What Do Unions Do?—A Management Perspective

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I. Introduction

I assess and critique Freeman and Medoff’s (F&M, 1984) seminal research on What Do Unions Do? from a management perspective which holds that business’ perspectives on unions are influenced importantly by management’s major goals. These goals include enhancing long-run profitability by maximizing market opportunities and revenues through innovation and at the same time controlling unit production costs.

Any management assessment of unions is likely to evolve over time and vary from industry to industry depending on changing competition in product markets. On many economic policy issues, such as trade, tax, and government regulation of industry, there is rarely a business consensus, and indeed, managements in different industries often have divergent interests. Labor and management in the same industry may be united in their opposition to policies to expand trade or deregulate the industry. On broad labor policy issues, however, labor and management usually have conflicting interests, and while senior executives in different industries may have similar views on labor relations policies, a management consensus on specific policy proposals is often difficult to achieve. Consequently, I offer a typical or modal business assessment of F&M’s research conclusions and subsequent academic research on what unions do.

I present an economic context for management’s likely reaction to F&M’s conclusions and to the findings of subsequent research on the impact of unions and briefly overview how management responded to the changing economic conditions before and after the publication of What Do Unions Do? and how the economic environment influenced management views on the role of unions in 1984 and today. I question whether the union’s institutional role of providing workers with voice is more effective and efficient than the range of worker participation practices now offered by management human resource policies.

What Do Unions Do? was intended to show unions in a favorable light and that a much higher rate of private sector unionization was socially beneficial. Subsequent research published in What Workers Want (Freeman and Rogers, 1999) developed this theme and concluded that 32 percent of nonunion workers would join a union if given an opportunity. I challenge this assertion and dispute the claim that manage-
ment anti-union tactics are primarily responsible for the continued decline of private sector union membership.

I conclude with a discussion of the major labor law reforms favored strongly by F&M in 1984 and by Freeman and Rogers in 1999 and comment briefly on several reform proposals. I also suggest labor law changes that will increase economic performance in both union and nonunion businesses, a goal clearly in the public interest.

II. Management's Evolving Assessment of What Unions Do

There is no monolithic or even consensus management view of what unions do. Management's position on industrial relations issues varies with the firm's economic conditions. In the 1960s and early 1970s, for example, many industries with high union density were oligopolies. In such industries as steel, autos, trucking, and airlines, a significant degree of monopoly power enabled management to raise prices and accommodate union demands for wage increases and more generous fringe benefits. The unions' ability to capture part of the economic rent in these industries was, however, diminished greatly by import penetration of the U.S. steel and auto markets and by deregulation in the trucking and airline industries (Block and McLennan, 1985). By the end of the 1970s increased competition had changed management's collective bargaining strategy and management's view of what unions were likely to do in much more competitive product markets.

To maintain profitability in the early 1980s management in many industries had to aggressively cut the unit cost of production. The tendency for unionization to raise labor costs simply reinforced management's preference for a union-free workplace. In industries with high union density, management began to question some of the traditional features of collective bargaining, such as industry-wide bargaining, master agreements, and in some industries management and labor engaged in concession bargaining.

Although the unusually extensive structural changes in the U.S. economy in the 1970s was beyond the scope of F&M's research, many politicians, labor leaders, and businessmen were asking the same question as Lawrence (1984): Can America Compete? In the early 1980s it was not clear how to restore the competitive position of U.S. industry. Many advocated greater government intervention in the economy through industrial policy (Magaziner and Reich, 1982; Bluestone and Harrison, 1882). This proposed policy recommended "tripartisan" decision making with government, along with labor and management, selecting the future "winners" and "losers" among industries. The government would provide selective protection of U.S. industries from foreign competition and provide special subsidies and tax preferences to industries of the future. Unions representing workers in industries which experienced much more competition in product markets favored an industrial policy as a way to legitimize the union's role in public policies affecting industry and to stem the decline in union density.

In contrast to industrial policy's proponents most economists and most businessmen favored reversing the main sources of loss of competitiveness—poor productiv-