Chapter Two

Labor Unions: Good or Bad?

Advance Organizer
Stereotypes of unions are pervasive; what are yours? Understanding labor relations requires replacing these stereotypes with informed views. Employee representation through labor unions and collective bargaining is one way to pursue a balance among efficiency, equity, and voice. But how labor union representation compares to other possible ways of structuring the employment relationship—in short, whether unions are good or bad—depends on how one thinks labor markets and the employment relationship work, not on stereotypes.

Learning Objectives
By the end of this chapter, you should be able to
1. Explain the four distinct schools of thought about the employment relationship—mainstream economics, human resource management, industrial relations, and critical or Marxist industrial relations.
2. Understand how different views of labor unions are fundamentally rooted in the basic assumptions of these four schools of thought.
3. Discuss various roles of labor unions in the employment relationship and in society.
4. Identify alternative methods for making workplace rules.
5. Compare employee representation through labor unions to other methods of workplace governance.

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It is not hard to find passionately held views of labor unions. Search for labor union blogs in Google, for example, and you will easily find exchanges such as these:

Posted by J.: Forty years of proud union membership, excellent wages, terrific benefits, wonderful retirement, all brought to me by my union.

Posted by R.: I’m glad you have enjoyed those benefits and high wages all these years—no one’s denying that a union is generally very good for its members—the problem is that they are generally very bad for everyone else. Here’s how...

• Unions shift the extra cost of those wages and benefits to the consumer. . .
• They drive whole industries out of business and overseas, ultimately lessening the number of jobs in this country. . .
• They promote laziness and a sense of entitlement, which is a very dangerous thing. . .
The common sentiment among Americans that unions are outdated is also often repeated in blogs and online comments:

*Posted by C.: Hopefully no one is behind the unions anymore, unless they are pushing them the rest of the way over the cliff. They served a very good purpose 50–100 years ago when they helped push labor issues and worker treatment to the forefront. Now their bloated wage/benefit packages and refusal to compromise threaten hundreds of thousands of jobs at UAW plants and in the airline industry.*

The mainstream media in the United States—that is, the major TV networks and newspapers that are themselves corporations concerned with making profits—reinforce important stereotypes of labor unions. In general terms, the media report on issues from a consumer rather than worker perspective while emphasizing the accomplishments of business leaders and entrepreneurs. As representatives of producers rather than consumers and as proponents of collective rather than individual actions, unions are therefore implicitly devalued. When unions are explicitly discussed in the news, strikes and corruption are repeated topics. Even though strikes are rare, they are the most frequent union news story in the media, and such stories often convey images of worker greed, inflation, consumer inconvenience, and violence.

Other elements of popular culture reinforce similar stereotypes. TV sitcoms and dramas rarely include labor unions; when such issues arise, they are often references to union corruption or strikes. The characters on the TV shows *Monk; Married with Children; Spin City; WKRP in Cincinnati; ER; Trapper John, MD; Fraggle Rock; and Mona the Vampire* all had to deal with garbage strikes; on *All in the Family*, Archie Bunker was on strike for four episodes and was portrayed at the conclusion of the strike as being no better off than before the strike. In an episode of *Seinfeld*, when George wonders about becoming a movie projectionist, Jerry says, “But you gotta know how to work the projector. . . . And it’s probably a union thing.” George then scoffs, “Those unions,” and gives up being a projectionist because he figures that he won’t be able to break the union’s alleged stranglehold on the occupation. Stereotypes about restrictive union work rules or the protection of lazy workers are also reinforced through jokes on sitcoms or in comic strips. One *Dilbert* comic portrays a union steward as wanting to add PDAs and laptops to the list of things that employees should not be able to move because “that’s union work.” Such stereotypes perpetuate America’s antiunion culture.

It is important for students of labor relations to recognize their own stereotypes of labor unions and to replace them with an informed understanding of the central issues in labor relations, and to appreciate multiple perspectives on labor relations and labor unions. Thus,
this chapter presents four different schools of thought about labor unions. This provides the foundation for accurately assessing what unions do and whether they are good or bad. In short, these schools of thought are essential for understanding, and therefore practicing, labor relations.

THE LABOR PROBLEM

Because there is more agreement that unions were once useful, this section considers the historical example of the labor conditions of the early 20th century, which were labeled the “labor problem.” Turning then to the question of how to solve this labor problem provides the opportunity to consider four different schools of thought about the employment relationship. Understanding these four intellectual perspectives is the basis for a reasoned rather than stereotypical or naive consideration of labor unions and labor-management relations. It is easier to tackle these perspectives in a historical context because we have fewer preconceived ideas; but at the end of the discussion, the strong relevance for contemporary labor relations should also be clear.

Today’s critical issues in human resources and industrial relations are perhaps familiar to you:

- Growing labor market disparities.
- Problems of low-wage workers trying to move out of poverty and support families.
- Corporate pressures for cost control, quality, and flexibility to compete in a global, information-rich economy.
- The need to educate individuals as lifelong learners because of ever-changing technologies.
- Problems of work–life balance, especially for working mothers.

But what about at the start of the previous century? The critical human resources and industrial relations issue in the early 1900s was the labor problem: undesirable outcomes that stem from an inequitable and contentious, or perhaps even oppressive and exploitative, employment relationship. Many important dimensions of the labor problem are captured, in the observers’ and participants’ own words, in the testimony from around 1900 reported in Table 2.1.

The first entry in Table 2.1 highlights the long hours that were often the norm. Workweeks of between 54 and 57 hours were common. In the iron and steel industry, over 40 percent of laborers worked more than 72 hours per week, and about 20 percent worked more than 84 hours per week. These long hours were often for low pay (see the second entry in Table 2.1). Around 1910 most male workers earned less than $15 per week, which meant that at least half of working-class families had annual incomes below the $800 that was estimated “as a reasonable minimum for healthful, efficient, and decent living.” Households were therefore forced to resort to a patchwork of methods for earning income to survive—renting rooms to boarders, sewing garments or doing other tasks as home-based subcontractors, using children to earn wages—and yet poor living conditions were widespread (see the third entry in Table 2.1).

Conditions in the workplace were also unsanitary, if not downright dangerous. In March 1911 a fire at the Triangle Shirtwaist Company in New York City killed 146 workers because of inadequate and locked fire exits. A 1915 federal study in New York City found shocking rates of tuberculosis among low-paid garment workers. One source estimates that industrial accidents resulted in 25,000 deaths, 25,000 permanent disability cases, and 2,000,000 temporary disability cases per year—which implies that U.S. casualties during World War I were greater in the workplace than on the battlefield.
Workers’ Lives circa 1900 as Reported to the U.S. Industrial Commission

TESTIMONY OF NATIONAL ASSOCIATION OF MANUFACTURERS PRESIDENT

Ten hours [of work] has been fixed as the legal day in Pennsylvania, and it has been very satisfactory. Many of our trades are now working 57 hours a week. More of our factory force is employed only 54 hours a week, yet in the same branches where we employ them 54 some other manufacturers keep them 60. . . .

TESTIMONY OF INTERNATIONAL TYPOGRAPHICAL UNION PRESIDENT

The capitalist who owns the factory in Massachusetts has been transferring his industry nearer to the cotton fields; and we find that, in the State of Georgia, where industrial conditions are not as good as in the State of Massachusetts, the man who has been subject in the State of Massachusetts to all these [labor, inspection, and compulsory education] laws has been living under them, has been putting rails around his machinery, has been boxing in his belting, has been refusing to employ in his factory a child under the age of 14 years, and has been putting on every floor of his factory separate closets for male and female labor, has been giving Saturday half holidays for his employees, and abolishing the company store and complying with the law of the State of Massachusetts—when he goes to the State of Georgia and transfers his business there he does not put any railing around his machinery; he does not box in his belting; he employs children 9, 10, or 12 years of age at wages as low as 15 or 20 cents per day, and works them from the time the light shines in the morning until it is dark at night; and in his factory he has no closets, no sanitary conditions, such as are required in the State of Massachusetts; he simply does as he pleases and acts in a most tyrannical and unchristian-like manner.

TESTIMONY OF HEAD OF SOUTH END HOUSE, BOSTON

In this district there is a great lack of sanitary facilities on account of the increase of inhabitants per house; that is, these old houses which formerly were used as residences of well-to-do citizens and formerly accommodated one family, now accommodate a number of families, and accommodate two or three or four times as many people as they were intended for; so that the bathing facilities and water closet facilities and all that are very inadequate to the present number of inhabitants. Where there are houses that have been specially built as tenement houses there appears the evil of the ventilating shaft and the dark inside rooms. . . . Of course this state of things means dampness, darkness, and bad air. The crowding of the houses puts immorality and uncleanness at a premium.

TESTIMONY OF OHIO STATE BOARD OF ARBITRATION SECRETARY

Wages did not at any time enter into [the causes of the streetcar strike in Cleveland]. There was no question of wages, no dispute whatever on that subject between the company and the men. The men claimed that for a long time the company had established unjust rules; that they were arbitrary in their dealings with the men. They would refuse men a hearing; men were suspended for very trifling causes and frequently discharged. . . . They were not allowed sufficient times for meals . . . in fact, they were not even allowed time for the necessaries of nature.

TESTIMONY OF BOOT AND SHOE WORKERS’ UNION SECRETARY–TREASURER

There are about 100 subdivisions of labor in the manufacture of a shoe, varying more or less according to the factory and methods and the kind of shoe made. . . .

**Question:** The workman only knows how to perform the labor of one particular department?

**Answer:** That is all, and he becomes a mere machine. . . . Now, take the proposition of a man operating a machine to nail on 40 to 60 pairs cases of heels in a day. That is 2,400 pairs, 4,800 shoes, in a day. One not accustomed to it would wonder how a man could pick up and lay down 4,800 shoes in a day, to say nothing of putting them on a jack into a machine and having them nailed on. That is the driving method of the manufacture of shoes under the minute subdivisions.

**Sources:** United States Industrial Commission, Report of the Industrial Commission on the Relations and Conditions of Capital and Labor Employed in Manufactures and General Business (Washington, DC: Government Printing Office, 1901), pp. 132, 280, 363, 472 (Volume 7), and p. 198 (Volume 14). The Industrial Commission was a 19-person investigative panel created by Congress in 1898 that included senators, congressmen, and industry representatives. The commission produced 19 volumes of reports and testimony on various circumstances relating to labor, business, immigration, and agriculture.
The long hours at low pay in dangerous and unsanitary conditions were also marked by
great insecurity. Many lived with constant fear of injury and unemployment. Companies
might hire workers on a short-term basis, perhaps for only one day at a time with the fore-
man selecting the day’s employees each morning from among those massed outside the
factory gate. A 1909 government investigation of nearly 30,000 male workers found that
only 37 percent did not have any time lost from work during a full year; half of the workers
lost four or more months. And in the foreman’s empire system of complete management
control, there was the fear of arbitrary dismissal (see the fourth entry in Table 2.1).Workers
could be—and were—fired for any reason: poor performance, absenteeism, ethnicity,
union sympathies, age, failing to provide the foreman with extra services (such as raking
his leaves . . . or worse), or simply as a demonstration to others of the foreman’s absolute
power.

These important dimensions of the labor problem—long hours, low wages, unsafe
conditions, and insecurity—were reinforced and worsened by the managerial mind-set of
“workers as machines.” Labor was frequently viewed as just another production input—no
different from machines or raw materials. With mass manufacturing methods emphasizing
repetitive, narrowly defined tasks by individual workers to achieve high output, workers
had no contact with the final product and minimal control over the content of their jobs.
This is reminiscent of Adam Smith’s famous example of the 18 steps used to make a single
pin; even in 1776 Smith recognized that this efficient division of labor rendered human
beings “stupid and ignorant.” The final entry in Table 2.1 describes how the production
of a shoe was divided into 100 specialized operations; the worker who, for example, nailed
heels to 4,800 shoes in a single day was “a mere machine.” In modern human resource
management terms, employees had no ownership in their work. And if workers are sim-
ply machines, they are not entitled to equity or voice; the sole concern of the owner of a
machine is efficiency.

These labor problems were widespread and not limited to manufacturing industries
in urban areas. Thousands of Mexican Americans and Mexican immigrants migrated
through the Southwest and Midwest following agricultural planting and harvesting sea-
sons, earning perhaps $1 a day and living in appalling conditions. In the public sector,
police officers regularly worked more than 70 hours per week out of vermin-infested
stations.

Across the private and public sectors, the poor conditions of the labor problem were
a problem for two broad reasons. First is the societal or human perspective. Put simply,
people should have better lives than this. This is partly an economic issue—workers should
be able to afford decent housing, clothing, food, and the like; in other words, equity is
important. But as emphasized by employee voice, the labor problem is more than a mate-
rial concern. In particular, one should question whether treating workers as commodities,
even as valuable ones, in an autocratic relationship, even if benevolent, fulfills the stan-
dards of a democratic society.

There is also the business perspective on the labor problem. Are the workers motivated?
Loyal? Productive? Absenteeism and turnover were costly. At Ford the absenteeism rate in
1913 was 10 percent, and the annual turnover rate was 370 percent; Henry Ford offered
the then-large sum of $5 a day in 1914 as an attempt to tackle these problems. Also, with
significant numbers living below the poverty line, a second business problem was that they
lacked consumer purchasing power. In the words of one union president in 1899, “as the
workingman is himself the consumer, he can not purchase unless he has that with which
to purchase.” The unskilled workers at Ford, for example, couldn’t afford to buy the cars
they produced until the $5-a-day plan was implemented. Finally, strikes and other forms of
industrial conflict that resulted from the labor problem in both the private and public sec-
tors were costly to business and to society more generally.
FOUR SCHOOLS OF THOUGHT ABOUT THE EMPLOYMENT RELATIONSHIP

The labor problem embodies the ultimate human resources and industrial relations problem: balancing efficiency, equity, and voice. To understand how to solve a problem, we need to analyze its underlying causes. But beliefs about the cause of the labor problem differ among four schools of thought: the mainstream economics school, the human resource management school, the industrial relations school, and the critical industrial relations school. Understanding and appreciating the basic assumptions of these four schools are essential for understanding not only labor relations, but also the entire field of human resources and industrial relations—past, present, and future.16

The Mainstream Economics School

First let’s consider the mainstream economics school of thought. This school focuses on the economic activity of self-interested agents, such as firms and workers, who interact in competitive markets.17 In mainstream economic thought, efficiency, equity, and voice are achieved through free-market competition. Under some assumptions (such as perfect information), competition results in the optimal allocation and pricing of resources. Prices in a competitive market reflect the value of what’s being purchased, so outcomes are efficient. No one can be made better off without making someone else worse off. In the labor market, competitive outcomes are also seen as fair because the price of labor equals the value that labor contributes to the production process. In the words of a Nobel Prize-winning economist, low-paid labor is poorly paid “not because it gets less than it is worth, but because it is worth so appallingly little.”18 And voice is expressed through freely participating or abstaining from transactions—if you do not like your working conditions, vote with your feet and quit, and find an employer who treats workers better.19

From the perspective of the mainstream economics school, then, the conditions of the labor problem are not seen as exploitation if there is sufficient labor market competition. Employees are paid their economic value and are free to quit if they feel they are being exploited. But if market failures prevent competitive markets from working properly, what should be done? Ensure competition. In the mainstream economics school, the best protection an employee has against his or her current employer is not the government, a lawyer, or a union, but rather other employers.20 If there is insufficient labor market competition because of excess unemployment, the appropriate policy response is a macroeconomic policy to stimulate the economy and thus reduce unemployment. Or if competition is prevented because of a barrier such as government regulation, the appropriate policy response is to remove this barrier. As long as there is competition, employment outcomes are not seen as a “problem” (with its negative connotations) in this school of thought. Outcomes are value-free, so there may be a labor situation (which simply describes the outcomes) but not a labor problem (which implies that the outcomes are undesirable).

What is the role of labor unions in the mainstream economics school of thought? Unions are seen as labor market monopolies that restrict the supply of labor and interfere with the invisible hand of free-market competition. By threatening to strike, unions use their monopoly power to raise wages above their competitive levels and thereby distort employment and output levels throughout the economic system.21 Moreover, the economics view of work is that it is a lousy activity endured only to earn money. As such, companies rely on the threat of unemployment to motivate otherwise disinterested workers. Unions are seen as interfering with the discipline of the market by protecting lazy workers. To those who believe in perfect competition, then, labor unions are bad because their monopoly power interferes with the efficient operation of the economy. This mainstream economics view is
graphically captured by the cartoon from 1894 in Figure 2.1. The cartoon portrays union leader Eugene Debs as a powerful king who is able to use a strike to control the railroads and therefore shut down shipments of food, passengers, mail, coal, and freight, and by extension to close factories. In other words, labor unions are powerful monopolies that harm the economy and the public.

This mainstream economics view of labor unions rests on some strong assumptions about competitive markets, and relaxing these assumptions to make them more realistic results in a more nuanced economic model in which unions might not simply be harmful monopolies that always reduce aggregate economic welfare (see the “Digging Deeper” feature at the end of this chapter). Nevertheless, the mainstream view of monopoly labor unions is deeply ingrained in economic thought and continues to be the dominant view. Moreover, labor unions are not singled out; this dominant mainstream view applies the same reasoning to other government interventions in the labor market, such as minimum wage policies, and to monopolies in other sectors, such as corporate monopolies. The role of government is not to establish labor standards—only to promote competition. The role of law is to protect individual freedoms that are necessary for competition. This perspective is significant for understanding important arguments against labor unions and other labor market policies as solutions to historical and contemporary labor problems; but other contrasting perspectives must also be appreciated.

**The Human Resource Management School**

The second school of thought to consider is the human resource management school, which was formerly called the personnel management school. In short, this school of thought believes that the labor problem stems from poor management. This is easy to remember: “PM” can stand for both personnel management and poor management.

Recall from our earlier discussion that in the early 1900s foremen used the drive system—motivation by intimidation and fear—to manage workers. This was an autocratic, authoritarian management system in which workers were viewed as a commodity or a machine, and thus were exploited. A common mind-set was to drive employees to
get maximum production for the least cost, and when they broke down (from exertion, age, or injury), discard them and get fresh workers to replace them—as you would with a machine. Hence there was little concern with how low the wage rates might be, how long the hours, how dangerous the conditions, or how arbitrary the hiring and firing procedures. Moreover, scientific management and the movement to large-scale mass manufacturing and assembly lines tended to reduce workers’ tasks to their simplest components; this emphasis on specialization led to monotony, boredom, and de-skilling.  

This school of thought, therefore, presents a different underlying cause of the labor problem than does the mainstream economics school: poor management. The resulting solution to the labor problem is simple: better management. This solution to the labor problem is reflected in today’s human resource management philosophy: Align the interests of workers and the firm via better management. To create motivated and efficient workers, firms should design and implement better supervisory methods, selection procedures, training methods, compensation systems, and evaluation and promotion mechanisms. If workers want justice, security, respect, and opportunities for advancement, then design human resource management policies that are responsive to these needs because workers will then be motivated, engaged, and productive, proponents claim, and high levels of performance (efficiency) will be achieved. Because management policies are responsive to the needs of employees, equity will also be achieved. Voice is typically informal, such as in open-door dispute resolution procedures in which workers individually discuss complaints with their managers.

The human resource management philosophy is depicted in the cartoon from a 1928 issue of *Forbes* shown in Figure 2.2. The pilgrim, representing business, brings home the Thanksgiving bounty to stockholders, workers, and the government. Business is clearly depicted as the provider, with passive roles for both labor and government. Note that the pilgrim’s gun is labeled “new methods.” The methods of the personnel management school, which were considered new in the 1920s, along with other newly improved business practices in accounting and other areas, are depicted as producing healthy returns for all stakeholders.
To consider the role of unions in the human resource management school of thought, it is important to distinguish independent labor unions from nonindependent employee organizations. The term union in most Western societies today and throughout this text refers to independent labor unions—those that are legally and functionally independent of employers and governments. Independent labor unions have the power to elect their own leaders, collect and spend their own dues money, establish their organizational objectives and strategies, and lead strikes. Nonindependent employee organizations lack such authority and are controlled by employers (like the company unions in the United States in the 1920s) or by governments (as traditionally is the case for unions in China).

In the human resource management school, independent unions are seen as adversarial and inimical to cooperation. A popular saying in human resource management circles is that “companies get the unions they deserve.” If companies are following the human resource management school’s ideas of effective management, workers will be satisfied and will not support a union. But if a company is practicing bad management (recall the drive system, for example), workers will seek unionization to combat these poor practices. In other words, unions are a sign of unhealthy human resource practices—and a healthy company shouldn’t have one. This reveals a significant irony and tension within human resource management: Human resource professionals have greater influence in companies when there is a threat of unionization, but an important objective is often to keep unions out. In fact, critics see human resource management as nothing more than a sophisticated (albeit gentle) antiunion device.

The human resource management school of thought also believes that independent unions are unnecessary “third parties” that prevent employers and employees from getting “closer together.” This remains a popular theme today. It is interesting to note, however, that in the 1920s many in this school of thought felt that workers should have some type of voice and representation. Having representation, it was believed, would help companies treat employees with respect, create a cooperative, constructive relationship, and foster loyalty—which are all important goals in the human resource management school. Companies therefore created “company unions,” though a better label is “nonunion representation plans.” Management would meet and confer with worker representatives; but there would be no bargaining, and the representation plans had no authority outside management. In China, unions are similarly controlled not only by managers but also by the government. They are generally not seen as independent bargaining agents for workers, but are instead viewed as promoters of the common good.

In sum, for adherents of the human resource management school of thought, labor problems are best solved with effective management practices. Part of this desired management strategy for creating a motivated, productive workforce might include structures that are called unions, such as the 1920s-style company unions or traditional Chinese unions. But these unions are not the independent unions of today’s Western societies, which the human resource management school sees as adversarial and inimical to cooperation.

The Industrial Relations School

The third school of thought is the industrial relations school, formerly called the institutional labor economics school. In this school the labor problem is believed to stem from unequal bargaining power between corporations and individual workers. Recall that at the turn of the century in 1900, the modern economic system was still emerging. The emergence of large corporations, which separated the owners of the production process from a new wage-earning class who did the manual work, was relatively new. Institutional labor economists accepted this modern corporation as an efficient organization of mass production, but they rejected the mainstream economics belief in perfect competition. Rather, institutional labor economists saw many market imperfections: persistent unemployment;
company towns dominated by a single employer; lack of worker savings and other safety nets; and large, monopolistic employers with undue influence in markets, politics, and the legal system. In other words, “often the invisible guiding hand of competition is all thumbs.”

As a result of these imperfections, individual wage earners have vastly inferior bargaining power relative to employers. With greater bargaining power, employers can pay low wages for working long hours under dangerous working conditions. This greater bargaining power also allows managers to be autocratic and authoritarian. In short, in the industrial relations school, unequal bargaining power is the primary cause of the labor problem.

The labor market is characterized not by competition but by bargaining, and society is worse off if either side has too much power. These problems are compounded by business cycles that create additional insecurities.

The struggle for a balance between labor and management is richly illustrated in Figure 2.3. The laborer, clad only in shorts and a headband, is struggling with the capitalist, complete with ruffled collar and puffy pantaloons, for power, as represented by the pendulum. When there is a balance of power in the middle of the spectrum labeled “equity,” there is an abundant harvest for both to share. However, when capital has too much power, the result is despotism, and the cornucopia flows with the weapons of dictators such as shackles. At the other end of the spectrum, when labor is too powerful, anarchy results, and the cornucopia is filled with the weapons of anarchists, such as daggers and bombs. This is a great characterization of the industrial relations school of thought—and for much of this book, and the study and practice of labor relations. This pendulum imagery will also be important in later chapters as labor law struggles to balance the rights of employers and labor.

Compared to the other schools of thought, in the industrial relations school the causes of the labor problem are very different, and so the solutions also differ. Most important for labor relations, if the labor problem stems from unequal bargaining power, the solution is to increase workers’ bargaining power by forming independent labor unions and pursuing collective bargaining.

The Critical Industrial Relations School

The fourth school of thought to consider is the critical industrial relations school, traditionally labeled “Marxist industrial relations” and also referred to as a radical perspective. The “critical” label comes from being critical of existing societal institutions and social orderings. The critical school emphasizes that capitalist institutions do not simply exist
but are created by society (such as through laws governing market transactions or business incorporation, and through social norms governing acceptable behaviors). This school of thought focuses our attention on how dominant groups design and control institutions to serve their own interests, albeit imperfectly due to resistance from competing groups. For example, in the 1880s railroad titan James J. Hill set up trust funds to create and manage a Catholic seminary to train local priests so that these priests could in turn Americanize Irish immigrants and preach to them about the importance of diligence and respect for authority—values that Hill wanted in his largely Irish-American Catholic workforce. As a contemporary example, a program at George Mason University funded by corporations, wealthy individuals, and conservative foundations has provided free training for several thousand judges to help them see legal theory through the lens of mainstream economic thought that prioritizes commercial and corporate interests. Even initiatives that appear to benefit workers can be seen as reflecting class interests. For example, a labor law that legally protects workers who try to unionize is seen through a critical lens as an attempt to mollify the working class and prevent it from agitating for deeper changes in the capitalist system. Corporations can therefore shape the broader social context of labor relations to serve their own interests and, in the view of the critical school, perpetuate their control over labor.

Within their own organizations, employers are similarly seen as structuring the organization of work and human resource management practices to serve their interests at the expense of labor. The division of labor is viewed as a strategy to make labor easily replaceable and therefore weak. Fair treatment through progressive human resources policies, the perception of input through nonunion voice mechanisms, and the creation of pro-company attitudes through the development of distinctive corporate cultures are interpreted as strategies to prevent workers from unionizing. Race, gender, and other identities are similarly seen as being manipulated to undermine worker solidarity and foster managerial control. In the critical school, then, the cause of the labor problem is believed to be the control of society’s institutions and the means of production by specific groups or classes. In this school of thought, the solution to the labor problem is therefore a significant restructuring of the nature of capitalism—such as replacing capitalism with socialism.

The critical perspective is illustrated by the 1909 May Day poster shown in Figure 2.4. The “liberty” figure at the center holds a torch of enlightenment, as does the Statue of Liberty. The principles of enlightenment that radiate from the May Day torch are those of socialism. Moreover, liberty is achieved by killing the serpent—representing capitalism—that is controlling and strangling the earth’s working families. In contrast with Figure 2.3 and the industrial relations paradigm, it is not a balance that is sought, but rather a significant change in the capitalist system.

Labor unions can be important in critical industrial relations. Strong, militant unions can aid workers’ struggles with capitalism by mobilizing and raising the consciousness of the working class and fighting for improved compensation, better working conditions, and greater control over workplace decision making. The anarcho-syndicalist perspective within the critical school also sees radical unions as the key revolutionary vehicle for overthrowing capitalism and creating a society managed by workers. In contrast, proponents of socialism envision a political rather than revolutionary movement away from capitalism; and under socialism, unions would no longer be needed as representatives of the working class (though they might still exist to help the state educate and mobilize workers). In spite of these differing views, many adherents to the various perspectives within critical industrial relations are critical of the pragmatic, collective-bargaining focus of U.S. unions (and many unions around the world), which does not do enough to challenge capital’s power in the workplace and which reinforces capitalism rather than educating and leading the working class toward worker control or socialism.
The labor problem of the early 20th century—low wages for long hours of dangerous work under autocratic supervision and periods of insecurity—can be traced to four possible underlying causes: market failures, poor management, unequal bargaining power between employers and individual employees, or the domination of labor by the capitalist class. In turn, these lead to four different views of labor unions (see Table 2.2). Underlying these views are three fundamental assumptions about how markets work and the nature of employment:

1. Is labor just a commodity?
2. Are employers and employees equals in competitive labor markets?
3. What is the nature of conflict between employers and employees?

Each of the four schools of thought answers these questions differently. First, what is the nature of labor? Mainstream economics views the purpose of the economic system as consumption. Work is an unpleasant activity that one endures only to earn money, which can then be used to buy things (including leisure), but it does not provide intrinsic rewards. Labor is just another commodity or machine in the production process. The other three schools (human resource management, industrial relations, and critical industrial relations)
In Each School of Thought. . . Labor Unions Are. . .
Mainstream economics
Bad: Monopolies that benefit a few at the expense of everyone else.
Human resource management (formerly personnel management)
Unnecessary: Effective management policies are best. Also, unions add unproductive conflict.
Industrial relations (formerly institutional labor economics)
Important: Necessary to counter corporate bargaining power and to balance efficiency, equity, and voice in democratic, capitalist societies.
Critical industrial relations (formerly Marxist industrial relations)
Important but inadequate: One key vehicle for aiding labor’s struggle against capitalists and for protecting workers; but because of capitalism’s inherent imbalances, greater sociopolitical changes are needed for true reform.

TABLE 2.2
Four Schools of Thought about Labor Unions

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reject the belief that labor is just a commodity and instead see labor as human beings with aspirations, feelings, and rights. Work fulfills important psychological and social needs and provides more than extrinsic, monetary rewards that support consumerism.\textsuperscript{45}

Second, are employers and employees equals in the labor market and the legal arena? The assertion that employers and employees are equal is equivalent to believing that the fundamental assumptions of mainstream economics, such as perfect information and no transaction costs, are fulfilled. The other schools of thought, however, assert that employers and employees are not equals, either in the labor market or in the legal arena. Imperfect information, mobility costs, and tilted benefit structures can give firms monopsony (single-buyer) power. Lack of worker savings and persistent unemployment can cause individual workers to have inferior bargaining power relative to employers. These factors can turn perfect competition into excessive or destructive competition that creates substandard wages and working conditions.\textsuperscript{46} In the legal arena, individual workers with imperfect information or without the resources to purchase legal expertise will be at a disadvantage. Admittedly, inequality of bargaining power is difficult to observe; but as one scholar notes, “it is almost unheard of . . . that an employee abuses his power to quit at will by using it to coerce his employer to violate its legal obligations or forfeit its statutory rights.”\textsuperscript{47}

Third, what is the nature of conflict between employers and employees? Three different answers distinguish the human resource management, industrial relations, and critical industrial relations schools of thought—and are therefore important. The human resource management school has a unitarist view of employment relationship conflict.\textsuperscript{48} Conflict is not seen as an inherent or a permanent feature of the employment relationship; conflict is seen as a manifestation of poor human resource management policies or interpersonal clashes such as personality conflicts. Fundamentally, employees and employers have a unity of interests, and therefore effective management policies can align these interests for the benefit of all—recall the imagery in Figure 2.2 of the pilgrim (business) bringing home plenty of turkey for all stakeholders to share when business uses correct management practices.

In contrast, the industrial relations school sees the workplace as characterized by multiple interests—that is, a plurality of legitimate interests akin to a pluralist political system—so this school embraces a pluralist view of conflict in the employment relationship. Some of these interests are shared—both employers and employees want their
organizations to be successful—but for other issues there is an inherent conflict of interest between employers and employees. In its simplest form, employers’ drive for higher profits conflicts with labor’s push for higher wages. To be clear, the pluralist belief in an inherent conflict of interest does not mean that all workplace issues involve conflict, but rather is a rejection of the unitarist view that all workplace issues can be structured as shared interests. In other words, the pluralist view is that employment relationship conflict features mixed motives; some issues are conflictual and some involve mutual interests. Employees want their employers to be profitable, but their desires for higher wages, better benefits, increased security, favorable working conditions, and input into decision making (equity and voice) clash with employers’ pressures for lower labor costs, flexibility, and high output (efficiency).

Believers in pluralist workplace conflict therefore see government laws and labor unions as balancing this conflict—striking a balance among efficiency, equity, and voice (recall the image of a plentiful harvest in Figure 2.3 when bargaining power is balanced). Because some conflict is inherent, it is untrue to rely on managerial goodwill to protect workers and to rely on management-initiated programs to provide employee voice. When times get bad enough, even enlightened managers can be tempted to put their interests above those of the workers—“recessions, depressions, and major industrial downsizings are a mortal threat to advanced, mutual gain [human resource management] systems and can quickly transform employees from high-valued human resource assets to low-valued disposable commodities.” And unlike the mainstream economics school, the industrial relations school does not believe it is sufficient to rely on economic markets to check this conflict of interest because of market failures. Labor unions, independent of managerial authority, provide checks and balances in the workplace and are therefore essential for protection and participation—equity and voice.

The view of employment relationship conflict also distinguishes the critical industrial relations school. This school believes in an inherent conflict between employers and employees, but it is significantly broader than the limited economic conflict in the pluralist view. Conflict is not limited to higher wages or better benefits; it is a social conflict of unequal power relations or class conflict. As such, the critical industrial relations school believes that the pluralist limitation of the concept of “power” to bargaining power, rather than greater social relations, is superficial. Unequal social relations are believed to pervade all capitalist institutions, and it is therefore inadequate to think about balancing the conflict between labor and management because management always has the upper hand—their domination is built into the entire political, legal, economic, and social structure, as captured by the capitalist serpent strangling working families in Figure 2.4.

The power of these alternative perspectives on the true nature of the employment relationship is that they yield different visions of the practice of human resource management, diversity initiatives, public policies on work, and of particular importance here, employee voice mechanisms. Employee voice is an important component of many contemporary human resource strategies; and with a unitarist view of conflict, workplace voice can successfully be provided through policies that encourage individual voice or through a nonunion employee representation plan. As the name suggests, an employee representation plan is like a labor union to the extent that employee representatives communicate employee interests to management, but it is not independent. Managers, not employees, typically control how the plans are structured, when meetings occur, and what topics are covered. Company management can unilaterally create and disband nonunion employee representation committees.

In contrast, if employment relationship conflict is in fact pluralist (the industrial relations belief in the existence of some inherent conflicts of interest), it follows that industrial democracy can be achieved only by traditional labor unions that are independent of
Only independent unions can fight for the protection necessary for industrial democracy such as free speech and due process protections. Taking this one step further, if labor–management conflict is embedded throughout society and is not limited to the employment relationship (as believed by the critical industrial relations school), then labor unions ultimately are inadequate for challenging the power of employers. The sometimes-intense debates about nonunion employee representation plans, independent yet conservative labor unions (that is, unions that focus on collective bargaining in a specific workplace rather than on a more general class struggle), and more militant unions continues to be an important issue in U.S. labor relations and will be addressed in later chapters. Differing assumptions about employment relationship conflict underlie these debates. Understanding these assumptions is therefore critical for understanding labor relations.

THE CONTINUED RELEVANCE OF THE LABOR PROBLEM

Thinking about differing views of labor unions and the four models of the employment relationship that underlie them is usefully pursued in the historical context of the labor problem. Our views of today’s employment relationship are powerfully shaped by our limited personal experiences, so it can be easier to acknowledge the poor working conditions of earlier eras and think more open-mindedly about various causes and solutions. But this is not intended as a purely historical exercise; although conditions for many workers have improved over the last 100 years, the fundamental issues surrounding the four schools of thought about the employment relationship are timeless and apply to today’s employment relationships as much as 100 years ago.

To understand labor unions and labor relations, it is imperative to understand the beliefs of the different schools of thought about the labor problem. These four intellectual frameworks provide the keys to a reasoned rather than stereotypical understanding of labor unions and to appreciating the basis for differing views about whether unions are good or bad (recall Table 2.2). More generally, these four schools of thought continue to be the key frameworks for analyzing all aspects of the employment relationship in the 21st century and for thinking about how to improve employment issues. In fact, how to balance the employment relationship goals of efficiency, equity, and voice is a critical question for all eras. The focus of this book is how employee representation and collective bargaining help management.

There are a number of reasons why human resource managers might want to develop a strategy for providing employee voice. Here are some possibilities:

- Learning about employee ideas for improved productivity, quality, and cost savings.
- Increasing employee satisfaction and loyalty (therefore improving productivity and reducing turnover).
- Decentralizing decision making to improve responsiveness and flexibility to changing business needs.
- Providing a substitute for a union. (Is this ethical?).
- Increasing employees’ problem-solving, communication, and decision-making skills.
- Making work more democratic.

Choose a specific nonunion business situation (such as a hotel, automobile assembly line, retail food manufacturing marketing group, or insurance company sales force) and determine what type of employee voice mechanism should be implemented. Why? Outline the structure of the employee voice mechanism (voluntary or mandatory, individual or group, decision-making authority or just talk, and so on) and a strategy for making it successful.

Now consider the same business situation in the presence of a union. How might the voice mechanism you developed improve with a union? How might the voice mechanism be less effective with a union? Do your answers to these two questions reflect the perspective of the company or the employees?
and hinder the achievement of these goals, but there are other options for structuring the employment relationship that do not involve labor union representation. Some might argue that human resource management, government laws, or unregulated, competitive markets are better mechanisms for balancing efficiency, equity, and voice. To better understand labor unions, it is important to explicitly compare collective bargaining to these alternative methods for determining wages and other terms and conditions of employment.

Workplace Governance

All workplaces need rules. In addition to standard rules of behavior and performance, these rules also include compensation and benefits, as well as policies and procedures. Some of these rules might be, for example, written in an employee handbook or a union contract, or posted on a bulletin board. Others might be unwritten. Some might simply be “The workers must do whatever the boss says.” But at a more fundamental level, who gets to make these rules? In other words, what are the rules for making the rules? Are they dictated by the marketplace? Are they established unilaterally by management? Are they mandated by government laws? Or do they result from negotiations between employers and labor unions? Whoever gets to make the rules gets to rule (or govern) the workplace. Thus a comparison of the alternative rules for making rules is the question of workplace governance. This determines the nature of the balance that is struck among efficiency, equity, and voice. And though it is called workplace governance because of the focus on how workplace rules are determined, note that the ramifications are much broader and determine the quality of life for retirees, spouses, dependents, and communities.

Analyzing workplace governance is particularly instructive for understanding labor relations because it provides the context for evaluating whether unions are good or bad. The statement that unions are good is really the belief that unions achieve a better balance among efficiency, equity, and voice than do alternative mechanisms. The assertion that unions are bad is actually the belief that alternative mechanisms strike a better balance. Moreover, analyzing workplace governance reveals that these evaluations are critically related to the underlying assumptions about the nature of markets and employment outlined earlier in this chapter. Supporters of free markets, human resource management, or labor unions have different fundamental beliefs about the value of work, how labor markets work, and the nature of conflict between employers and employees. Understanding these differing beliefs is essential for understanding the evolution of the U.S. labor relations systems, the operation of the processes in practice, and the possible need for reform.

There are five major possibilities for creating workplace rules—that is, for governing the workplace: competitive labor markets, human resource management, worker control, bargaining with independent employee representatives (labor unions), and statutory government regulation. These five alternatives are summarized in Table 2.3.

Laissez faire reliance on competitive labor markets includes two central critical features: mainstream economic theories plus common-law legal rules that protect individual liberties with the freedom of contract (the right of individuals and organizations to freely enter into economic relationships of their own choosing). Workplace rules—broadly defined to include implicit and explicit rules governing compensation, benefits, working conditions, and performance standards—result from self-interested individuals and organizations interacting in competitive markets. Workplace rules will favor management (lower wages, less generous benefits, shorter vacations, and the like) when labor demand is low and/or labor supply is high; rules will favor employees (higher wages, good benefits, training opportunities, and the like) when labor demand is high and/or labor supply is low. But the rules always result from the invisible hand of market forces. This can be thought of as a system of individual representation—workers looking out for their own interests in competitive markets—in contrast to the union model of collective representation.
In the human resource management model of workplace governance, managers establish employment conditions. They are perhaps constrained to a range of alternatives established by the marketplace, but within this range managers choose specific terms and conditions of employment. For example, salary surveys always indicate that wages are not equal, even for a single occupation in a single location; managers decide whether to set salaries below, at, or above the market average. The prime mover of workplace rules is therefore not markets but management. This option of workplace governance contains a variety of human resource management strategies or philosophies and may or may not include nonunion forms of voice. Any voice mechanisms, however, are established and directed by management. Regardless of the specific strategies used, the distinguishing feature of the human resource management model of workplace governance is that the policies, practices, and conditions are unilaterally determined by management.

The opposite possibility is worker control, such as in producer cooperatives or models of worker control and ownership under socialism. This is more than employee participation—it is employee control over organizational objectives and rule making. This option of workplace governance contains a variety of human resource management strategies or philosophies and may or may not include nonunion forms of voice. Any voice mechanisms, however, are established and directed by management. Regardless of the specific strategies used, the distinguishing feature of the human resource management model of workplace governance is that the policies, practices, and conditions are unilaterally determined by management.

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### Table 2.3 Options for Workplace Governance

<table>
<thead>
<tr>
<th>Governance Mechanism</th>
<th>Workplace Rules Determined By</th>
<th>Key Feature</th>
<th>Questions</th>
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<tbody>
<tr>
<td>1. Competitive labor markets</td>
<td>Competition among firms for employees; competition among individuals for jobs.</td>
<td>Competitive markets promote efficiency and provide protections against abuses.</td>
<td>What if markets are not competitive? Should humans be solely at the mercy of markets?</td>
</tr>
<tr>
<td>2. Human resource management</td>
<td>Human resource managers, perhaps in consultation with employees or by employees within parameters established by managers who have veto power.</td>
<td>Human resource policies and employee participation in decision making can align the interests of employers and employees and promote efficiency, equity, and voice.</td>
<td>What prevents managerial abuse of its authority and power? Is management-controlled voice meaningful?</td>
</tr>
<tr>
<td>3. Worker control</td>
<td>Workers or their representatives.</td>
<td>Workers’ interests are served by having them in control.</td>
<td>What prevents exploitation of investors? How is efficiency achieved?</td>
</tr>
<tr>
<td>4. Independent employee representation</td>
<td>Jointly by employers and employees (especially via collective bargaining).</td>
<td>Collective bargaining can equalize power between employees and employers while involving both sides in decision making.</td>
<td>Are unions adversarial and harmful to efficiency? What if unions are weak or absent?</td>
</tr>
<tr>
<td>5. Government regulation</td>
<td>Legislatures or government agencies.</td>
<td>Laws can establish uniform standards for all that are not dependent on the vagaries of markets, managers, or worker power.</td>
<td>How can regulations be established and enforced for many diverse workplaces? Do regulations stifle efficiency?</td>
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</table>
enforced them by refusing to work on any other terms and by fining or expelling members who undermined these standards. In industrial settings, worker-managed enterprises can be run by delegates elected to a workers’ council. There are no managers; rather, decision making is done through this delegates system. There were multiple examples of workers’ councils in Europe in the early 20th century, and contemporary examples include bankrupt South American factories that have been taken over and managed by the workers.

Another possibility for governing the workplace is to replace the unilateral authority of the human resource management or worker control models with a system of shared, bilateral authority in which employee voice is independent of managerial authority. The major example of this shared control mechanism is collective bargaining. Workplace rules are not determined by competitive markets or unilaterally by either managers or workers; they are determined via negotiations between two parties with broadly equal bargaining power.

Finally, workplace rules can be set by government regulation. Major U.S. examples of governing the workplace include the Fair Labor Standards Act (to establish a minimum wage and maximum work hours), Title VII of the Civil Rights Act (to provide equal opportunity), and the Occupational Safety and Health Act (to establish minimum safety standards). Ideally this system protects everyone, and standards can be determined by rational debate rather than bargaining or market power. On the other hand, regulations are determined by a central authority, not the workplace participants—so it can be difficult to shape agreements to fit particular needs and situations, and enforcement can be inconsistent, lax, and expensive.

What determines which system of workplace governance is best? To answer this question we need to put these governance alternatives together with the intellectual models outlined earlier in the chapter (see Figure 2.5). In other words, individual opinions about the preferred system of workplace governance are rooted in how one thinks the employment relationship works. If, as assumed in the mainstream economics school of thought, labor is simply an economic factor of production (in other words, just another commodity) and employers and employees are economic and legal equals, then the appropriate workplace governance mechanism is reliance on competitive markets. Similarly, the assumptions of the human resource management school of thought lead to a human resource management model of workplace governance, and the assumptions of the critical industrial relations school lead to worker control or socialism as the preferred workplace governance model.

Or if one believes that the employment relationship is characterized by unequal bargaining power as in the industrial relations school, there are two important governance mechanisms for balancing the goals of employers and employees: statutory government regulation and labor unions. Government regulation can try to establish labor standards, but it does not involve employee voice; labor unions can try to counter corporate bargaining power and also provide voice that is independent of managerial authority. Understanding the linkages among the key assumptions of human resources and industrial relations, the four schools of thought about the employment relationship, and the various alternatives for governing the workplace is the key to understanding all aspects of employment, evaluating and designing solutions to historical and contemporary labor problems, and considering whether labor unions are good or bad.

**Solving Labor Problems**

U.S. political and legal thought during the 1800s and early 1900s was dominated by laissez faire views consistent with the mainstream economics school, especially the supremacy of the freedom to enter any type of economic relationship—including employment—without government or union interference. Few laws were passed that set even minimal labor standards, and many of those enacted did not last long because they were ruled unconstitutional. For example, beginning in 1912 some states passed minimum wage laws for women
and children only; but this ended in 1923 when the U.S. Supreme Court declared the District of Columbia’s law unconstitutional because the law violated the rights of parties to freely enter economic relationships (generally referred to as the “freedom to contract,” where contract is widely defined as an economic relationship and is not limited to written contracts).  

The severity of the Great Depression in the 1930s, however, called into serious question the wisdom of the laissez faire legal and economic philosophy. During this time period, as part of President Roosevelt’s New Deal, U.S. labor law was fashioned and upheld by the courts. As a consequence, U.S. laws pertaining to labor unions and collective bargaining reflect the central belief of the industrial relations school that unions are needed to counter corporate bargaining power and provide industrial democracy. National labor policy is based on the assumption that the pluralist conflict in the employment relationship is best
resolved via collective bargaining to balance efficiency, equity, and voice. This is supplemented by government laws establishing additional standards and safety nets, such as a minimum wage, mandated overtime pay, old age assistance and insurance (Social Security), and unemployment insurance.

Collective bargaining was an important model of workplace governance in the postwar period, but in the latter part of the 20th century, the nonunion human resource management model came to dominate. This transformation resulted from the growth of nonunion companies and from heavily unionized companies becoming less unionized by the construction of new nonunion plants in the southern United States. Consistent with a human resource management workplace governance model, new government laws to strengthen worker bargaining power through unions and social safety nets have been largely nonexistent in recent decades. In contrast to the New Deal policies of the 1930s, postwar public policies concede employees’ dependence on employers by avoiding mandating specific benefits and instead requiring nondiscrimination and disclosure requirements for employer-controlled terms and conditions of employment. As just one example, rather than requiring employers to provide health insurance or pensions, government regulations require those that do to file annual reports so employees can monitor these plans. More recently, the free-market model of workplace governance is again becoming dominant (as it was before the New Deal). With little threat of unionization or new employment laws in the United States, fi-

Each of these shifts represents different views about how to solve that generation’s labor problems consistent with changing beliefs about how the employment relationship works (recall Figure 2.5). Despite the rise of the nonunion human resource management model and the reemergence of the free-market model, the U.S. system of labor relations is founded on the beliefs of the industrial relations school in the context of the early 20th-century labor problem. Understanding the development of the New Deal industrial relations system, therefore, grows out of an examination of the early 20th-century labor problem. Moreover, because contemporary labor relations continue to be dominated by laws rooted in the industrial relations school’s principles, understanding the logic of current practices and strategies requires an appreciation of this school of thought.

But again, all four schools of thought continue to have great practical relevance. The laissez faire emphasis of mainstream economics dominates national and international policy debates under the guise of the neoliberal market ideology; today’s corporate human resource policies are rooted in the principles of the human resource management school of thought; the critical model underlies the movement to revitalize unions by transforming them into aggressive champions of the working class. And the principles of the industrial relations school continue to appear in practice in many places around the globe, such as in New Zealand’s Employment Relations Act of 2000, which is based on the belief that “there is an inequality of bargaining power in many employment relationships” such that “employers and employees share many common interests, but they also have separate interests”—which means that “productive employment relationships depend on . . . promoting areas of common interest and managing competing interests in a way that maintains and builds relationships.”

Finally, although some details may have changed, the United States and every other developed and developing country in the 21st century continue to struggle with the modern equivalent of the labor problem. All three dimensions of efficiency, equity, and voice are relevant to today’s employment relationships. Modern sweatshops, in the United States and elsewhere, continue to exist and exploit workers. The Occupy movement has brought the problem of 21st-century economic and social inequality into the public consciousness. The arbitrary power of supervisors persists, as illustrated by the thousands of complaints of quid pro quo sexual harassment filed with the U.S. Equal Employment Opportunity Commission.
How much has work changed? Compare these two photos.
Garment Factory Workers Sitting at Long Tables Probably in New York City, circa 1900.
Source: ILGWU Archives, Kheel Center, Cornell University.

Source: © Andrea Ades Vasquez
Workers in many occupations want a stronger voice in the workplace, and there is increasing recognition that this is a fundamental human right. At the same time, private and public sector organizations continue to struggle with issues of competitiveness, productivity, and quality. Efficiency, equity, and voice continue to be crucial themes for policy makers and practitioners, workers and employers. The seemingly historical discussion of the labor problem continues to have great relevance for us in the 21st century both intellectually and practically.

**WHAT DO U.S. UNIONS DO?**

So are unions good or bad? The four schools of thought and the labor problem discussion reveal that the evaluation of labor unions fundamentally depends on the nature of work, how labor markets operate, the nature of employment relationship conflict, and the importance of employee voice (recall Table 2.2 and Figure 2.5). In mainstream economics unions are harmful because they are monopolies that impair economic efficiency. Unions may exist, but they are bad. The preferred method of workplace governance is reliance on competitive markets. In the human resource management school, unions are an indication that management is not successfully creating motivated and efficient workers via firm-created human resource management policies. Unions may exist, but they are unnecessary. The preferred workplace governance method is human resource management. In critical industrial relations thought, unions are either management tools of worker suppression or worker tools of power and revolution, though neither of these are mainstream U.S. beliefs. The desired mechanisms for governing the workplace are worker control or socialism.

But within the intellectual framework of the industrial relations school, unions are a critical part of the solution to the labor problem because collective, not individual, bargaining is needed to match corporate bargaining power and because independent employee voice is important in a democratic society. Unions provide protection and participation, equity and voice. The preferred method of workplace governance is a combination of government standards and labor union representation. So one important method for answering the question of whether unions are good or bad is conceptual. A second approach to addressing this question is to look at the empirical research record about what unions do in practice, and whether, on balance, these things are beneficial or harmful and to whom. 77

**Evaluating the Effects of Unionism**

The research on the effects of unions on U.S. workers and workplaces is summarized in Table 2.4. Unionized workers in the United States are generally estimated to have wages approximately 15 percent higher than comparable nonunion workers. 78 This is called the union wage premium. Unions also reduce wage inequality and CEO pay. 79 With respect to other terms and conditions of employment, research finds that unions increase the likelihood of employee benefits, seniority rights, and just cause discipline and discharge provisions. 80 For example, unionized workers are at least 15 percent more likely to have employer-provided health insurance and pensions than similar nonunion workers. 81

In terms of efficiency, there is a lot of research on the effects of unions on productivity. 82 Unions can be hypothesized to lower productivity by using their power to negotiate restrictive work rules and by introducing time-consuming decision-making procedures. On the other hand, unions can potentially enhance productivity in several ways. The research evidence supports the presence of a shock effect: The presence of a union shocks managers out of complacency and forces them to develop better managerial practices and policies that improve workplace efficiency, including more formal human resource policies such as training programs, and objective rather than subjective selection tests. 83 Moreover, grievance procedures, seniority provisions, and other gains can increase morale, improve communication between managers and employees, and reduce turnover, which can all increase
productivity. One study finds that the heart attack mortality rate is lower in hospitals with unionized nurses relative to similar nonunion hospitals, perhaps because of improved work climate, communication, and trust." Overall, however, the results are mixed. Some research finds that unions are associated with increased productivity, but other studies find no or negative effects of unions on productivity and organizational effectiveness. In contrast to this mixed track record for productivity, the presence of a union is usually associated with lower profitability. In other words, even when unions raise productivity, these gains do not offset the higher unionized labor costs. Research also finds that unions reduce employment growth but are not likely to drive firms out of business.

Unions have other important effects in the workplace. Union voice gives workers an alternative to quitting when they are dissatisfied with a job, and research finds that unionized workers are in fact less likely to quit than similar nonunion workers. For many years this created a puzzle because early research indicated that unionized workers were less satisfied with their jobs—but if they were less satisfied, then why would they quit less often? Later research, however, revealed that there do not appear to be significant union–nonunion differences in job satisfaction once one accounts for differences in working conditions and workplace climate. Moreover, there shouldn’t be a puzzle because quitting isn’t necessarily the most frequent response to dissatisfaction; adaptation, for example, is often personally less costly. Union-provided voice mechanisms can perhaps help unionized workers adapt as well as change their working conditions. Unions also facilitate the receipt of benefits to which workers are entitled. For example, unions can tell employees...
about benefit plans through union newsletters and can protect against retaliation for exercising their rights.\textsuperscript{92} Consistent with this union facilitation effect, research finds that unions appear to improve employee awareness of employer-provided and government-mandated family-friendly policies, help employees file valid unemployment insurance and workers’ compensation claims, and increase employer compliance with nondiscrimination laws.\textsuperscript{93}

Labor unions can also provide a sense of community in the workplace and counter some negative psychological effects of the lack of ownership in one’s work.\textsuperscript{94} Similarly, collective voice mechanisms like unions can enhance a democratic society by promoting workplace interactions among workers from diverse backgrounds.\textsuperscript{95} And as we will discuss in the next chapter, the Knights of Labor in the 1800s emphasized moral and spiritual reform. In fact, the Catholic Church advocates for labor unions not only as a vehicle for improving working conditions but also for the spiritual improvements that can come when workers enjoy a better life. As articulated by Pope John Paul II in the Papal encyclical \textit{Laborem Exercens} (“On Human Work,” 1981),

\begin{quote}
The experience of history teaches that [labor unions] are an indispensable element of social life, especially in modern industrialized societies. . . . It is always to be hoped that, thanks to the work of their unions, workers will not only have more, but above all be more: in other words, that they will realize their humanity more fully in every respect.\textsuperscript{96}
\end{quote}

The empirical research on what unions do greatly contributes to our understanding of labor relations. But consideration of this research reinforces the need for a conceptual basis for interpreting the results. Is the fact that unions negotiate higher wages and reduce profits good or bad? It depends on the analytical lens we use. From a mainstream economics perspective, the union wage premium and reduced profitability are bad because they reflect the extent to which unions interfere with and distort optimal competitive outcomes (for a more complex treatment of this issue, see the “Digging Deeper” feature at the end of this chapter). From an industrial relations perspective, in contrast, higher wages and reduced profitability represent a socially beneficial redistribution of income that creates a more equitable distribution of economic prosperity than the inequalities produced by imperfectly competitive labor markets and their inherent bargaining power imbalances. In fact, to address the social ills of the labor problem and to boost consumer purchasing power, U.S. labor law is explicitly intended to help unions raise wages! As such, the empirical evidence that unions raise wages, increase the probability of receiving health insurance and other employee benefits, facilitate the receipt of social insurance benefits, reduce income inequality, and negotiate for grievance procedures with just cause discipline and discharge provisions is interpreted in the industrial relations school of thought as evidence that unions promote economic and social justice.

**Theories of the Labor Movement**

In the United States, it is common to focus on the workplace when thinking about labor unions. To wit, the four views of labor unions revealed by the mainstream economics, human resource management, industrial relations, and critical industrial relations schools of thought capture the central debates over the workplace roles of unions. However, unions are not purely workplace institutions, and any discussion of what unions do should look beyond the workplace. At this point it is also useful to distinguish labor unions from the labor movement. A labor movement is a social movement in which workers and unions from multiple workplaces join together to pursue common interests, most frequently in the political and social arenas.

More specifically, the labor movement provides a voice for workers in the political arena.\textsuperscript{97} Labor unions, or their associated political action committees, endorse candidates for political offices, mobilize get-out-the-vote efforts, campaign on behalf of candidates, and lobby and make donations to lawmakers. Under the Obama administration, the labor
movement lobbied for health care and immigration reform as well as passage of the Employee Free Choice Act (see Chapters 4 and 6). European labor movements continue to lobby for European policies to combat unemployment and poverty, while labor movements around the world are allied in campaigns to include labor rights in free trade agreements. In many countries unions are closely intertwined with political parties, such as the Labour Party in Great Britain or the Workers’ Party in Brazil.

As with the workplace role of labor unions, evaluating the political and social roles of labor movements depends on our frame of reference. From the perspective of mainstream economics in which labor unions are labor market monopolies, a labor movement’s political activities are also seen as the use of power to benefit unionized workers at the expense of others. At the other end of the spectrum, the critical industrial relations model sees labor movements that are active in the political and social arenas as vital for countering the dominant power of employers. Taking this one step further, some labor movements see themselves as agents of radical reform, and outside North America, it is not uncommon to have unions aligned with socialist or communist political parties.

Finally, recall that the industrial relations school of thought is rooted in the belief that the workplace encompasses a plurality of employer and employee interests. Extending this perspective to the political and social arenas, a democratic society is seen as a pluralist society in which numerous groups have common and conflicting interests—corporations, consumers, farmers, workers, home owners, and the like. From this frame of reference, the labor movement represents workers in the political arena just as the Chamber of Commerce represents business and the AARP represents senior citizens. Unions are thus seen as balancing the economic power of employers in the workplace, and as balancing the political power of employers and their allies in the political arena. Labor unions can also be important organizations in civil society where individuals gather to socialize, discuss issues, pursue charitable goals, and form a sense of community. From a pluralist perspective then, the labor movement makes important contributions in the political and civil arenas in contemporary democratic societies; and the relationship between a vibrant, independent labor movement and a healthy, balanced democratic society must be remembered when evaluating labor unions.

In sum, whether labor unions are good or bad is a difficult, complex question. There are undoubtedly specific examples in which most would agree that a certain labor union was either harmful (for example, with a corrupt, predatory leadership) or beneficial (for example, winning basic protections against an exploitative, sweatshop employer). On a broader scale, however, thinking about the labor problem and the question of workplace governance reveals the basis for evaluating labor unionism. As we have discussed, the four schools of thought on these questions—mainstream economics, human resource management, industrial relations, and critical industrial relations—have their own beliefs about the nature of markets and the employment relationship. Consequently, each school of thought has its own views about labor unions and labor movements—good, bad, or indifferent. Understanding these differing views, and where they come from, is essential for understanding labor relations and therefore for designing appropriate business practices, union strategies, and public policies. And appreciating these views is vital for thinking about both the past and the future.

In particular, it is difficult to understand U.S. labor law, and the U.S. system of labor relations, from the perspectives of the mainstream economics, human resource management, and critical industrial relations schools of thought. The intellectual foundations of the U.S. system of labor relations come from the industrial relations school of thought. Labor laws protecting employees’ rights to form unions were passed because of the beliefs that labor market competition is not among equals, that it is not wise to rely on managerial benevolence, and that employee voice is important in a democratic society. One does not need to agree with this pluralist industrial relations philosophy, but it is imperative to remember this intellectual foundation when studying and practicing U.S. labor relations.
Key Terms

mainstream economics school, 32
human resource management school, 33
industrial relations school, 35
critical industrial relations school, 36
unitarist view of conflict, 39
pluralist view of conflict, 39
class conflict, 40
workplace governance, 42
union wage premium, 48
shock effect, 48
labor movement, 50

Reflection Questions

1. Mother Jones, a colorful figure in U.S. labor history who will be introduced in Chapter 3, said in 1913, “The world is suffering, today, from an industrial yellow fever, not less fatal, but I am certain, as preventable.” Yellow fever was caused by mosquitoes, so Mother Jones continued, “Search for the mosquito! That ought to be a slogan with investigators on both sides of the labor question.” What is the mosquito that causes the labor problem in each of the four schools of thought?

2. How are the major premises of the mainstream economics and industrial relations schools consistent with Figure 2.2? How would you change the label on the gun to make this into a mainstream economics cartoon? An industrial relations cartoon?

3. Review Figure 2.3. Sketch a similar diagram to capture the range of outcomes possible within the human resource management school. (Hint: Use a pendulum but not necessarily a power struggle between labor and management.)

4. Think of jobs you or someone you know has had. What was undesirable about these jobs? Was the pay too low? Hours too long? Were you treated poorly? Which of the four schools of thought best explains the causes of these undesirable aspects? What would you try to do to redress these undesirable features?

5. How should the workplace be governed? Why?
Digging Deeper The Two Economic Faces of Unionism

The mainstream economics view of labor unions as harmful monopolies relies on a set of fairly strong assumptions pertaining to perfectly competitive markets. First, the standard economic model assumes that goods and services are private—you consume only what you purchase. But some aspects of the workplace are public goods. Safety provisions, heating, lighting, ventilation, just cause discipline and discharge provisions, and grievance procedures benefit everyone regardless of whether someone “pays” for it. With individual decision making there is a free-rider problem, and too few of these beneficial public goods will be provided (analogous to standard societal examples such as national defense). Second, in the standard economic model, mobility and transaction costs are assumed to be zero. Moreover, in competitive markets, compensation and employment conditions are determined by the intersection of supply and demand as shaped by what economists call the marginal worker (the individual who is on the margin of joining or leaving the company with small changes in compensation and employment conditions). For the firm to retain the optimal number of workers, employment conditions must satisfy the marginal worker. If mobility and transaction costs are zero, anyone who doesn’t like these terms and conditions of employment and can get a better deal elsewhere is assumed to be able to easily quit and change jobs. But for workers with seniority, children, a mortgage, or doctors through a specific health insurance plan, quitting can be risky and costly. As such, a nonunion workplace might include a group of less mobile workers who are effectively locked into their jobs but who are also not satisfied by the compensation package that is tailored to younger, more mobile, marginal workers. Third, the standard economic model assumes that workers are purely rational. If we relax this assumption, then trust, communication, respect, and fairness become more important.

Weakening these assumptions results in a different economic perspective on labor unions. First, having a collective voice mechanism such as a union in the workplace internalizes both the costs and benefits of workplace public goods and solves the free-rider problem. Workers likely respond positively to these workplace public goods, which can increase productivity and efficiency. Second, with a union, employment conditions are determined by bargaining, not the market and the marginal worker. As political organizations, unions are concerned with satisfying a majority of the workers. This is often referred to as the median voter model: If union leaders can satisfy the median worker, they will have satisfied at least 50 percent and will be reelected. Thus terms and conditions of employment that are determined by collective bargaining will reflect the preferences of a majority of the workers, who are likely to be older and less likely to leave the firm than the marginal workers. This can increase economic efficiency. Third, regular consultation between management and a union provides a visible avenue for sustained communication and a forum for employees to voice concerns or resolve grievances. This consultation can promote employee commitment by promoting a sense of dignity, respect, and procedural justice, which in turn can enhance economic efficiency.

More generally, note that standard economic models rely on exit for expressing displeasure. If you don’t like your job, quit; if you feel a store is too expensive, shop elsewhere. But there is an alternative to exit: communication or voice. Instead of quitting an undesirable job, you can communicate your displeasure to your boss, discuss the situation, and try to work out improvements. If the strong mainstream economics assumptions necessary for perfect competition are fulfilled, then exit is costless. But voice can be better than exit if exit is costly. By replacing exit with collective voice, unions can increase economic efficiency if real-world workplaces do not satisfy the simplifying assumptions of the standard mainstream economics model of perfect competition. If there are workplace public goods, if quitting a job is costly for workers or employers, or if trust and fairness are important to workers, then collective voice in the workplace can be socially beneficial.

Unions therefore have two economic faces: a monopoly face and a collective voice/institutional response face. The monopoly face is the dominant mainstream economics view of unions in which unions use their monopoly power in the labor market to raise wages for their members above the competitive level, which can be harmful for everyone else. The collective voice face is a second side of unions in which they add collective voice to the workplace and potentially improve outcomes for workers and employers. In this face, unions do not raise compensation; rather

Continued
they represent the collective voice of the workers to alter the mix of the compensation package (for example, more health insurance benefits in lieu of a wage increase, holding total costs constant) to better satisfy a majority of the workforce.

So which face dominates in practice? Research finds that unions exhibit a mixture of both faces.\textsuperscript{104} As an example, consider employee benefits. In the monopoly face, unions increase the overall amount of employee benefits; whereas in the collective voice face, the composition of the benefits package is rearranged to better satisfy worker preferences. Empirical research finds that unions increase the total amount of spending on employer-provided benefits relative to comparable nonunion workers (consistent with the monopoly face), and that holding total compensation constant, unionized employees have a greater relative fraction of benefits in their overall compensation package (consistent with the voice face). The magnitudes of these two results further indicate that the overall effect of unions on benefits is split roughly equally between these two faces.\textsuperscript{105}

The model of two economic faces of unionism undermines the single-mindedness of the mainstream economics tradition in which unions are seen as socially harmful monopolies, and thereby complicates the question of whether unions are good or bad. Even within the mainstream economics paradigm in which unions are traditionally viewed negatively, the collective voice face of unionism can improve both efficiency and social welfare. At the same time, it is important not to push the two faces of unionism model too far. The evidence in support of unions improving productivity, for example, is mixed, and it is difficult to make a case for unions on this basis. But one should not have to. The economic effects of unions—on workers, productivity, and competitiveness—are certainly important, but they should not be the sole basis for evaluating labor unions and employee representation (recall efficiency and equity and voice). Unions were not established as productivity-enhancing mechanisms and should not be evaluated only in this vein.
# End Notes


Foundations


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47. Weiler, Governing the Workplace, p. 58 (emphasis added).


50. Kaufman, Managing the Human Factor, p. 278.


61. Budd, *Employment with a Human Face*.


65. Montgomery, *Workers' Control in America*.


67. Weiler, *Governing the Workplace*.


69. Weiler, *Governing the Workplace*.


74. Befort and Budd, *Invisible Hands, Invisible Objectives*.

75. Jacoby, *The Embedded Corporation*.


90. Hammer and Avgar, “The Impact of Unions on Job Satisfaction, Organizational Commitment, and Turnover.”


104. Freeman and Medoff, *What Do Unions Do?*