicians, the primary objective of the employment relationship is efficiency. Business is seen as best promoting economic prosperity through free-market competition. Profits, not wages, are seen as the critical barometer of economic health, and shareholder interests trump the interests of other stakeholders. In the American social imagination, we are a nation of consumers, not workers.¹⁰ Debates over labor unions, minimum wage laws, and paid family or sick leave are thereby reduced to debates over their effects on labor costs and competitiveness. The old saying “What’s good for General Motors is good for the country” is perhaps more widely believed than ever, especially if it is updated to “What’s good for Walmart is good for the world.” Individuals who defraud shareholders can be sentenced to 25 years in jail, but someone who willfully violates federal workplace safety standards that results in a worker’s death faces maximum jail time of only six months—even lower than the prison sentence for harassing a wild burro. Concerns like equity and voice are seen as social issues that interfere with business. Companies, it is argued, have no obligation to provide personal and moral development, and business is not designed to be a “training ground for democracy.”¹¹ And public sector agencies should be focused on cost-effective service delivery. Managers are responsible to investors or taxpayers while workers freely choose to subordinate their interests to managerial directives in return for wages and benefits. So when studying labor relations or other work-related topics, isn’t it enough to just consider efficiency issues?

Suppose an employer believed it would be efficient to hire only African American janitors and white managers—or vice versa. Would this be acceptable? If not, there must be social and human boundaries on efficiency.¹² These boundaries are equity and voice. In practice, these boundaries can often be weak. For example, the U.S. employment relationship is governed by the employment-at-will doctrine.¹³ Although employees typically do not realize it, this means that employers can fire workers for many reasons—or no reason at all. In fact, the United States is unique among industrialized countries in the lack of just

Labor Relations Application Take the Employment-at-Will Quiz

Instructions: For each of the following scenarios, indicate whether you believe a court of law would find the termination to be lawful or unlawful, *not* what you would like the result to be. In each case, the employee is *not* represented by a union and was *not* fired because of his or her race,

sex, national origin, religion, age, or disability. Except for scenario 7, there is no formal written or oral agreement between the employee and employer stating the terms of employment.

	<u>Lawful</u>	<u>Unlawful</u>
1. An organization fires an employee with satisfactory job performance in order to hire another person to do the same job at a lower wage. This termination is	_____	_____
2. An organization fires someone because their job performance is unsatisfactory. This termination is	_____	_____
3. An employee with satisfactory job performance is fired because their manager thought they had stolen money. In court, the employee is able to prove that they did not steal and that the manager was mistaken. This termination is	_____	_____
4. An employee is terminated because there is no longer enough work. This termination is	_____	_____
5. A worker with satisfactory job performance is accused of being dishonest. Their manager knows that this is untrue, but fires the employee anyway because the manager personally dislikes the employee. This termination is	_____	_____
6. An organization is violating the law by billing customers for services not performed. Upon finding out about this scheme, an employee refuses to illegally overcharge customers. As a result of this refusal, the employee is fired. This termination is	_____	_____
7. An organization's employee handbook includes the following: "Employees will be dismissed only for just and sufficient cause." Because of this, an employee quits their current job to work for this organization. After several years, this person is fired and is replaced by someone doing the same work for lower pay. The employee's job performance was satisfactory during their entire time with the organization. This termination is	_____	_____

Answers: The termination is lawful in questions 1–5 (unless you live in Montana). The termination in question 6 is unlawful. The termination in question 7 is lawful in states that have adopted broad public policy exceptions to at-will employment. Pauline T. Kim, "Bargaining with Imperfect Information: A Study of Worker Perceptions of Legal Protection in an At-Will World" *Cornell Law Review* 83 (November 1997), pp. 105–60, reports the results of a survey in which less than 20% of individuals correctly answered questions similar to numbers 1, 3, 5, and 7. So workers believe they have greater protections than they actually do.

cause discharge protections that provide safeguards against being arbitrarily fired for reasons not related to job performance or business need.¹⁴ There are a few exceptions to the employment-at-will doctrine in the United States, but these are limited to several legislative restrictions (especially antidiscrimination laws), contractual restrictions (most widely associated with union contracts), and a patchwork of state-by-state judicial exceptions (such as firing someone for refusing to break the law); otherwise, U.S. employers do not need a good reason to fire someone.

Labor Relations Application Workplace Cybervoice

In what must be one of the first instances of employee voice being facilitated by communications technology, hundreds of telegraph operators conducted an online meeting in the mid-1800s. The employees were from 33 offices along 700 miles of telegraph lines stretching from Boston to the Canadian border with Maine. They conducted the meeting, and even passed resolutions, electronically using Morse code. Today, modern information technologies and social media tools are greatly enhancing workplace voice in both nonunion and unionized settings.

A large, nonunion technology company, for example, established a companywide electronic bulletin board for employees to discuss issues. Case study evidence shows that this enabled management to better share information with the employees. But more important for issues of employee voice, this electronic communication provided a forum for employees to express their concerns to management and to discuss issues with other employees. In response to a proposed change in the company's profit-sharing plan, hundreds of messages were posted on the electronic bulletin board; and after a number of electronic conversations among employees and management, the plan was revised.

Numerous blogs also address employment-related issues. Some blogs are forums for workers to exchange technical information; others are a way for individuals to vent work-related frustrations. Union-run blogs can be used to build support for specific organizing campaigns, contract negotiations, or public policy debates; many individuals express support for and criticism of labor unions in their own blogs. Social media campaigns are also popular among union activists around the globe, and the LabourStart website (www.labourstart.org) regularly lists active campaigns in support of workers who have been fired or jailed for trying to form unions. Work-related cybervoice is now an important aspect of labor relations, and no Morse code is required.

References: Tom Standage, *The Victorian Internet: The Remarkable Story of the Telegraph and the Nineteenth Century's Online Pioneers* (New York: Walker, 1998), p. 133; Libby Bishop and David I. Levine, "Computer-Mediated Communication as Employee Voice: A Case Study," *Industrial and Labor Relations Review* 52 (January 1999), pp. 213–33; Rafael Gely and Leonard Bierman, "Workplace Blogs and Workers' Privacy," *Louisiana Law Review* 66 (Summer 2006), pp. 1079–110.

Although the employment-at-will doctrine treats workers as if they are nothing more than economic commodities exchanged in the marketplace, the fact that workers are human beings forces us to pay attention to equity and voice in addition to efficiency. In earlier agrarian and crafts-based societies, the quality of life for you and your family was critically linked to your property such as your farm or workshop; but in today's industrial or postindustrial society, modern workers and their families are often completely dependent on *jobs*, not property. Moreover, working adults spend much of their lives at work, and "the workplace is the single most important site of cooperative interactivity and sociability among adult citizens outside the family."¹⁵ The quality of employment and the nature of the workplace are therefore important for individuals, families, and society.

Work is not simply an economic transaction; work is a fully human activity such that employees are entitled to fair treatment and opportunities to have input into decisions that affect their daily lives. The lack of at least minimal standards and nondiscriminatory treatment (equity) contradicts the basic ideals of democracy with free and equal citizens, and it violates religious and moral views on the sanctity of human life and human dignity.¹⁶ Employee voice has similar justifications, ranging from moral, religious, and psychological beliefs about the importance of human self-determination to political views of liberty and democracy.¹⁷ From this latter perspective, employee voice is essential for **industrial democracy**, a term that captures the belief that workers in a democratic society are entitled to the same democratic principles of participation in the workplace:

It is a fundamental doctrine of political democracy that one should have some voice in regard to matters that vitally affect him. . . . [A worker's] life is a factory life; and it is the incidents of factory life over which he needs some control. If there is an argument for giving him a vote, even more is there an argument for giving him a voice in the conditions of shop and factory.¹⁸

FIGURE 1.2
AFL–CIO Palm Card
Emphasizing Voice

Source: AFL–CIO



For some, then, work is not only about wages and other material benefits, it also involves dignity, voice, and freedom.

If we see work as more than an economic transaction, equity and voice along with efficiency must be the key objectives of the employment relationship.¹⁹ Efficiency alone is not enough. This is also reflected in what workers want. It is easy to imagine that workers want decent wages and fair treatment (equity). But many workers also want a voice.²⁰ A survey of American workers revealed that 63 percent want more influence over “company decisions that affect your job or work life.”²¹ Individuals indicated they would enjoy their jobs more, and their businesses would be more competitive, if they had a greater voice in the workplace. The survey also showed an important dichotomy between managers and employees: Managers prefer to deal with workers one-on-one, but half of workers prefer to deal with management as a group. A majority of workers also indicated that they would like representation that is independent of management.

The centrality of voice in contemporary labor relations is further underscored by the frequency of this theme in union literature and campaigns. The American Federation of Labor–Congress of Industrial Organizations (AFL–CIO), the umbrella federation for most U.S. labor unions, emphasizes themes such as “A Voice for America’s Working Families” and “Together We Can Make Our Voice Heard” (see Figure 1.2). Thus a number of social commentators, labor leaders, and workers themselves want workplaces that provide fairly distributed outcomes (equity) and participation in decision making (voice), in addition to the profitable and effective production of goods and services (efficiency). Whether unionized or not, each business organization must consider how to respond to these sometimes conflicting desires.

CONFLICTING GOALS MEAN BALANCING RIGHTS

While remembering that labor and management have many common goals, we know that the greatest challenges in labor relations arise from conflicting goals. Conceptually we can think of these clashes as conflicts between the business pursuit of efficiency and workers’ pursuit of equity and voice. All else equal, companies prefer paying lower wages, but employees desire higher wages. Employees want security, but managers want flexibility.