

# **UNION-MANAGEMENT COOPERATION: CAN A COMPANY MOVE FROM AN ADVERSARIAL RELATIONSHIP TO A COOPERATIVE RELATIONSHIP AND IS INTEREST-BASED BARGAINING A NECESSARY CONDITION TO DO SO?**

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Strikes “More often than not, unions are viewed as the villainous Indians and management is viewed as the white-hatted cowboys in a simplistic cowboy and Indians movie”

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Union-Management cooperation is not just a passing fad nor is it new or recent. However, interest in this particular way of doing business has been growing. Union-management cooperation is a term that has been used to characterize cooperative activities between unions and employers aimed at improving organizational performance and reduce costs. The expectation of cooperation is that both labor and management gain more from their relationship through cooperation than they could achieve without it.

## **METHODOLOGY, ANALYSIS**

Customer focus marketing or CFM seems to be the new “buzz” word coming from large companies today. Companies exist in an environment where they need to adapt rapidly to their customer’s changing needs. Employees are usually closer to the customers than is management, therefore management needs to listen to their employees and gain their perceptions of what their customers are looking for and use their ideas to improve and incorporate those ideas into continuously improving products and services. To do that requires effective employee participation and empowerment programs. It is both legally and practically difficult to obtain such participation and empowerment in a unionized company without the active involvement of the union (Korshak, 2002)

By focusing on customer needs companies will see improved customer relations as well as more customer satisfaction. Customers, be it internal or external are a huge part of company success and their satisfaction means continued business to the company. Satisfaction to employees will be greater because they believe that the organization will be satisfying in the long run, they care about the quality of their work, are

more committed to their organization, and more productive because their ideas have made a difference while the employer enjoys the rewards of additional business from the customer, less turnover from its employees and profitability is good. The behavioral changes improve the outlook and the impact on the company business as well.

One way to improve products and services and to have more satisfaction between employer and employees is with union-management cooperation. With union-management cooperation both unions and managers form a relationship or partnership that will be able to ward off threat or gain a competitive advantage or offer job security or perhaps even more jobs.

The unionized companies that are most successful in harnessing their employees' ideas have found that the only effective way of making employee participation work is through a cooperative relationship with their unions.

Union-management cooperation may seem a little far-fetched since it is difficult to believe that these two adversaries would stop the bickering and start working together for the same common good.

All workplaces as well as the ones with unions require higher morale, productivity, participation, and flexibility to be successful. Human Resource Director’s must educate their managers to follow a cooperative approach with unions if they want to be successful.

The AFL-CIO has for several years endorsed labor-management partnerships between unions and management as the best way to satisfy both sides’ needs and to build strong unionized companies. The AFL-CIO and many of its sister unions take the position that organized labor should present management with two, and only

two alternatives. These are (1) an “open hand of cooperation” for real partnerships or (2) a “closed fist” for a fight in a confrontational relationship. Given these two alternatives, which is more likely in a unionized company to result in high morale and productivity, the ability to solve complex problems, and adaptability to changes in the economy? (Korshak, 2002).

### **GUIDELINES TO A COOPERATIVE RELATIONSHIP**

Changing behaviors and shifting customs of management and union leaders are the major priorities to building a trusting union-management relationship. Organizational culture, communication as well as trust and commitment are key to making this change successful.

Each party brings a difference in culture such as their values, way of thinking and ways of doing business to the table. These cultures or differences must be handled properly or they will interfere with the new partnership.

There must also be good communication practices between the parties with information being flowed down to all levels of workers. In a traditional union management relationship, communication is flowed down from management and flowed up through the union. Because of this communication process, there has to be a change in the way information is communicated throughout the ranks. It must be free flowing. Each contributor must be kept aware of the process. This is not only for management, but also for all employees who are stakeholders in the cooperative process or partnership. Without communication to all parties involved the process may come to a standstill or fail completely. Face-to-face communication, verbal communication is a very important factor. Email is ok, but not all the time. It may be misunderstood.

Trust and commitment from both sides has to be extended. This is not an easy task. It takes time to develop trust especially if there has been the traditional adversarial relationship between union and management and the trust between the two parties was more mistrust. Factors that contribute to developing trust and credibility are having a positive attitude toward each other, initiating a cooperative behavior. Building a good rapport with each other and believing that each

side is doing their best to make this effort work is also a factor.

Management and union must also show they are committed to making this relationship work and that they are there for the mutual interests of all employees. Having face-to-face weekly or bi-weekly meetings with all participants and not just a few shows a commitment to the process as well. Asking the question “how are we doing” and then actually listening to the answer and discussing the issue if there is one, shows commitment to the process.

The knowledge and skill levels of the employees must also be increased. A given level of cooperation between management and union requires certain degrees of skill levels. You would need to train or retrain managers as well as union employees in problem solving skills; how to identify and resolve the problem. How to handle conflict is another skill that would be needed. Agreed upon ways to handle conflicts should also be put into place.

Team building is an important skill since the union and management have to work together on a day-to-day basis.

Interpersonal skills such as verbal communication as well as written skills, public speaking, presentation skills all become a part of the collaborative effort. Coaching and counseling is also an important skill that both middle managers as well as the shop stewards will need.

The parties should also think strategically about cooperation. A plan should be in place to help guide the leaders with the factors and forces that may affect the effort of union-management cooperation. One factor may be that there are powerful individuals on both sides that are indifferent to the relationship.

Lastly, the company should also develop mechanisms to track the process of the relationship such as team health surveys. With this information the company would then make any necessary adjustments that may be needed (Shappe, 1997).

By making organizational changes, having trust and commitment and a better communication flow within the company there will be more employee satisfaction as well as customer satisfaction. Employees will feel more engaged in the business and productivity and innovation

levels will rise along with morale. The parties will feel an increase in power as the synergy from their collaboration begins to flow.

The best Human Resource Director's strive to have their companies work cooperatively with their unions because it increases productivity, quality and morale, not because they fear unions. If HRDs want to be effective and make a difference, they should educate senior management that this is the best way to work with unions and they should train junior management how to do so (Korshak, 2002).

In the United States, many studies have shown that labor-management cooperation efforts in a nonunion setting are short-lived. It is the Union that brings stability and longevity to the process. The Union gives the process credibility. Workers feel more comfortable and less threatened when they see their union representatives actively involved. There is less fear and fewer feelings of insecurity. This ultimately leads to worker acceptance and participation.

There is enough evidence to prove that where there is an honest union-management partnership, productivity and product quality are increased. Employee satisfaction is also increased and employee turnover decreases. This better enables the company to be able to deal with rapid and constant change in a highly competitive global marketplace.

Labor-management cooperation is the key to a continuing effective relationship between union and management. Labor-management cooperation results from two strong organizations respecting each other and working along side one another to achieve mutual interests. It does not indicate that the parties cannot disagree over certain issues, but the disagreements would not affect the overall relationship, or the ability to resolve other issues. The parties can agree to disagree with issues being resolved through the use of mediation or arbitration when necessary.

This type of organizational change will not occur overnight. As the organization prepares to move toward union-management collaboration, both management and union officials need to be trained. Both union and management must continue to work together to foster and maintain union-management cooperation for the long term.

## **EVIDENCE OF UNION-MANAGEMENT COOPERATION SUCCESSES**

One of the earliest cooperative efforts grew out of the Laborers' International Union of North American (LIUNA) and the Associated General Contractors in 1969. This effort, called the Laborers-AGC Education and Training Fund, oversees the training that members of the union receive. The fund has provided safety training, workplace literacy and ESL training. It also recently worked with the EPA to combine training in the cleanup of hazardous-waste sites with the actual cleanup of public waste sites, including removing lead based paint from publicly owned housing units and bridges according to Arthur A. Coia, general president of LIUNA.

The Oil, Chemical and Atomic Workers Union (OCAW) and the International Brotherhood of Firemen and Oilers worked with Rohm & Haas Kentucky Inc in Louisville in 1987 to assist with the design of a new plant. The Design Committee grew out of a long-standing attitude of cooperation between the unions and management.

The Cooperative joint efforts of General Motors and the United Auto Workers union paid off for both parties. The company shifted production of some of its automobiles from a plant in Mexico to one in Lansing, Michigan, creating at least 800 new jobs at the U. S. plant. This action resulted from a complete turnaround in union-management relations within one year, according to UAW Vice President Stephen Yokich.

Xerox Corporation based in Stamford, CT who struggled at one time has made a comeback with the help of union-management cooperation initiatives. Xerox became the first major U. S. firm to win back market share from the Japanese without government intervention, at the same time as its return on assets increased from 8% to 14.8%. The cooperative efforts included an agreement with the Amalgamated Clothing and Textile Workers' Union (ACTWU) that allows the union to bid on any work that Xerox wants to contract out, a leaner-but-friendlier contract –negotiation process and a new, jointly developed factory design, called a focus factory, which allows quick accommodation to changes in product demand.

So that they wouldn't be outdone, AT&T and its unions—The Communications Workers of America (CWA) and the International

Brotherhood of Electrical Workers (IBEW)—are refocusing the entire organization, using a framework called the Workplace of the Future, to make the unions and the company true partners in every aspect of the business (Stuart, 1993).

Canadian firm Molson Breweries has recognized that improved labor-management relations were critical to its success in achieving growth in productivity, quality, innovation, customer satisfaction and time to market. Management had realized it had to establish better relationships with the nine institutional labor unions. The company has acknowledged that both union and management would not be able to create a new work system that can help it enhance its competitiveness if the adversarial relationship between labor and management persisted. To address the issue, management has negotiated partnership agreements with the labor unions. Its success in concluding these agreements can be credited to its efforts to harmonize the goals of the company, the unions and the employees (McKenna, 1995).

Putting together Joint Advisory Committees (JAC) is another way to foster cooperation. Scott paper and the United Paperworkers International Union (UPIU) formed a JAC and the Executive Committee of Scott Paper and UPIU both approved a statement committing to this. The statement was the first product of joint decision-making by the members of the JAC. Driving this statement was that Scott had not demanded concessions during negotiations, but rather management felt strongly that achieving cost reductions through increased and improved manufacturing effectiveness could be achieved through working with its employees. Change was also occurring in the workplace. The UPIU felt they had a right and a responsibility to participate in work redesign and other change impacting their members. This required a change in the traditional role of and union and gave them a new opportunity to be more effective in representing their membership. Both parties believed that the union could, and under appropriate circumstances would, enable change to occur as long as they clearly participated in the decision-making processes and as long as better business results were reasonably shared with the employee/member. Joint Labor-Management

committees were formed at each site where they developed agreed upon ground rules for working together. They negotiated what were called Enabling Agreements. These agreements were outlined a clear, specific path forward and committed the parties to making the effort work (Nee, 1999). These committees were the models for behavioral changes within their companies.

Other work organizations are called High Performance Work Organizations (HPWO). At the International Specialty Products Corporation poor quality, costs and low employee morale were some of the problems that existed. By making process changes and formalizing improved methodologies definitely improved performances, but these changes could not have been made without first changing the adversarial relationship that the union and management had for many years. The success of these efforts was recognized in 2002 when the Specialist Products Corporation received from the University of Louisville an award honoring cooperative labor-management relationships.

ISP credits its improved labor-management relationship and performance in part to its implementation of a high performance work organization (HPWO) partnership. The International Association of Machinists and Aerospace Workers (AMSAW) promoted shared decision-making as the means to help the business grow.

Interestingly, it was the union that introduced the HPWO partnership concept to Calvert City's ISP plant. (Jusko, 2003)

An HPWO partnering agreement formalizes methods of working together by management and the union. Each partnering agreement is tailored to the unique circumstances of an individual company, but they all share decision-making around jointly determined functions critical to business success, new workplace roles and responsibilities for management and production workers, and strategies to implement change.

In October of 2004, a project was done in Australia called the Australian Worker and Representation and Participation Project that involved a national survey of one thousand employees and a six-nation study of worker representation in the Anglo-American world of the United States, Canada, United Kingdom, New

Zealand, Australia and Ireland. The survey was made up of five different categories, one of which was union-management cooperation.

This survey is based on the 1994-1995 Worker Representation and

Participation Survey in the USA, the 2001 British Worker Representation and Participation survey, conducted by the Center for Economic Performance at the London School of Economics, and, the 2003 New Zealand Worker Representation and Participation Survey. Thus, the results of this survey can be compared with international benchmarks.

The results were Union members' attitudes to union-management cooperation were strongly positive, with a majority agreeing that unions try to cooperate with management and vice versa. Nevertheless, employees also agreed that unions and management should both cooperate more closely with each other, although this was higher with regard to management. Consistent with the employees' view that there should be greater cooperation between management and unions, 62.3% of employees agreed in some form that unions should focus greater attention to helping the organization succeed. An overwhelming 93.1% of employees agreed that unions should fight hard when employee interests are threatened (Pyman, 2004).

Australia's automotive industry had faced an uncertain future in the global market place in the late twentieth century. New industrialized countries were taking the market share of the Australian vehicle manufacturers. Once heavily protected, the automotive industry now had to compete in an open market. The free trade policies of the Australian government steadily reduced the tariff on imported vehicles. Because of this, Australia's automotive industry has embarked on a program to improve quality, productivity and quality of work life by developing a more flexible and team-based workforce. A study of sixty-two international automotive plants found that plants utilizing team-based workforces and high commitment human resource practices had higher levels of productivity and quality than traditional production plants.

The automotive industry in Australia has pursued the implementation of team-based

workforces within a huge cooperative industrial relations climate. Since the implementation of teams, both the management and union have found the environment to be good or excellent because of the change. There are a few different identified. There are directed and self-managed work teams. With directed work teams external management is maintained, but there is consultation and participation being introduced. In self-managed teams there is more delegation of authority, control and decision-making. In most of Australia's automotive industries, self-directed teams have been put into place (Park, 1997).

In the British clothing industry there were serious attempts to establish the framework for union-management cooperation when the Labor Government came into office in 1945. The Labor Party wanted to reshape Britain into a cooperative commonwealth. Labor's program called for the nationalization of about 20% of the British industry, and proposed national economic planning to coordinate the efforts of both the nationalized industries and those under private ownership.

## **OPPOSITION**

The National Union of Tailors and Garment Workers wanted to play a part in the planning. They received encouragement for the idea of joint labor-management cooperation. Out of this came the development council.

The development councils were similar in organization to the recovery boards set up under the National Industrial Recover Act in the United States.

The attitude of the NUTGW was very favorable to the idea of the development council. The council gave the union the opportunity to participate in the planning and the program as it grew. Other employee groups did not feel the same as the NUTGW and those groups were bitterly opposed to the council.

Even though the clothing industry associations voiced their opposition and announced they were not ready to discuss the structure and activities of the council, a development Council was established by an order of the board of trade in 1950.

The governing body of the clothing industry development council was made up of 17 members,

a few of them from the NUTGW and the Waterproof Garment Workers Union. But despite the representation of the union the development councils were doomed when the Wholesale Clothing Manufacturer's Federation and other clothing trade associations served a writ challenging its legality indicating that the Development Council was being pushed on an unwilling industry.

The intense opposition to the council by employers hampered its successful operation even though the high court had dismissed the employers' writ challenging the establishment of the development councils. Even with all the opposition while the council was in effect, they had confronted four issues facing the clothing industry: seasonal unemployment, export trade, sizing of garments, and the purchase tax on clothing.

Despite its research work in trade matters, the employer groups never relented in their opposition to the development council. Negotiations concerning the council's establishment were discussed between the president of the board of trade and the Conservative Party in 1951. Finally, in 1952 three years after the establishment of the council it was abolished.

So the government did not look completely foolish, the employers agreed to a voluntary council called the Joint Clothing Council. This council's functions were similar to the development councils, but also included research in the files of design, quality, production, marketing, distribution and the training of labor as well as promotion of exporting.

The difference between the two councils was that the development council had a specified budget and the voluntary council did not have guaranteed budget.

The voluntary council also met with opposition from the major employer associations and soon the Wholesale Clothing Manufacturers' Federation, the largest association, became uninterested in it. It became clear that the major employer associations wanted neither a voluntary or statutory council and the voluntary council was also dissolved.

While neither of these two councils worked, the National Union of Tailors and Garment Workers continued its pursuit of union-

management cooperation. They introduced a joint industrial council, but this council too was met with opposition and no interest from the employers association and therefore was never established.

The conclusion is that union-management cooperation cannot be legislated as in the British clothing industry. The parties must have persuasive reasoning for working together on issues that are outside the normal collective bargaining. In this case, the union was the party that was looking to have cooperative relationship while the management side was not interested (Helfott, 1959).

## CONCLUSION

In looking to the future, will union-management cooperation continue to spread? Those interested point to the changing workforce as an inducement to the worker involvement in decision-making. They also count on the challenge to the competitive position of American industry as a continuing incentive to union-management cooperation.

Union-management cooperation is not a passing fad. It has been and is a permanent feature of the American system of industrial relations. Changes as reflected in the recent spread of cooperative efforts, will come gradually, rather than as an alteration in our systems of industrial relations.

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