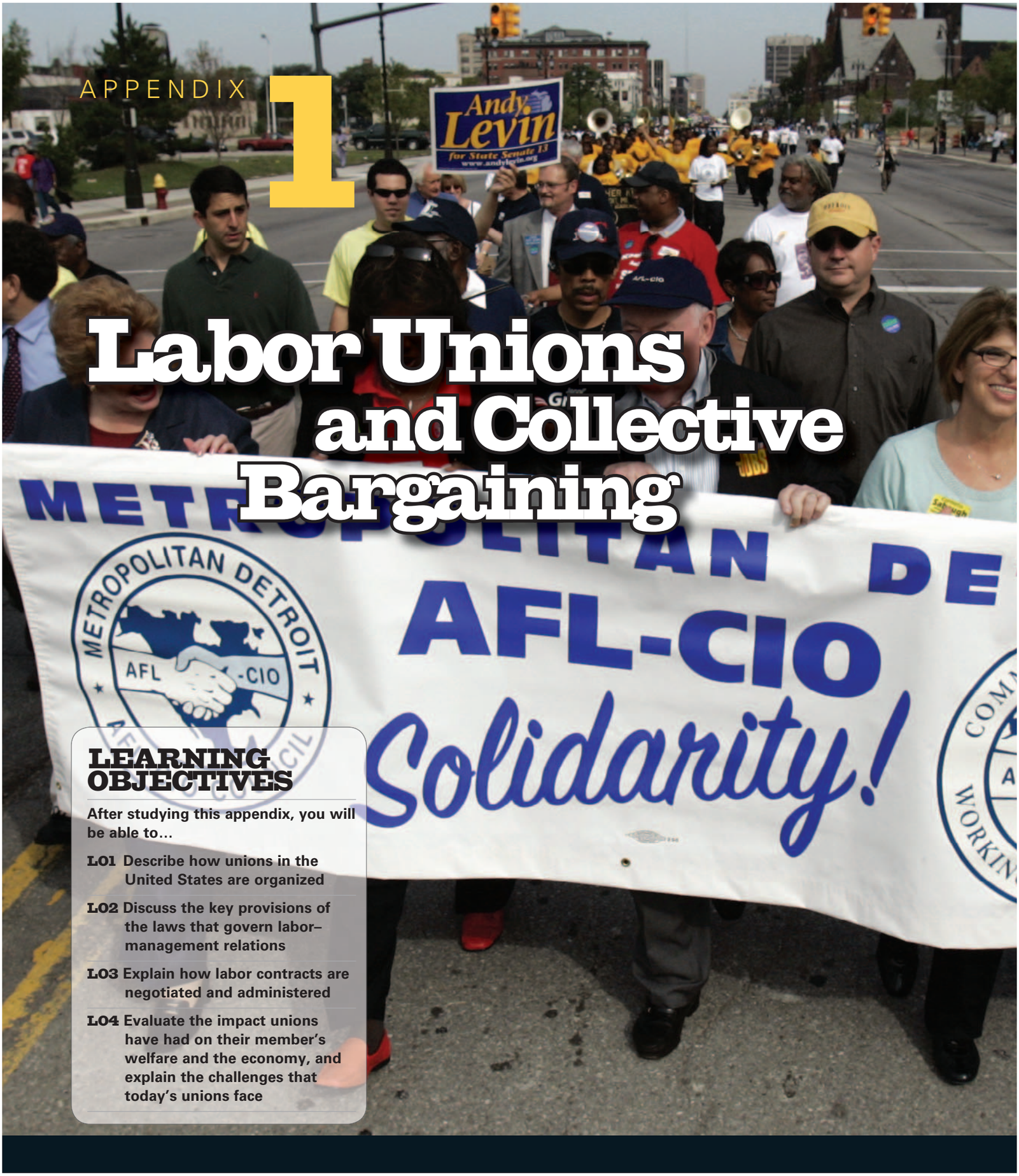
APPENDIX 1

Labor Unions and Collective Bargaining



LEARNING OBJECTIVES

After studying this appendix, you will be able to…

- **LO1** Describe how unions in the United States are organized
- **LO2** Discuss the key provisions of the laws that govern labor–management relations
- **LO3** Explain how labor contracts are negotiated and administered
- **LO4** Evaluate the impact unions have had on their member's welfare and the economy, and explain the challenges that today's unions face

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> Where trade unions are most firmly organized, there are the rights of people most respected.
>
> –Samuel Gompers, first president of the American Federation of Labor

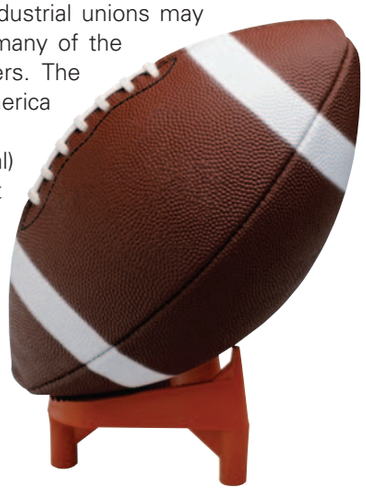
A **labor union** is a group of workers who have organized in order to pursue common work-related goals, such as better wages and benefits, safer working conditions, and greater job security.

Few topics in the world of business generate more controversy than labor unions—they have many passionate supporters, but they also have equally fierce detractors. To their supporters, unions protect workers from exploitation by powerful employers, give them a voice in the labor market, and help them achieve a better standard of living. But critics say that unions have undermined the competitiveness of American firms in the intensely competitive global marketplace, and that they are out of touch with economic reality and the needs of today's workers.

As is the case in many controversial topics, evidence can be found to support the positions of both critics and defenders. The purpose of this appendix is to help you understand the role unions play in today's economy and the challenges and opportunities unions face as the U.S. economy enters the second decade of the 21st century.

LO1 The Basic Structure of Unions

Unions can be organized in two basic ways. **Craft unions** represent workers who have the *same skill* or work in the *same profession*. The United Brotherhood of Carpenters and Joiners of America and the National Football League Players' Association are both craft unions. **Industrial unions** represent workers who are employed in the *same industry* regardless of their specific skills or profession. Although industrial unions may have some highly skilled workers among their members, many of the workers they represent are semiskilled or unskilled workers. The Transport Workers Union and the United Steelworkers of America are both examples of industrial unions.



The basic building blocks of a national (or international) union are its local unions (often just called locals). Most worker interactions with their union occur at this level. The local provides union members with the opportunity to participate directly in union affairs by attending meetings and other union-sponsored functions. The initial stages of a grievance procedure (which we'll describe later in this appendix) are carried out at the local level, and it's usually the locals that organize workers to carry out strike activities when labor disputes arise.

labor union A group of workers who have organized to work together to achieve common job-related goals such as higher wages, better working conditions, and greater job security.

craft union A union comprised of workers who share the same skill or work in the same profession.

industrial union A union comprised of workers employed in the same industry.

employment at will A legal doctrine that views employment as an entirely voluntary relationship that both the employee and employer are free to terminate at any time and for any reason.

National unions provide services to their locals such as legal advice and leadership training. They also take an active role in organizing new locals and in helping existing locals increase membership. Finally, the national union helps locals when they negotiate with employers. In many industrial unions, the national union negotiates a master contract, after which each local union negotiates a local contract to deal with issues and problems unique to its own situation.

Many national unions belong to the American Federation of Labor and Congress of Industrial Organizations, better known as the AFL-CIO. This federation provides a high profile national voice for the labor movement. It represents American union workers at international labor conferences, lobbies Congress in support of pro-labor legislation, encourages political activism among union members, and provides resources and strategic support for efforts to increase union membership.

LO2 Labor Laws in the United States

Exhibit A1.1 lists the major federal laws dealing with labor unions and provides a brief description of their key provisions. Notice that the first law was not enacted until 1932. For more than a century and a half of our nation's history there were no federal laws that dealt specifically with the rights of workers to organize unions or with the way unions could carry out their functions. This lack of legal recognition (and protection) helps explain why the labor movement struggled in our nation's early history.

Prior to the 1930s, the prevailing legal view concerning employment relationships was based on a strict application of the concept of **employment at will**, which defined employment as a completely voluntary relationship that both the employee and the employer were free to terminate at *any* time and for *any* reason. Many employers took advantage of this doctrine to fire any workers they even suspected of being union supporters. Another problem that early unions faced was that—because of their lack of legal recognition—courts almost always sided with employers in labor disputes. For instance, employers usually found it easy to obtain injunctions (court orders) preventing workers from picketing their place of employment when disputes arose.

The Great Depression of the 1930s proved a turning point in labor history. As company after company announced massive layoffs, the public began to view unions as necessary protectors of workers. This change in public attitudes brought about political changes as well. Notice that the first three laws listed in exhibit A1.1 were passed during the Depression years. It shouldn't

Exhibit A1.1 Other Major Labor Legislation in the United States

Date	Law	Major Provisions
1932	Norris–LaGuardia Act	• Stated that workers had a legal right to organize • Made it more difficult to get injunctions against peaceful union activities
1935	National Labor Relations Act (or Wagner Act)	• Made it illegal for employers to discriminate based on union membership • Established the National Labor Relations Board to investigate unfair labor practices • Established a voting procedure for workers to certify a union as their bargaining agent • Required employers to recognize certified unions and bargain with them in good faith
1938	Fair Labor Standards Act	• Banned many types of child labor • Established the first federal minimum wage (25 cents per hour) • Established a standard 40-hour work week • Required that hourly workers receive overtime pay when they work in excess of 40 hours per week.
1947	Labor–Management Relations Act	• Identified unfair labor practices by unions and declared them illegal • Allowed employers to speak against unions during organizing campaigns • Allowed union members to decertify their union, removing its right to represent them • Established provisions for dealing with emergency strikes that threatened the nation's health or security
1959	Labor–Management Reporting and Disclosure Act (or Landrum–Griffin Act)	• Guaranteed rank and file union members the right to participate in union meetings • Required regularly scheduled secret ballot elections of union officers • Required unions to file annual financial reports • Prohibited convicted felons and Communist Party members from holding union office

be surprising that the provisions of all three were largely favorable to unions.

By far the most important labor law enacted during the 1930s was the **National Labor Relations Act** of 1935 (NLRA), also known as the **Wagner Act**. The NLRA prevented employers from discriminating against union workers in hiring or employment practices and required employers to bargain in good faith with unions. It also established the National Labor Relations Board to investigate claims of unfair labor practices. The passage of the NLRA gave a tremendous boost to the labor movement. Union membership increased from 3.5 million workers in 1935 to 10.2 million in 1941.[1]

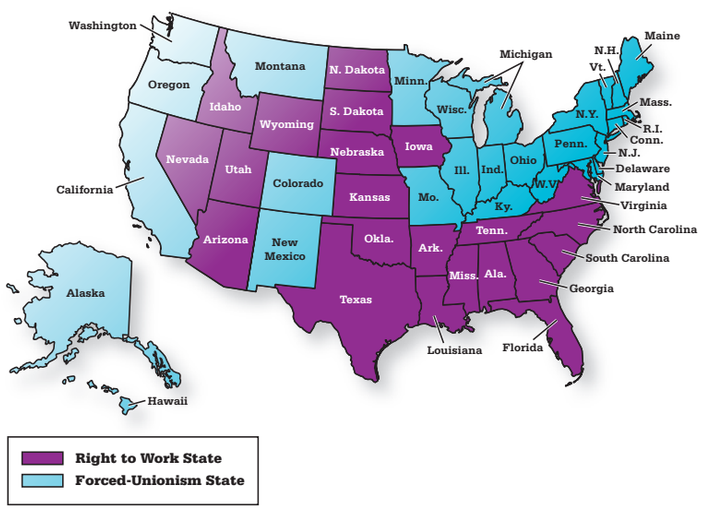
Immediately after World War II, unions began to flex their newfound strength. In the first six months of 1946, almost 3 million union workers went out on strike—including 750,000 steelworkers, in what remains the largest single strike in U.S. history. This series of strikes created serious disruptions to the U.S. economy and caused many people to fear that big labor had become too powerful. In response to these concerns, Congress passed the **Labor–Management Relations Act** of 1947 (usually called the **Taft–Hartley Act**). The Taft–Hartley Act placed limits on unions much as the Wagner Act had placed limits on employers.[2]

Prior to Taft–Hartley, many unions were able to get closed shop and union shop clauses included in their contracts. Under a **closed shop** workers must belong to the union *before* the employer can hire them. The Taft–Hartley Act made closed shops illegal. In a **union shop**, employers can hire workers who don't belong to the union, but nonunion workers must join the union within a specified period in order to keep their jobs. The Taft–Hartley Act didn't declare the union shop illegal, but it did allow each state to enact a **right-to-work law** that made union shops illegal within its borders.

Twenty-two states have passed right-to-work laws, including every state in the South and many in the Great Plains and West. In these states, workers who are represented by a union don't have to join that union. In this situation, known as an **open shop**, nonunion workers receive the same wages and benefits as their union counterparts. Exhibit A1.2 shows the states that have adopted right to work laws.

Supporters of right-to-work laws argue that workers shouldn't be forced to join a union in order to keep their jobs—especially since the union might use strategies or adopt positions that are inconsistent with their personal values. But critics of these laws point out that they allow workers to receive the benefits of union representation without paying union dues, creating what union supporters call the *free rider problem.* Getting union benefits without paying dues might seem like a good deal to individual workers; however, if too many workers become free riders the union will lack the financial resources and unity it needs to effectively represent these workers.

Exhibit A1.2 Twenty-two states have adopted right-to-work laws declaring union shops illegal.



National Labor Relations Act (Wagner Act) Landmark pro-labor law enacted in 1935. This law made it illegal for firms to discriminate against union members and required employers to recognize certified unions and bargain with these unions in good faith.

Labor–Management Relations Act (Taft–Hartley Act) Act passed in 1947 that placed limits on union activities, outlawing the closed shop and allowing states to pass right-to-work laws that made union shops illegal.

closed shop An employment arrangement in which the employer agrees to hire only workers who already belong to the union.

union shop An employment arrangement in which a firm can hire nonunion workers, but these workers must join the union within a specified time period to keep their jobs.

right-to-work law A state law that makes union shops illegal within that state's borders.

open shop An employment arrangement in which workers who are represented by a union are not required to join the union or pay union dues.

collective bargaining The process by which representatives of union members and employers attempt to negotiate a mutually acceptable labor agreement.

LO3 Collective Bargaining: Reaching an Agreement

Collective bargaining is the process by which representatives of labor and management attempt to negotiate a mutually acceptable labor agreement. Federal law requires that both sides in this process bargain in good faith, meaning that they must take the process seriously and make a sincere effort to reach an agreement that is acceptable to both sides.

Subjects of Bargaining: What It's All About

There is no set list of topics that are always discussed during collective bargaining, but under federal labor law certain subjects are *mandatory subjects of bargaining.* Mandatory topics are those that deal with wages and benefits, hours of work, and other terms directly related to working conditions. If one side makes a proposal covering

distributive bargaining The traditional adversarial approach to collective bargaining.

interest-based bargaining A form of collective bargaining that emphasizes cooperation and problem solving in an attempt to find a "win-win" outcome that benefits both sides.

strike A work stoppage initiated by a union.

lockout An employer-initiated work stoppage.

one of these topics, the other side cannot legally refuse to discuss it. For instance, if the union proposes a pay raise or a more flexible work schedule, a refusal by management to engage in good faith discussions concerning these proposals would be an unfair labor practice.

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Unions and management sometimes want to discuss topics beyond the mandatory subjects. In general, as long as a topic doesn't involve a violation of the law, these other topics are considered *permissible* subjects of bargaining. That is, the two sides are free to bargain over them, but neither side can *be required* to do so. Proposals to engage in illegal activities—such as a proposal that would involve discrimination against older workers—aren't permissible.

Approaches to Collective Bargaining

There are two basic approaches to collective bargaining: distributive bargaining and interest-based bargaining.

Distributive bargaining is the traditional approach to collective bargaining. The two sides negotiate, but they don't explicitly cooperate. Each side usually assumes that a gain for one party is a loss for the other, resulting in an adversarial bargaining environment.

In distributive bargaining, the two parties typically enter negotiations with predetermined positions and specific proposals. In fact, union negotiators often present a whole "laundry list" of demands at the beginning of negotiations. Many of the demands may be inflated in order to give the negotiators some room to negotiate. For example, the union may initially demand a 10% raise, even though it knows that the employer would never agree to a raise that large. Sometimes management negotiators offer their own demands at the beginning of the negotiation; in other cases, they simply receive the union proposals and promise to respond at a future bargaining session.

After the two sides have presented their initial positions, they work through the specific demands, with each side accepting, rejecting, or making counterproposals in response to positions taken by the other side. This is often a very time-consuming process. The parties use every persuasive technique at their disposal—including logic, flattery, and blustery threats—to convince the other side to accept (or at least move closer to) their positions. The possibility of a strike or lockout often becomes a major concern if the two sides struggle to reach agreements.

Interest-based bargaining takes a different approach. Rather than beginning with predetermined positions and a long list of inflated demands, each side identifies concerns it wants to discuss. During the negotiations the two sides explore the issues in depth and work together to find mutually acceptable solutions. They often form teams consisting of members from both sides to work on specific issues. The goal is to find a "win-win" outcome that benefits both sides.

The success of interest-based bargaining hinges on the ability of the two sides to establish and maintain a high level of trust. Both sides must be willing to share information and explore options with open minds. Such a level of trust isn't always present in the collective bargaining arena, but when it is, interest-based bargaining can be very successful. The Federal Mediation Service reports that parties that adopt this approach often express a very high level of satisfaction with both the process and its results.[3]

Regardless of the approach the parties take to collective bargaining, the contract doesn't become official until the employees covered under the contract ratify it. The exact ratification procedure varies among unions, but it almost always requires a majority of union members to vote in favor of the agreement.

Dealing with Impasse

Collective bargaining negotiations don't always proceed smoothly toward settlement. After months of effort, the two sides may find that they remain so far apart that a settlement is unlikely. An *impasse* exists when the two parties recognize that a voluntary agreement can't be achieved under current conditions, and that a strike or lockout appears highly likely.

Both strikes and lockouts result in work stoppages, but they aren't the same thing. With a **strike**, the workers decide when to begin and end the work stoppage; but with a **lockout**, these choices are made by the employer. Lockouts, although rare, have become more common in recent years. The highest profile lockouts in recent years have been in professional sports. A lockout by National Basketball Association (NBA) owners shortened the NBA 1998–1999 season; a few years later National Hockey League owners declared a lockout

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that ultimately resulted in the cancellation of the entire 2004-05 NHL season.

During a strike or lockout, unions often use picketing and boycotts to apply additional pressure to the employer. **Picketing** occurs when workers walk outside the employer's place of business carrying signs with facts and slogans to publicize their position. Workers belonging to other unions often support the striking workers by refusing to cross the picket line. Picketing is legal as long as it's peaceful and picketers don't prevent people who don't support the union's position from entering the business. A **boycott** occurs when striking workers and their supporters refuse to do business with the employer during a labor dispute. This is a legal tactic as long as the boycott is limited to the products and services of the firm with which the union has a direct dispute.

Strikes and lockouts are costly to both sides. The workers lose wages, and the employer loses profits. In many states, workers who are locked out by employers qualify for unemployment benefits, but striking workers usually aren't eligible for such benefits. Unions sometimes pay strike benefits to workers, and workers may be able to find temporary jobs. But these sources of income often fall far short of what the strikers would have earned on their regular jobs.

Businesses often try to continue operating during a strike by using managers and other nonunion personnel, or by hiring replacement workers—a practice that's become more common in recent years. But it's costly to recruit, select, hire, and train large numbers of new employees. And when the striking workers are highly skilled, it may be impossible to find enough skilled replacement workers to maintain operations.

Because of the costs and uncertainties associated with strikes and lockouts, both unions and employers have an incentive to try to avoid such work stoppages. In many cases, the two sides bring in a neutral third party to move the process toward settlement. Two different approaches are possible:

- **Mediation** involves bringing in an outsider who attempts to help the two sides reach an agreement. Mediators are skilled facilitators who are good at reducing tensions and providing useful suggestions for compromise. But they have no authority to impose a settlement. If one or both sides reject the mediator's suggestions, the mediation effort will fail.
- **Arbitration** involves bringing in an outsider with the authority to impose a binding settlement on both parties. An arbitrator will listen to both sides, study the issues, and announce a settlement. Arbitration is rare in the case of private sector collective bargaining, but the public (government) sector uses it frequently to settle disputes.

Administering a Collective Bargaining Agreement

Labor contracts tend to be long, complex documents. Disagreements about the interpretation of various clauses are not unusual. When workers believe their employer has treated them unfairly under the terms of the contract, they can file a complaint, called a **grievance**. Labor contracts generally spell out a specific procedure for dealing with grievances.

Grievance procedures usually include a number of steps. The first step normally involves informal discussions between the complaining worker and a supervisor. In many cases, an officer of the local union (usually called a union steward) becomes involved at this early stage. If the two parties can't settle the grievance informally, the next stage often involves putting the grievance in writing and discussing it with a manager above the supervisor's level. Each successive step involves higher levels of management and union representation. The process continues until the issue is settled or the union drops the complaint. The last step in the grievance procedure normally involves binding arbitration, which means that both parties agree to accept the arbitrator's decision as final.

picketing A labor tactic of walking near the entrance of an employer with which they have a dispute carrying signs to publicize their position and concerns.

boycott A tactic in which a union and its supporters and sympathizers refuse to do business with an employer with which they have a labor dispute.

mediation A method of dealing with an impasse between labor and management by bringing in a neutral third party to help the two sides reach agreement by reducing tensions and making suggestions for possible compromises.

arbitration A process in which a neutral third party has the authority to resolve a dispute by rendering a binding decision.

grievance A complaint by a worker that the employer has violated the terms of the collective bargaining agreement.

LO4 The State of the Unions: Achievements, Problems, and Challenges

Let's conclude our discussion by looking at the impact unions have on the compensation of employees, job security, and worker productivity, and at the challenges unions face as they move further into the 21st century.

Unions and Compensation

Evidence from a variety of studies suggests that union workers do earn higher wages than nonunion workers with similar skills performing similar jobs. Although different studies report somewhat different results, most studies find that on average union workers earn about 10 to 20% more than nonunion workers performing similar work. Exhibit A1.3 compares median wages in 2006 for union and nonunion workers in several industries. In addition to higher wages, union workers also often have better benefits. For example, in 2006 about 80% of union workers had health insurance provided by their employer, compared with about 49% of nonunion employees. Similarly, 62% of union members had disability insurance compared to 35% of nonunion workers.[4]

Exhibit A1.3 Union vs. Nonunion Median Weekly Earnings in Selected Industries (2006)[5]

Industry	Union Workers	Nonunion Workers
Utilities	$1,041	$939
Construction	$969	$610
Transportation	$831	$661
Manufacturing	$755	$692
Food services	$480	$381

While the gap in compensation remains large, some evidence suggests that nonunion earnings have grown more rapidly in the past two decades than union wages.[6]

Unions and Job Security

The terms of labor contracts and the presence of grievance procedures provide due process to workers who are fired or punished for arbitrary reasons. Union workers who believe their employer has unfairly dismissed them can seek reinstatement through the grievance procedure. If their grievance succeeds, their firm may be required to reinstate them and award back pay. Although nonunion workers have gained some defenses against arbitrary dismissal over the years, their protection isn't as extensive or well defined as it is for union members.

But it isn't unusual for workers in heavily unionized sectors of the economy to experience layoffs during economic downturns. And many heavily unionized industries in the United States have faced steadily increasing foreign competition over the past three decades. Faced with this threat, several unions have agreed to wage cuts and other concessions in an attempt to preserve jobs—one of the reasons for the decline in the wage advantage of union workers we mentioned in the previous section. But even with these concessions, both temporary layoffs and permanent job losses have remained more common in heavily unionized segments of the economy than most other sectors of the economy.

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Unions and Productivity

Critics of labor unions commonly argue that unions negotiate work rules that hurt productivity—which ultimately undermines competitiveness in the global economy. They contend that work rules too often require employers to use more labor than necessary for various tasks and make it difficult for firms to innovate and introduce more efficient methods. Indeed, critics argue that these union-imposed inefficient work rules are a major reason why American firms have lost their ability to compete in the global market.

But defenders of unions argue that unions increase productivity by reducing worker turnover—experienced workers tend to be more productive than newly hired workers—and by improving worker morale. Some defenders also point out that craft unions often require their workers to undergo extensive training, such as apprenticeship programs, that greatly improves their skills.

Real-world evidence has failed to resolve the issue. Some studies have shown that unions decrease productivity, whereas others have found evidence of increases. These mixed results suggest that productivity doesn't depend so much on whether a plant is unionized, but rather on how well management and the union cooperate to find solutions to the challenges they face. That's one of the reasons many labor experts believe that the use of interest-based bargaining holds such promise.[7]

The Challenge of Declining Union Membership

Union membership in the public (government) sector is alive and well. Unions representing teachers, firefighters, police officers, and state and municipal workers remain strong, with many growing rapidly over the past 30 years. In fact, with about 3 million members, the National Education Association is the largest union in the United States by a wide margin. Overall, unions represent more than 36% of workers in the public sector.

In contrast, the union movement in the private sector is in serious trouble. Several unions in the private sector—including those in iconic industries such as autos, steel, and textiles—have seen their memberships drop by hundreds of thousands of workers over the past three decades. In 2006, only about 7.4% of the workers in private industry belonged to a union. This steep decline in private sector unions is the main reason overall union membership has dropped from 20.1% of all wage and salary workers in 1983 to 12.0% in 2006.[8]

Two key factors have contributed to the steep decline in private sector unions. The first is the dramatic change in the structure of the U.S. economy. The traditional manufacturing base of the U.S. economy (which has been a union stronghold) has declined in importance as U.S. firms have lost market share to foreign competitors. The loss of employment in the manufacturing sector has been offset by employment growth in high-tech occupations and in professional jobs. But highly skilled workers in these sectors tend to be less receptive to union representation than workers in the manufacturing, mining and construction industries.

A second major factor has been an increase in the use of aggressive antiunion strategies. For example, employers have become more willing to speak out against unions during organizing campaigns. A study by researchers at Cornell University's School of Industrial and Labor Relations found that more than half of all employers made threats to close down some or all of their plants when unions tried to organize their workers. Another increasingly common strategy is to make much greater use of temporary workers and independent contractors who often aren't eligible for union membership. And as we mentioned earlier, employers often use replacement workers during strikes. In fact, the United States is one of the few industrialized nations where hiring *permanent* replacements for workers engaged in a strike is legal.[9]

Over the past two decades, the AFL-CIO and national unions have tried to counter the downward trend in membership by increasing their emphasis on recruiting members and organizing new locals. In 1989, the AFL-CIO formed the Organizing Institute to provide professional training for union organizers. A more recent effort has centered on mobilizing support for a new legislative initiative, called the Employee Free Choice Act. The most controversial provision of this act would certify unions whenever a majority of workers signed cards. Such a process would simplify and streamline the certification process, giving employers less time and opportunity to use antiunion strategies.[10]

Will these methods work? Early returns haven't been too encouraging, as union membership continues to decline. But union leaders contend that unions have overcome severe challenges in the past, and they point out that their new efforts have just begun. They express confidence that the tide will turn. If they are wrong, unions—in the private sector, at least—may become a footnote in history.

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Changes in the Win(d) for the Union Movement?

For 50 years, the AFL-CIO was recognized as the only major federation of national unions in the United States. That changed in 2005 when seven of the AFL-CIO's largest national unions withdrew from the federation. Together these unions formed a new federation, called Change to Win. The leaders of the unions that formed Change to Win indicated that frustration with the AFL-CIO's inability to stem the decline in union membership was a major factor in their decision to defect. They vowed to find new and better ways to revitalize the union movement. Some pro-labor groups expressed concern about the loss of solidarity in the labor movement. However, the AFL-CIO and Change to Win were able to put aside their differences and work together to elect several pro-labor political candidates in the 2006 congressional elections.

This isn't the first time a dominant labor federation in the United States has faced defection. The CIO was formed by a group of unions that split from the AFL in 1935 over disagreements about organizing strategy. For almost two decades the AFL and CIO were bitter rivals. They finally made peace in 1955, forming the AFL-CIO. From the perspective of the labor movement, one benefit of the rivalry between the AFL and the CIO was that it spurred both organizations to work very hard at organizing new unions. The late 1930s through the early 1950s—the period when the two organizations competed for dominance—was associated with the fastest growth in union membership in U.S. history. Time will tell if the current split between Change to Win and the AFL-CIO will generate a similar spurt in union membership.[11]

APPENDIX IN REVIEW

Labor Unions and Collective Bargaining 1

LO1

labor union
A group of workers who have organized to work together to achieve common job-related goals such as higher wages, better working conditions, and greater job security.

craft union
A union comprised of workers who share the same skill or work in the same profession.

industrial union
A union comprised of workers employed in the same industry.

LO2

National Labor Relations Act (Wagner Act)
Landmark pro-labor law enacted in 1935. This law made it illegal for firms to discriminate against union members and required employers to recognize certified unions and bargain with these unions in good faith.

Labor–Management Relations Act (Taft–Hartley Act)
Act passed in 1947 that placed limits on union activities, outlawing the closed shop and allowing states to pass right to work laws that made union shops illegal.

closed shop
An employment arrangement in which the employer agrees to hire only workers who already belong to the union. This arrangement was declared illegal by the Labor-Management Relations Act.

union shop
An employment arrangement in which a firm can hire nonunion workers, but these workers must join the union within a specified time period to keep their jobs.

right-to-work law
A state law that makes union shops illegal within that state's borders. In right-to-work states, workers cannot be required to join a union in order to keep their job.

open shop
An employment arrangement in which workers who are represented by a union are not required to join the union or pay union dues.

LO1 Describe how unions in the United States are organized

A labor union is a group of workers who have organized in order to pursue common job-related objectives, such as better wages and benefits, safer working conditions, and greater job security. Unions can be organized either as craft unions, which consist of members who share the same skill or profession, or as industrial unions, which consist of workers in the same industry. The most basic unit of a union is the local union. This is the level at which most members have an opportunity to get directly involved in union activities. Most locals belong to a national (or international) union. The national union provides training, legal support, and bargaining advice to locals; organizes new locals; and sometimes takes an active role in the collective bargaining process. Many national unions belong to the AFL-CIO, which serves as the national voice for the labor movement.

LO2 Discuss the key provisions of the laws that govern labor–management relations

Until the 1930s, no federal laws dealt specifically with the rights of workers to organize unions or the way unions could carry out their functions. During the Great Depression of the 1930s, several pro-labor laws were enacted. The most important of these was the National Labor Relations Act, often called the Wagner Act. This law prevented employers from discriminating against union members and required employers to recognize and bargain with certified unions. It also established the National Labor Relations Board to investigate charges of unfair labor practices. After World War II, Congress enacted the Labor–Management Relations Act, more commonly called the Taft–Hartley Act. This law sought to limit the power of unions. It identified several unfair labor practices by unions and declared them illegal and allowed workers to vote to decertify a union that represented them. It also made closed shops (in which employers could only hire workers who already belonged to a union) illegal. Finally, it allowed states to pass right-to-work laws that made union shops (in which all workers had to join the union within a specified time in order to keep their jobs) illegal.

Other Major Labor Legislation in the United States

Date	Law	Major Provisions
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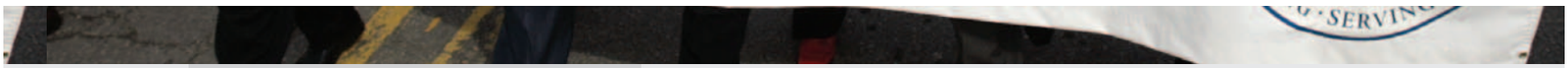

LO3

collective bargaining
The process by which representatives of union members and employers negotiate a mutually acceptable labor agreement.

distributive bargaining
The traditional adversarial approach to collective bargaining.

interest-based bargaining
A form of collective bargaining that emphasizes cooperation and problem solving in an attempt to find a "win-win" outcome that benefits both sides.

strike
A work stoppage initiated by a union.

lockout
An employer-initiated work stoppage.

picketing
A labor tactic of walking near the entrance of an employer with which they have a dispute carrying signs to publicize their position and concerns.

boycott
A tactic in which a union and its supporters and sympathizers refuse to do business with an employer with which they have a labor dispute.

mediation
A method of dealing with an impasse between labor and management by bringing in a neutral third party to make suggestions and encourage compromise.

arbitration
A process in which a neutral third party has the authority to resolve a dispute by rendering a binding decision.

grievance
A complaint by a worker that the employer has violated the terms of the collective bargaining agreement.

LO3 Explain how labor contracts are negotiated and administered

The process by which representatives of labor and employers attempt to negotiate a mutually acceptable labor agreement is called collective bargaining. There are two broad basic approaches to collective bargaining. In distributive bargaining, the process tends to be adversarial. The sides begin with predetermined positions and an initial set of demands. They then use persuasion, logic, and even threats to gain as much as they can. The other approach is called interest-based bargaining. In this approach, the two sides do not present initial demands. Instead, they raise issues and concerns and try to work together to develop mutually beneficial solutions.

Negotiations sometimes break down. An impasse occurs when it becomes obvious that a settlement is not possible under current conditions. When an impasse is reached, a strike may be called by the union, or a lockout may be called by the employer. However, both sides may agree to either mediation or arbitration to try to settle their differences and reach agreement without resorting to such work stoppages. Mediators can only make suggestions and encourage the two sides to settle. If one or both sides reject the mediator's efforts, then the process is likely to fail. In contrast, an arbitrator has the authority to render a binding decision. Arbitration is common in the public sector but rare in the private sector.

When workers believe they have been unfairly treated under terms of the contract, they may file a grievance. Most labor agreements contain a formal grievance procedure that identifies a specific series of steps involved in settling a complaint. The final step usually involves binding arbitration.

LO4 Evaluate the impact unions have had on their members' welfare and the economy, and explain the challenges that today's unions face

Most studies find that union workers earn higher wages and receive more benefits than nonunion workers with similar skills performing the same type of job. Union contracts and the grievance procedure also provide union members with more protection from arbitrary discipline (including firings) than nonunion workers enjoy. However, unionized industries in the private sector haven't provided much job security. Total employment in many highly unionized industries has fallen dramatically in recent years.

Many critics argue that unions undermine worker productivity by imposing rules and restrictions that reduce the ability of firms to innovate and require employers to use more labor than necessary to produce goods and services. But union supporters suggest that unions reduce worker turnover and encourage worker training, thus increasing productivity. Research on this topic has not yielded clear-cut evidence in support of either position.

One of the major problems facing unions is the continuing decline in union membership in the private sector. There are several reasons for this decline. In part, it represents a change in the structure of the U.S. economy. But another reason has been the increasing willingness of employers to use antiunion tactics to discourage union membership. The AFL-CIO and national unions have placed greater emphasis on organizing activities in recent years in an attempt to reverse this trend. Despite these efforts, union membership has continued to decline.

Endnotes

Appendix 1: Labor Unions and Collective Bargaining

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