Get United
Organized Labor

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Leadership, Attitude, Performance

Economics LAP 5  Performance Indicator: EC:015

Be the next apprentice
What’s your issue?
How does this strike you?

NO CONTRACT
NO WORK
Objectsives

A Explain the purpose(s) of labor unions.

B Describe the impact of organized labor on employees and businesses.

Workers Unite

During the 1800s, the Industrial Revolution brought many changes to the United States. As a matter of fact, many scholars call this period “a turning point” in human history. Our culture shifted from an agricultural focus to an industrial one. Our country became more urbanized, and our economy began to grow by leaps and bounds. Many common workers, however, were getting steam-rolled by this rapid progress. Industrial laborers were often treated unfairly by their employers, working for low wages in poor or dangerous conditions.

Eventually, workers began to form labor unions. A labor union is a group of workers who have joined together for a common purpose to improve the terms and conditions under which employees work. A union represents all employees as one single entity before management. By forming unions, employees are able to increase their bargaining power so that management is more willing to listen to their needs. Think about it—if one or two workers are dissatisfied and walk off the job, the company will not lose much money. However, if all the employees walk off the job, the company will be hurt by the loss of production.

After they began appearing during the Industrial Revolution, labor unions became a strong force in the American business landscape as the country moved into the 20th century. Though union membership has been on the decline since 1970 or so, about 13 percent of the American workforce remains unionized (between 14 and 15 million workers). The degree of unionization in the United States varies based on the type of industry and geographical location. In certain industries, such as
manufacturing, almost all employees are unionized. Historically, unions were present in four main industries—mining, transportation, manufacturing, and construction. Over time, however, unionization has expanded to a number of different industries, including more and more service-based fields. As far as geography, unionization is more common in the North and West than it is in the South.

Modern labor unions serve three main purposes:

- Organizing workers into a single bargaining unit
- Negotiating labor contracts
- Ensuring that labor contracts are carried out

What’s your type?

There are three main types of labor unions in existence today. The first is a craft union, also known as a trade union. These unions include skilled laborers working in specific occupations, such as plumbers, carpenters, or machinists. Examples of craft unions include the United Association of Plumbers and Pipefitters and the United Brotherhood of Carpenters.

Membership and advancement in a craft union is based primarily upon the degree of skill and experience possessed by the worker in a particular job. There are generally three categories of membership:

- **Apprentice**—The worker is just beginning in the occupation. S/He works under the direct supervision of more experienced union members while learning the trade.
- **Journeyman**—The worker is a skilled union member who has taken courses in the occupational area, passed a state exam, and become licensed by the state (e.g., a licensed painter or a licensed electrician).
- **Master**—The worker is a skilled union member who has worked as a journeyman and is a team leader for other employees in the same occupation. S/He is the supervisor who makes sure that workers complete a job on time. An example of a master is a skilled plumber who is in charge of installing all the plumbing for an entire office building.

Because members of craft unions often work on contracts (going from job to job), the union also serves as a job placement agency, helping union members find work. A construction company, for instance, might contact the local carpenters’ union when it has a need for employees on a certain job.

The second type of union is an industrial union. Industrial unions include a wide range of workers across an industry, even though the workers may hold a variety of different jobs. Examples of industrial unions include the United Auto Workers (UAW) and the United Mine Workers of America (UMWA). To become eligible to join an industrial union, new workers must successfully complete a probationary period and become permanently employed by the company. Then, as regular union members, they are entitled to bid for higher positions within the company as jobs become available. Advancement depends on seniority and qualifications.

Lastly, there are professional unions. These unions are common in the public sector and include nurses, teachers, firefighters, actors, athletes, writers, etc. Examples of professional unions include the American Federation of Teachers and the Screen Actors Guild.
On the level

Most unions are organized on three levels—local, national/international, and federation.

Local unions. A local union is a chapter of a national or international union that represents workers at a specific company or in a specific geographic area. There are about 60,000 local unions operating in the U.S. today. Union members join up at the local level and pay dues to their local chapter. Local unions are responsible for electing their own officers, scheduling their own meetings, providing membership services, and engaging in community activities. These chapters operate democratically, with all members voting on important decisions, such as approving or rejecting contracts with management.

National/International unions. National/international unions provide leadership for local unions and assist them in negotiating labor contracts. They also help to establish new local unions and to recruit new union members. There are about 75 national/international unions operating in the U.S. and Canada today. Examples of national/international unions include the American Postal Workers Union (APWU) and the National Air Traffic Controllers Association (NATCA).

Federations. A union federation consists of several national unions of different kinds that join together to further their common purposes, such as public relations, political agendas, etc. Until 2005, there was only one union federation—the American Federation of Labor-Congress of Industrial Organization, or AFL-CIO. In the summer of that year, however, several member unions broke away from the AFL-CIO to form a new union federation called the Change to Win Coalition. Currently, these two organizations are the only union federations operating in the U.S.

Although many national unions belong to one of these two federations, some large unions do not because they have so many members that they can represent themselves. These unions are called independent unions. They control their own local unions and assist in contract negotiations for all union members. Like union federations, they promote the benefits of unionization, sending information to potential union members and organizing new local unions. The National Education Association (NEA) is an example of an independent union.

We’ve all got issues

Labor unions and company management share a common goal—to keep the business operating effectively. However, their strategies for achieving that goal often differ. While the union is attempting to increase wages, obtain better benefits, and improve working conditions for its members, management is attempting to minimize costs and maximize profits. As a result, these two groups often experience conflicts. Most of the conflicts center on the following labor issues:

- **Wages.** The issue of pay is usually the number-one source of conflict between unions and management. Unions seek higher wages and guaranteed cost-of-living adjustments (annual pay increases designed to keep up with inflation), while management attempts to reduce labor costs.

- **Benefits.** Unions seek to secure certain benefits for their members, including overtime pay, vacation pay, sick leave, health and life insurance, unemployment compensation, and pension plans.

- **Job security and seniority.** To protect the jobs of its members, unions attempt to negotiate for items such as seniority ratings, protection from layoffs, rules for terminating employment, grievance procedures, and disciplinary procedures. In the modern workplace, many employees are also concerned about losing their jobs to automated technology or outsourcing. Unions strive to protect their members’ job security against these threats.

- **Working conditions.** The working environment affects employee morale and well-being. Proper lighting, ventilation, sanitation, and safety equipment and precautions are often discussed during negotiations.

- **Hours.** Due to the increasing popularity of flexible scheduling, employees’ working hours have become an important issue. Some unions, for instance, might ask for a 40-hour/4-day work week (10-hour days).
Seniority is an important concept in unionized companies. The longer a union member has been on the job, the more seniority s/he has, and the closer s/he is to the “head of the line” when a promotion becomes available. This system tends to take away the authority of management when it comes to promoting employees—they often must make decisions based on seniority rather than merit or ability. The union, however, defends this system, saying that it promotes loyalty to the company by encouraging employees to remain with the company and build their seniority. What do you think? Are seniority-based promotions and raises ethical, or should management have the sole discretion to decide who moves up the ladder?

• Union security. Union security addresses whether or not all the employees at a certain company will become union members. Of course, this is what the union wants to occur if possible. There are three basic types of union representation within a company:

1) Union shop—In a union shop, employees are required to join the union after their probationary period, which usually lasts 30 to 90 days. However, union shops have been outlawed in several states by right-to-work laws. These laws give employees the freedom to work without being required to join a union. Unionization is limited in right-to-work states.

2) Agency shop—In an agency shop, all employees are required to pay union dues, but they do not have to join the union. An agency shop is a union’s second choice if a union shop is outlawed.

3) Open shop—In an open shop, employees do not have to join the union, nor do they have to pay dues. Management prefers this type of agreement since it permits them to discourage new employees from joining the union, thereby limiting the union’s bargaining power.

• Management rights. Much is made of workers’ rights, but what about management? How much power does the company retain after it signs a contract with the union? Management often attempts to include a “management-rights clause” in labor agreements. It may address the company’s right to set criteria for promotions, determine production standards, transfer employees, etc.

This list of issues is not exhaustive. Every union/management relationship is individual and encounters unique circumstances and conflicts.
Summary

A labor union is a group of workers who have joined together for a common purpose to improve the terms and conditions under which employees work. A union represents all employees as one single entity before management. The three main types of labor unions are craft/trade unions, industrial unions, and professional unions. Unions are typically organized as local, national/international, and federation. Some unions, however, are independent and do not belong to a federation. Unions address labor issues such as wages, benefits, job security and seniority, working conditions, hours, union security, and management rights.

Unions in Action

Collective bargaining

One of the most important purposes of a union is negotiating a labor agreement or contract with management. This process is known as collective bargaining. Workers’ right to collectively bargain with their employers is guaranteed by U.S. law. Unions typically negotiate new contracts every three to four years, and the process can be quite time-consuming, often taking a year or so to complete. Let’s take a closer look at what happens during the collective-bargaining process.

Preparation. Collective-bargaining teams are usually made up of a few members on each side of the table, including a chief spokesperson for each. Before beginning negotiations, both the union and management must conduct research, generate reports, etc., to make sure that the information they’re using to support their stances is both accurate and organized. Management, for instance, might gather financial data, solidify its future goals, and study labor contracts in similar businesses or industries. Union leaders will spend time listening to the needs and wants of union members and determining the company’s ability to meet those demands. This will enable the union to better understand what it can reasonably expect to accomplish during negotiations. Each side comes to the negotiation table with a list of issues it wants to address.

Conducting bargaining sessions. After both sides have prepared, they meet to discuss their demands. These bargaining sessions might take place face-to-face or through written proposals (usually a combination of both). Normally, the union leaders ask for very favorable terms or working conditions for employees, while management offers small or no increases. The two sides then negotiate to try to reach an agreement that both can accept. When this tentative agreement is reached, official negotiations are at an end.

Voting. The labor contract is not official until both sides have approved it. Union members vote to ratify (accept) or reject the tentative agreement. If union members accept the agreement, both sides sign, and it becomes an official labor contract. Both sides are legally bound to adhere to the terms and conditions of the contract until it expires. If union members reject the contract, union leaders and management must renegotiate and reach a new tentative agreement.

1. What is a labor union?
2. What are the three main purposes of a labor union?
3. What are the three main types of labor unions?
4. What are the three categories of membership in a craft union?
5. Unions are organized on what three levels?
6. What types of labor issues do unions address?
7. What are the three types of union security that can occur within a unionized company?
Pressure strategies

Sometimes, union and management cannot reach agreement on a labor contract. When this happens, both sides may use pressure strategies to try to force the other side into making some concessions. Both unions and management use the media to influence public opinion.

Pressure strategies that unions use include:

• **Strikes.** A strike occurs when union members refuse to come to work. Strikes are one of a union’s most effective pressure strategies. When a union strikes, it becomes nearly impossible for a business to remain productive. However, unions usually use strikes as a last resort since workers are not paid while they are striking. There are different types of strikes that unions might use instead of or in addition to a traditional strike:

  1) **Wildcat strike**—This type of strike occurs when a local union stops working without the consent of its national organization.
  2) **Sit-down or sit-in strike**—This type of strike occurs when employees remain on the job but refuse to work. In many instances, employees will literally “sit down” and do nothing to demonstrate their protest against management.
  3) **Sympathetic strike**—This type of strike occurs when members of one union stop working to support the strike of another union. A local union in New Jersey, for instance, might go on strike to support a local chapter of the same national union in Washington.
  4) **“Sick-out” strike**—During a “sick out,” union members call in sick—all at the same time—to slow down the company’s production.

• **Picketing.** Picketing and striking often go hand-in-hand. Picketing is a form of protest that involves positioning union members (called pickets) near a business’s entrance during a conflict or a strike. These pickets often carry signs or chant slogans to publicize their discontent. Their goal is to call attention to the conflict and to discourage non-striking workers and customers from entering the facilities.

• **Boycotts.** Boycotts occur when union members refuse to buy a business’s goods or services and encourage others to do the same. The goal of a boycott is to hurt a business’s sales so much that it is forced to concede to union demands.

• **Corporate campaigns.** In a corporate campaign, dissatisfied union members might disrupt a company’s shareholder meetings or even attempt to buy up stock and gain more control of the company. Corporate campaigns are not as common as other forms of union pressure strategies.

Management also uses pressure strategies to try to force unions to make concessions. These strategies might include:

• **Lockouts.** A lockout occurs when management refuses to allow union members to work. During a lockout, management either closes the business temporarily or brings in non-union members, known as strikebreakers, to work. Usually, management will close the business only when a strike has already shut down part of its production. Using strikebreakers is often seen as a last resort since this action can cause permanent damage to the union-management relationship.

• **Injunctions.** An injunction is a court order that forbids people from carrying out certain activities. Management might use an injunction to stop union members from picketing or causing damage to company property. Anyone who disobeys an injunction can be held legally responsible for any resulting damage.

• **Shifts in production.** Management might circumvent a labor dispute by moving production to another facility, or even another country.

**Let’s work it out**

There are other, non-threatening ways that unions and management can approach each other when they cannot reach an agreement on a labor contract. They might try mediation or arbitration. In mediation, a mediator attempts to clarify issues and make suggestions concerning the contract to both sides. However, neither side is obligated to accept these suggestions. In arbitration, an arbitrator makes decisions concerning the final contract. When an arbitrator is used, her/his decisions regarding the contract are binding (unless otherwise specified), and neither the union nor management can make changes.
Effects of unionism

Unionism has an impact—both positive and negative—on workers and businesses. Since unions exist to benefit employees, however, employees tend to benefit from unionism more than businesses do. Let’s take a look at the effects of organized labor on workers and businesses in our economic system.

**Advantages for workers.** A major effect of unionism in the U.S. has been higher wages, better benefits, and improved working conditions for employees. Unionism has also increased the dignity of the individual worker. Unions insist that all their members have special needs and rights that management must take seriously. By joining the union, the individual employee has more bargaining power than s/he could ever have alone. In short, workers are treated more fairly than they were in the past, before unions existed.

**Disadvantages for workers.** You might not believe it, but unionism does have some negative effects on workers as well. Union dues can cost several hundred dollars per year. And, workers lose some individuality—in a union, the majority rules, so workers must go along with union decisions even if they voted against them. As you know, if the union strikes, workers will not be paid and may even lose their jobs if the company calls in strikebreakers. This can cause serious financial strain on workers and their families.

**Advantages for businesses.** The security of a labor contract is an advantage for businesses as well as unions. When a business knows how much it needs to spend for wages and benefits, it can plan more effectively for the next few years. Unionism can also save businesses time and money by helping with the recruitment of new employees.

**Disadvantages for businesses.** For businesses, the main disadvantage of unionism is increased costs. Unionized companies often pay higher wages and provide more benefits than nonunionized ones. To cover the cost of higher wages, businesses must find ways to maintain profits. They may have to raise prices or reduce expenses. Unionized companies also have more limited control than nonunionized ones. The involvement of the union in personnel matters causes management to lose some direct control over employees (determining promotions, for instance) and may slow down production. A company can also lose a lot of time and sales in the event of a strike. For some businesses, this can have disastrous financial results.

Only time will tell what the future holds for unionism in the United States. Whether one is pro-union or anti-union, the fact remains that organized labor has had a profound impact on American business over the past 150 years.

Summary

Collective bargaining is the process of negotiating a new labor agreement between a union and a company’s management. If the two sides cannot reach an agreement, they may use pressure strategies. The union might strike, picket, boycott, or wage a corporate campaign. Management might lock out employees, call in strikebreakers, get an injunction, or shift production. The two sides might also try mediation or arbitration. Unionism has positive and negative effects on both workers and businesses.

**TOTAL RECALL**

1. What is collective bargaining?
2. What steps does collective bargaining involve?
3. What pressure strategies do unions use?
4. What pressure strategies does management use?
5. What non-pressure strategies can be used to reach agreements between union and management?
6. What are the advantages of unionism for workers?
7. What are the disadvantages of unionism for workers?
8. What are the advantages of unionism for businesses?
9. What are the disadvantages of unionism for businesses?

**Make It Pay!**

Is your state a right-to-work state or is it heavily unionized? Are there any unionized companies in your town? What national/international unions are represented? How has unionization affected your community?