Diversification and Win Rate in NLRB Certification Elections

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This research examined industrial diversification patterns and win rates within the 1977–1979, 1983–1985 and 1992–1994 periods for all NLRB certification elections of the 30 most active unions in 1977–1979. We found significant change in diversification and little change in average win rates over the study period. The general trend was less total diversification and more unrelated diversification in 1992–1994 relative to 1983–1985 and 1977–1979. Total diversification and election frequency had no impact on win rates. However, related diversification had a significant positive influence on union win rates for elections recorded outside unions' core organizing industries.

I. Introduction

Union membership in the U.S. declined from 22.8 million in 1980 to 16.3 million members in 1996, or from 21 percent to 14.5 percent of the work force (U.S. Department of Labor, 1981, 1997). Union certification elections conducted by the National Labor Relations Board (NLRB) declined from 6,972 elections in 1978 to 3,009 elections in 1993 (Chaison and Dhavale, 1990b; NLRB, 1994). It was widely predicted that union membership would decline to less than 10 percent of the eligible private sector work force within a few years if these trends continued (Blanchflower and Freeman, 1992). However, the AFL-CIO and many national unions have attempted since 1985 to reshape their membership recruitment activities through an array of innovative programs, including revitalization of efforts in traditional jurisdictions and an increased emphasis on recruiting new members in industries not traditionally well organized by unions (AFL-CIO, 1985; Ballot, 1994; Grabelsky and Hurd, 1994; Wall Street Journal, 1995). While unions attempted significant changes in their organizing programs between 1985 and the middle 1990s, the impact of these efforts on unions’ NLRB election activity has not been determined. This study examined recent trends in the industrial diversification of unions’ NLRB election activity and the relationship between diversification and election win rate.

II. Diversification

In the vast literature on firm diversification (Ramanujam and Varadarajan, 1989), it is argued that related diversification creates wealth through transfers of skills, increased economies of scale, increased market power (Datta et al., 1992), resource sharing, and
restructuring poorly operated businesses (Jones and Hill, 1988). For firms, unrelated diversification decreases the risk of bankruptcy (Leontiades, 1986) and gives opportunities for restructuring (Jones and Hill, 1988). Since, by definition, related diversification involves shared skills, markets, or assets, there are more opportunities to create value in a related diversification than there are in an unrelated diversification. Thus, related diversification should allow for more improvement in the organization's performance compared with unrelated diversification.

The effects of diversification on union performance in election activity should be similar to performance effects experienced by firms. Unions are similar to firms in that they employ resources and competencies to produce outcomes. Ideally, unions use information and knowledge about employment conditions and worker needs and advocacy skills to provide representation services to members or potential members. Since employment conditions and worker needs differ across industries, unions must attune their representation services to specific industry conditions in order to be effective.

As with firms, unions' diversification behavior often reflects efforts to adjust to changing demands for its services and opportunities for growth and should be associated with unions' election performance. A union may choose to diversify its election activity across an array of related or unrelated industries (Maranto and Fiorito, 1987; Fiorito et al., 1995). Related diversification of election activity permits a union to focus its organizing efforts in similar industries (i.e., in terms of task technology and general working conditions) where it can exploit accumulated knowledge regarding potential member needs and expertise in advocating the satisfaction of those needs. Related diversification, by utilizing knowledge and competencies developed in similar industry settings, should result in more effective organizing efforts and a more favorable reputation than unrelated diversification. Accordingly, related diversification should be positively associated with election win rate.

In their seminal work on diversification of union election activity, Chaison and Dhavale (1990a) used a Herfindahl index of industrial concentration to analyze the distribution of National Labor Relations Board (NLRB) union certification elections for the 18 most active national unions during two time periods, 1973–1975 and 1983–1985. Their method assessed the distribution of election activity across two-digit Standard Industrial Classification (SIC) industries, but did not measure the extent of related diversification or distinguish related from total diversification. They found a broad scope of election activity within the 1973–1975 base period, some contraction in scope during the 1983–1985 period, but no association between diversification behavior and election win rate.

Devinatz (1994) provided additional interpretation of the Chaison and Dhavale (1990a) findings. He recognized that the observed changes in diversification had two dimensions: (1) change in the total number of industries in which any election activity occurred and (2) change in the distribution (concentration or diffusion) of election activity across the industries in which activity occurred. Comparing 1983–1985 with 1973–1975, Devinatz (1994) found that three unions were more diffused and active in