The Evolution of U.S. Labor-Management Relations

by Thomas J. Schneider and John P. Stepp

Thomas Schneider is President and CEO, Restructuring Associates Inc.
John Stepp is Associate, Restructuring Associates Inc.

Intense competition, technological advancements, and changing demographics are driving radical changes in the workplace and in labor-management relations in the United States. This chapter examines these recent workplace innovations and their linkage to labor relations.

CHARACTERISTICS OF THE OLD LABOR-MANAGEMENT MODEL

The critical elements of the old labor relations paradigm were forged during the 30-year post-World War II period. Unlike most other industrialized countries, the United States emerged from the war with its production base intact. As a consequence, it sat astride the global economy, dominating key industries and their markets. Industry gave little consideration to cost or quality. The results were oversized bureaucracies that mass produced standardized products. Detailed rules, policies, and practices, accompanied by lengthy labor agreements, codified workplace expectations. “Taylorism” and “Fordism” were further polished and refined, leaving a largely disengaged workforce in their wake.

As industry prospered, so did labor unions, which spread quickly throughout manufacturing. Although management never warmly embraced unions, it did little to resist organizing efforts, and an uneasy truce emerged between large companies and the labor movement. Despite the ritual of hard bargaining, settlements were generous. In exchange, management was granted the right to run its business as it saw fit.

Cut off from decision-making responsibilities, unions focused on protecting workers from exploitation by using Taylorism as a base of shop-floor power. They negotiated multiple job classifications, linked wage rates to the job instead of a worker’s skills, and established seniority as the basis for promotion. This “job control unionism” gave unions a negative power to hamstring management, but not a positive power to influence operations. Rules bred more rules, eventually straitjacketing the production system and creating unproductive hierarchies in both companies and unions.¹

This tacit arrangement dissolved in the 1980s in industry after industry. Today, major steel producers are nonunion; automobile companies in Ohio, Tennessee, Kentucky, and elsewhere are nonunion; the U.S. coal industry is less than 40 percent organized.

The seeds of the demise of the traditional American labor model were sown from within. The model had two fatal flaws. First, it seemed incapable of recognizing and responding to the changes occurring in the United States and beyond. Second, it generally failed to acknowledge that labor and management had a mutual responsibility for creating and distributing wealth.

FAST-PACED CHANGES

By the mid-1970s, foreign products had invaded U.S. markets. Countries devastated by World War II had acquired new capital and technology and were producing superior goods at lower prices than American products. Simultaneously, phenomenal technological advancements greatly reduced both product and process life cycles. Moreover, several key industries such as communications and transportation were being deregulated. In 1981, the U.S. government served notice of its changed view of labor relations when it dismissed 11,000 striking air traffic controllers. Henceforth, the government would no longer function as the benevolent protector of the collective bargaining process.

The makeup of employees was also rapidly changing. Minorities and women were entering the workforce in unprecedented numbers. The baby boomers had arrived. Each group brought a different set of expectations and an unwillingness to accept the authoritarian work ethic characteristic of their predecessors. Many of these new employees also viewed the control exerted by unions through collective bargaining agreements as excessively rigid, bureaucratic, and restrictive.

By the mid-1980s, many businesses, recognizing that the ongoing changes represented more than the normal ebb and flow of a business cycle, began to experiment with a variety of employee involvement strategies, some of which had their origins in programs undertaken in the 1960s and 1970s. These measures took the form of parallel systems, nonthreatening to the traditional structure and hierarchical order within firms. In terms of labor-management relations, the bargaining process and administration of the labor agreement remained sacrosanct and adversarial.

The great upheavals in the early 1980s generated little gain. Labor and management generally behaved as though no real change was needed in the institutions, policies, and practices that had been developed over the previous decades. They seemed to believe that it was necessary

only to make cuts and tweak the system and then continue to act as they always had.

But they were wrong. The old systems of organizing work and work relationships were no longer productive. U.S. companies remained unable to produce quality products at competitive prices in global markets. Further, economic, political, and technological changes were rendering many aspects of the traditional industrial relations model obsolete. The master contract had vanished, the strike weapon had been blunted, and many unions had been added to the “endangered species” list. By the late 1980s, widespread concern about U.S. competitiveness and its link to Americans’ declining standard of living led to a search for ways to attain higher levels of performance.

THE EVOLUTION OF WORKPLACE INNOVATIONS

Employee involvement was first promoted in the late 1960s and early 1970s as an antidote to growing disaffection with the industrial workplace. Worker “alienation” was attributed to a more affluent, better educated society and a breakdown in the influence of traditional sources of authority. Young people in particular brought changed expectations about life into the workplace. When they experienced the tight controls, fragmented jobs, and deadening routine of traditional factory work, they exhibited what the popular press clubbed “the blue collar blues.”

Quality of Work Life Programs

In 1973, Irving Bluestone, head of the United Automobile Workers (UAW) General Motors (GM) division, negotiated a joint committee to encourage efforts that would provide a more satisfying work environment for employees and, as a by-product, lead to greater productivity. The GM-LAW Quality of Work Life (QWL) program became the model for hundreds of similar efforts that blossomed across the United States during the 1970s and early 1980s.

In a notable extension of the QWL approach, the United Steelworkers of America (USWA) joined basic steel manufacturers to set, up labor-management participation teams in the early 1980s. Given the rapidly declining fortunes of the steel industry, the USWA acknowledged up front that a primary goal of these teams was improvement of company performance, not just of employee morale or working conditions. However, because most QWL efforts existed outside official decisionmaking channels and had limited scope, they were basically unsuccessful in creating widespread organizational change or in substantially improving performance. Nonetheless, virtually every major union was involved in at least one QWL project by the mid-1980s.

A few companies had been pursuing more radical innovations in the late 1960s and early 1970s. Consumer product giant Procter & Gamble was probably the first U.S. firm to experiment with the participative management and sociotechnical design concepts espoused by Eric Trist at Britain’s Tavistock Institute and elaborated by Einar Thorsrud and Fred Emery in Scandinavia. However, it was not until General Foods opened its Topeka, Kansas, pet food plant in 1971 that these ideas received widespread attention in the United States.

The Topeka plant represented a major departure from the traditional organizational structure. The plant’s new system was designed to elicit commitment from employees rather than to promote management control. It featured many innovations now commonplace in high involvement/high performance work systems, including few levels of management; no status differentiation between workers and managers; employee teams accountable for an interrelated group of tasks, often focused on an entire product; decisionmaking at the lowest levels in the organization; pay systems that rewarded continuous learning; flexible job assignments; and ongoing organizational learning and change.

Throughout the 1970s, this type of comprehensive organizational change was typically observed in nonunion startups (“greenfield” sites). While substantial and impressive performance results occurred in most of the new systems, these revolutionary concepts remained relatively uncommon. Most U.S. firms were content to dabble with various forms of QWL. However, this changed as concern with worker alienation was replaced with concern about company performance. By the early 1980s, a new worry was facing most of American industry—the invasion of high quality; low cost Japanese imports.

Quality Circles

In the 1980s, two books that profiled Japanese management techniques—Theory Z and The Art of Japanese Management—fueled the growth of the quality circle (QC). In this employee involvement system, small groups of volunteers, trained in the basics of problem solving and group skills (and, to a lesser extent, in the use of statistical quality tools) attack quality and productivity problems in their work areas. QCs, led by a management facilitator, usually have a narrow focus on quality or work methods, and any solution they develop is turned over to management for approval and implementation. By 1982, almost 90 percent of the Fortune 500 companies reported using quality circles.

Total Quality Management

In the mid-1980s, total quality management (TQM) emerged as a more comprehensive organizational change strategy emphasizing quality. TQM proponents argue that performance improvements are achieved when die enterprise focuses on business processes. Employees are allowed to standardize the processes and then to continuously improve them.

As competitive pressures increased in the late 1980s, U.S. industry recognized that productivity improvements were no longer a luxury, but a matter of survival. To improve their performance, companies and unions continued to pursue comprehensive organizational changes, generally TQM or high involvement management.

Reengineering

The drive for performance led management in the early 1990s to return to some of the analytical strategies
used in the earlier sociotechnical systems to “reengineer” their organizations. However, the more recent efforts differed in that they were initially implemented by management, geared solely to performance, and not focused on employees. Although these reengineering attempts have improved performance, the results have been limited largely because of the resistance of employees and unions or the failure of ownership by the people who have to make the organization work.

NEW PARTNERSHIPS

Because of the limitations of the different workplace innovations discussed above, organizations have begun to merge the approaches into four basic concepts.

(1) Organizations are systems, which means that achieving high performance requires changing the entire organization, not merely a few of its parts.

(2) People are the critical element in achieving high performance. Employees must understand the business, have the skills as well as the opportunities to self-manage, and be rewarded for performance.

(3) Serving customers well is the crucial priority.

(4) Processes are essential in achieving consistent outcomes, which means that processes must be analyzed, reinvented, standardized, and followed.

Example #1—Hunt Wesson

One organization that has embraced these concepts is the Hunt Wesson food oil refinery in Memphis, Tennessee. After piecemeal attempts in the late 1980s to institute elements of a TQM program, union and management joined in a total system change effort in 1990. Together, plant management and the local United Food and Commercial Workers International Union revitalized an old plant with an adversarial labor-management relationship, turning it into a productive, cost-efficient anti-high quality refinery.

Hunt Wesson’s new work system includes co-governance based on joint union-management committees. Self-directed work teams on the shop floor are internally managed, and team members rotate through several coordinator roles while performing their regular production tasks. The teams determine the procedures needed to meet external standards and customer demands. They set policies at regular team meetings, manage daily activities through hourly coordinators, and rely on management team advisors only for guidance and information. The traditional supervisor or foreman job has been parcelled out among the hourly team members. The teams propose their own performance standards for approval by their department committees and are accountable for results at regular review sessions. There are new systems for training and compensation (including a pay-for-skills system), as well as for information, hiring and selection, and problem solving.

The results of Hunt Wesson’s efforts are impressive. Productivity, as measured by cases per worker hour, is up 58 percent, and cost efficiency is up 29 percent. Material waste is down 10 percent with downgraded or bad products reduced 47 percent. Absenteeism is down 62.5 percent; turnover is down 98.4 percent; grievances are down 96 percent; and lost time due to accidents is down 50 percent.

Example #2—Saturn

Perhaps the most radical manifestation of a partnership between management and union espousing the four concepts outlined above is GM’s Saturn division in Spring Hill, Tennessee, and the UAW. This fully integrated automobile manufacturing facility, which employs 7,000 people, encompasses most of the elements found in the Hunt Wesson plant, but goes much further.

Half of the middle managers in the organization to whom Saturn’s self-directed work teams report, are usually LAW members who are partnered with Saturn managers. This unique partnering arrangement extends to nonoperational departments, such as sales, service and marketing, industrial engineering, quality assurance, health and safety, training, and organizational development. In real terms, labor and management jointly run the business at all levels.

Other Examples of Labor-Management Partnerships

Others are following Saturn’s lead. The United Steelworkers of America proclaimed in the opening salvo of its 1993 collective bargaining goals, “In many enterprises, experience has shown that the task of management is far too important to be entrusted to the managers.” The USWA has actively pursued agreements with the major steel companies to guarantee a role for their members at all levels of decisionmaking, “whether those decisions are made on the shop floor or in the corporate board room and whether they involve the design and implementation of new technology or simply how work should be performed.” Partnership agreements have been signed with Inland Steel, National Steel, and Bethlehem Steel that cover about 26,000 workers.

In May 1997, Kaiser Permanente and some 50,000 bargaining unit employees, spread across seven international unions, approved by a nine to one margin an unprecedented national labor-management agreement that is both broad in scope anti inclusive in its coverage. Strategic initiatives, business planning, quality, member satisfaction, employment security, and work design are within its framework. “Its goal is to demonstrate by any measure that labor-management collaboration produces superior health care outcomes, market leading competitive performance, and a superior workplace for Kaiser Permanente employees.” It is the intent that the partnership concept become pervasive throughout 400-plus Kaiser Permanente facilities.

AFL-CIO President John Sweeney characterized this as a model agreement, historic in nature, the largest labor-management partnership ever, and the first national partnership in the health care industry.

Similar alliances have been formed between Xerox and UNITE; Levi Strauss and UNITE; Northwest National Gas and the Office and Professional Employees International Union; Corning Glass and the American Flint Glass Workers; and Wisconsin Energy and the four unions representing its employees.

Labor and management in all of these partnerships agree that meaningful involvement in the new work systems has certain requirements. These include access to information that was formerly the prerogative of management; education to help understand and use that information; extensive technical and management skills.
training; union autonomy in selecting its members to sit on joint committees; a serious commitment to employment security; and development of an interest-based problem-solving model for negotiating and for day-to-day conflict resolution.

The trend in the United States is clearly toward comprehensive restructuring of work and work processes to develop systems that focus on quality, continuous improvement, and employee involvement in managing the business. The number of organizations whose operations are based on these concepts is growing dramatically, and the performance results of individual companies are substantial.

As the next century approaches, organizations burdened with inflexible work practices, rules, and labor agreements will have difficulty surviving as the pace of change overwhelms them. Traditional adversarial labor-management relations and Tayloristic work systems will continue to decline. Consequently, employers are now confronted with two quite different alternatives.

DEUNIONIZATION OR THE NEW LABOR-MANAGEMENT MODEL?

One alternative is union avoidance—deunionization. A majority of private sector employers are moving in this direction. They often strategically divest or close their older, less efficient union facilities while carefully selecting greenfield sites for new capital investment, in which new employees, management, and work systems virtually ensure the maintenance of a nonunion workplace.

The second alternative is adoption of the new labor-management model. As discussed here, these partnerships are developing across a wide range of industries and unions and hold great promise for improving competitiveness and ensuring the future of collective bargaining. They are also financially rewarding to the partners, as demonstrated in a survey funded by the Upjohn Institute of 56 unionized manufacturers that either ousted unions or developed cooperative relations. A 29 percent increase in value added per employee over a 10-year period was reported by companies that actively pursued joint relations with their unions. In contrast, companies that sought to oust their unions reported a 15 percent decline.

Nevertheless, the dominant trend today is toward deunionization. Moreover, this trend will continue until a number of the new high performance organizations are successfully operating and the changes are well tested. For unions and companies that recognize the necessity to change and seek to develop a new partnership, the challenges are great.

NEEDED: A PROCESS FOR LARGE-SCALE CHANGE

In the past, even when the parties were conceptually prepared to make rapid and substantive changes in the workplace, the greatest obstacle to a new labor-management partnership was lack of an effective model. Now, after almost 20 years of experimentation with new systems of organizing work and work relationships, the process for comprehensive change is becoming clear. The following elements provide the framework for large-scale change and the development of a partnership in a unionized environment:

1. a jointly developed strategic vision for the organization;
2. a jointly administered business education process;
3. an effective system for resolving day-to-day issues; and
4. a problem-solving method of negotiating collective agreements.

Companies and unions are increasingly working to develop one or two of these elements. But only the benchmark organizations are moving forward on all fronts; these firms are on the cutting edge of innovative union-management relations in the United States.

A Joint Strategic Vision

A clear strategic vision provides the road map for converting a traditional organization into a high performance organization. This vision of the company’s current and future objectives is essential in cementing the foundation for large-scale change and in guiding the labor-management partnership. The vision must be a mutual labor-management objective.

The vehicle for creating a joint strategic vision is a union-management leadership committee. Its goals are for those who implement the vision to be involved in its development and to provide clear direction for decisionmaking and action. Because of labor’s involvement in the development process, subsequent discussion is about how, rather than about what or whether. Experience shows that a strategic vision frames and guides labor contract negotiations.

To achieve these ends, the joint strategic vision must have substance, and it must be precise. It should delineate market and customer requirements, performance expectations, work design, organizational structure, governance, pay and rewards, and technology needs. The vision must also describe operating processes, employee involvement, employment security, information systems, education and training, and union-management roles. It should set forth the core competencies, and it should specify the skills, attributes, and capabilities that the organization, the union, and the employees need for future success.

Business Education

To be actively involved in decisionmaking and to share responsibility for performance, labor leaders and employees must understand the business. In a traditional organizational structure, managers receive relevant information and understand its meaning. But in a partnership, a thorough business education is necessary to enable employees to understand corporate financial statements, industry trends, the company’s cost accounting system, and how their individual performance relates to specific cost elements.

When employees and union and management leaders have the same level of understanding about the business, they typically reach similar conclusions. This diffusion of knowledge throughout the organization provides
credibility and removes the perception of manipulation. Business education is thus essential in the process of developing and maintaining a labor-management partnership.

An Issue-Resolution System

Like managers, union leaders must meet or exceed their customers’ needs and expectations. A union’s customers are its bargaining unit employees, who provide the votes and dues that are a union’s life-blood. In exchange for the union’s commitment to improving organizational performance, management must be willing to address the needs of the union and its constituents. An effective issue-resolution process is an important step in achieving this. Two critical elements are necessary.

The first is ease of entry. Employees should not have to file a grievance to be heard. Further, they should not have to allege that their complaint violates the collective agreement to have access to time resolution process, as is the case in traditional grievance procedures. Companies that treat issues not as problems but as opportunities for improvement reinforce the value of worker participation and empowerment.

The second critical element is the expectation that most problems will be resolved when they occur. In an issue-resolution system, buck passing, game playing, and reliance on third parties are not acceptable ploys, nor is the use of “hostage holding” as a basis for resolving differences. Union and management representatives know and honor the collective bargaining agreement. Supervisors and stewards are jointly trained in solving problems and managing conflict. Methods are established to detect troublesome issues or trouble-prone relationships quickly. Most important, such a system conveys an important message to employees—it says that they matter and that their problems will be acknowledged and resolved fairly.

Interest-Based Negotiation

In recent years, substantial progress has been made in new methods of negotiating labor agreements. The classic 1981 study Getting to Yes: Negotiating Agreement Without Giving In provided the procedural framework for interest-based negotiation (IBN). The authors set forth four basic principles: separate the people from the problem; focus on interests, not positions; invent options for mutual gain; and insist on the use of objective criteria. Since this seminal work, much experimentation and refinement have occurred within the context of collective bargaining.

From a union perspective, collective bargaining provides procedural comfort and equality and remains the most important forum for joint decisionmaking. It has the added advantages of helping to sustain and institutionalize the results of a change process. Collective bargaining also plays a major role in workplace reform, but at a sophisticated level.

Traditional bargaining focuses largely on distributive issues and is the ritual for carving the proverbial economic pie. The patchwork of provisions in current agreements often make little sense given today’s realities. The new bargaining methods focus on improving the organization’s competitiveness so that employees, unions, and companies all thrive.

During the bargaining process, IBN makes possible two outcomes that are difficult to achieve in traditional negotiations. First, IBN enhances the relationship between union and management and promotes a tolerance to listen to opposing viewpoints. Issues are problems to be solved, not victories to be claimed.

The second major outcome is that IBN expands the traditional scope of bargaining by encouraging frank discussion of complex issues. Under current labor law, strategic issues that fundamentally affect the future of all parties are not mandatory subjects for bargaining. Because management is seldom enthusiastic about bargaining in the combative atmosphere of traditional negotiations, it often unilaterally exercises its “management rights” prerogative. But when IBN is coupled with a clearly developed strategic vision, management’s fear of union rigidities is removed, and bargaining becomes an engine that drives strategic change.

ACHIEVING TRANSFORMATION

Radical and dramatic changes are occurring in corporations throughout the United States and in other industrialized nations. Yet fewer than half of the 2,000 corporate executives surveyed in a recent study reported that they had achieved their cost-saving goals, and even fewer had met operating objectives such as improved productivity and customer satisfaction. Despite such limited success, only 7 percent of the leaders surveyed predicted a decrease in future restructuring; instead, they anticipated an increase, driven by customer demands and increased competition.

These pressures will drive labor-management relations in the United States for the foreseeable future. The restructuring and transformation of the workplace will continue in both nonunion and union settings. The trend toward nonunion organizations will dominate unless management and labor more readily adopt the high performance partnership models that yield world-class performance.

A high performance partnership requires the reinvention of management of the structure of the organization, and of the content of the collective bargaining agreement. Management must share information and involve union leaders and employees in decisions about major workplace issues, competitive costs, technological changes, and long-term employment opportunities. Involvement strengthens unions and enhances employee satisfaction. In cutting-edge organizations, success is now defined by meshing human values with business goals. Where these cooperative relationships exist, they are achieving dramatic results.

Senior managers and labor leathers have a joint responsibility to align the union-management processes with current and future business realities. Management and unions have a mutual stake in the organization’s success. They must work together to transform and restructure their organizations, or the trend in labor-management relations that has dominated throughout the 1990s will continue unabated into the 21st century.
NOTES


“The Evolution of U.S. Labor-Management Relations,” by Thomas J. Schneider and John R. Stepp, has been reprinted by permission of the National Policy Association. It appears as Chapter 1 in “Part I: Historical and Current Perspectives” of Through a Glass Darkly: Building the New Workplace for the 21st Century, ed. James A. Auerbach (148 pages, 415.00; quantity discount are available). The full-length study can be obtained from:

NATIONAL POLICY ASSOCIATION
1424 16th Street, N.W., Suite 700
Washington, DC 20036
Tel (202) 884-7623 Fax (202) 797-5516
e-mail npa@npa1.org Internet www.npa1.org

RESTRUCTURING ASSOCIATES INC.
1050 17th Street, N.W., Suite 350
Washington, DC 20036
Tel (202) 775-8213 Fax (202) 223-0346