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To Be or Not to Be: The Progression of the Union

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A Senior Thesis submitted in partial fulfillment
of the requirements for graduation
in the Honors Program
Liberty University
Spring 2007

Acceptance of Senior Honors Thesis

This Senior Honors Thesis is accepted in partial fulfillment of the requirements for graduation from the Honors Program of Liberty University.

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Abstract

Labor unions were established in the early twentieth century, and they continue to be a major part of today's business culture. A debate on this topic of unions is generally energetic and emotional, with strong opinions expressed by supporters and dissenters of the union conc

ept. The focus of this thesis is to review the history and purpose of unions, provide examples of companies' experiences with unions, and to objectively discuss the advantages and disadvantages of organized labor to the employees, the management, and customers of union companies. It is imperative for companies and employees to make a well-informed decision on unions instead of one based on emotion.

To Be or Not to Be: The Progression of the Union

Introduction

A union, according to the *Barron's Business Guide*, is an "employee association designed to promote employee rights and work-related welfare" (Friedman, 2000, p. 722). Unions are defined in many different ways, Walliham brings a secondary perspective (1985):

> A union is a continuous organization of employees that seeks to maintain and improve the terms and conditions of employees that seeks to maintain and improve the terms and conditions of employment through collective bargaining representation with the employer (from which it remains autonomous) and through other means. (p. 5)

As of January, 2006, twelve percent of the workers in the United States are members of unions (Bureau of Labor Statistics, 2007). The number of union workers had been seventeen million in 1970 but fell to ten and a half million by 1989 (Reynolds, 1999). Today, fewer people are relying on unions to represent them with their employers, but there is still a large group of people that do find them necessary in their line of work.

Unions are more prevalent in certain industries, such as law enforcement and the automotive industry. Unions are also strong in education and heavy industries, such as construction, maintenance, and production. Additionally, unions have a large presence in the government: the majority of the jobs that are unionized come from the public sector at a rate of five to one (Bureau of Labor Statistics, 2007). Unions have progressed throughout the years, have spread out their services, and can be found in every area of business.

Legal History of Unions

Understanding the history of unions is vital to knowing how they work. They date back to the late 1700s because workers were not treated properly. Abuse was common, and workers found ways to unite. It was not until 1935 when Congress passed the National Labor Relations Act, also known as the Wagner Act, that these groups took organizational form. Congress passed this law when the U.S. unemployment rate was 35% in order to help U.S. citizens find and keep employment Bateman & Snell, 2003). This Act declared unions to be legal and also defined a listing of unfair practices of employers that would be considered to be illegal. The Act also established the National Labor Relations Board (NLRB), which serves as the governing body for union activity in the U.S (Bateman & Snell, 2003).

Initially, the Wagner Act led to major union domination over companies. To achieve a better balance between unions and management, in 1947, Congress passed the Labor-Management Relations Act (also called the Taft-Hartley Act). This law gave the employers the right to speak to their employees about why they might not want a union to represent them. In addition, it defined unfair labor practices on the part of unions and allowed employees to de-certify (or vote out) a union that was already in place within a company (Bateman & Snell, 2003). In the late 1940s and early 1950s the unions' downward spiral began. Union leaders felt the pressure of a slowdown in union expansion because of the way employers were treating their workers. Workers attested that they were being treated too well and being paid too much to request a union (Minchin, 1997). Certain employers had learned the importance of treating their workers as their most valuable asset. Unions will have a much more difficult time gaining access into companies if the employers have good relationships with their workers.

In 1959, the Labor-Management Reporting & Disclosure Act of 1959 was passed in response to numerous instances of union corruption. This law, which is also known as the Landrum-Griffin Act, was designed to further define requirements for unions. It developed a bill of rights for union members, put into effect controls over union dues increases, and specified reporting requirements for unions (Bateman & Snell, 2003).

Many union employees perceive their unions to be a major advantage of their jobs because they continue to be members. Unions are normally contacted by employees who feel that they are not being treated fairly by their management. In this sense, unions are recruited by employees in companies where there is a strong dislike or fear of management, where rules are administered inconsistently, and where there has been a sudden change in working conditions. In addition, if employees fear that their jobs might be eliminated or they do not feel appreciated by the company, they may become less satisfied and contact a union.

History of Major Union Organizations

The history of organized labor in the United States began in the late 19th century. Although their actions have not always been positive, unions have been responsible for many benefits to their members. Samuel Gompers, the founder of the American Federation of Labor, is credited with the growth of labor unions: "Together he and his team had dragged American trade unions from the sands of uncertainty to the rock of permanence" (Livesay, 1978, p. 183). They continue today to be an important component of doing business in America. The following is a summary of the history of some of the major unions.

Teamsters

The International Brotherhood of Teamsters dates back to 1899, when goods were transported across the country in wagons drawn by teams of horses (Funding Universe, n.d.). The men who were in charge of these horse teams also had the responsibility of ensuring that the goods arrived safely at their destination. These jobs required long hours and were most often for low wages. The Teamsters searched for ways to improve their working conditions, and began to affiliate with other drivers who shared their common interests (Funding Universe, n.d.). Conflicts arose almost immediately because some of the workers were drivers, while others were both drivers and owners. One of the first strikes occurred in Chicago because meat deliverers felt as if they were being cheated. The union did not allow its members to work delivering meats during the strike in order to negotiate better wages (Plott, 1985). As a result, they did not see eye-to-eye in every circumstance, and each had his or her own best interest at heart. This led to more turmoil and eventually the drivers separated from the ownership.

Samuel Gompers also played a major role in the formation of the Teamsters. In 1902, he urged the Team Drivers International Union and the Teamsters National Union to reunite as one union (Funding Universe, n.d.). The years that followed this merger were indeed profitable for the International Brotherhood of Teamsters. Its membership climbed to 105,000 and its union dues were doubled (Funding Universe, n.d.).

When the Depression occurred in the 1930s, America struggled financially and the Teamsters were impacted significantly. Existing membership dropped and the

Teamsters began unionization attempts in other industries in order to recruit new members. This proved to be a successful tactic for the union, resulting in a membership of 277,000 in 1937 (Funding Universe, n.d.). Growth continued throughout the next decade, and in 1950, the membership reached the one million mark (Funding Universe, n.d.).

In 1955, problems began to arise for the Teamsters when the United States Congress, suspecting fraudulent activities within the union, conducted a federal investigation. The union was accused of racketeering and corruption and suspended from the AFL-CIO, the central union organization. In addition, David Beck, the President of the Teamsters, was convicted of falsifying income tax returns (Funding Universe, n.d.).

The next several years brought more trouble to the union. Although Teamsters' President James Hoffa was successful in negotiating the first Master Freight Agreement and in increasing union membership to four hundred thousand, but his legal matters caught up to him and he was found guilty of jury tampering, conspiracy, and mail fraud and was sentenced to a jail term in 1967 (Funding Universe, n.d.). The Teamsters union continued its downward spiral during the term of its next president, Ron Cary, who was a former UPS worker. The membership was unhappy with Cary's leadership and his failed promises to clean up the union's activities (Edsall, 2005). His election was contested, declared illegal, and overturned. Ironically, he had to hand over the presidency to his counterpart, James P. Hoffa, the son of the former Teamster leader. To this day, Hoffa is the president of the organization. One of Hoffa's recent initiatives resulted in the Teamsters, along with several other major unions, split ties with the AFL-CIO due to its continued loss of membership (Edsall, 2005).

AFL-CIO and Change to Win Federation

The American Federation of Labor and Congress of Industrial Organization (AFL-CIO) is a group of 54 worldwide labor unions. From the 1950s to 2005, the AFL-CIO was the unifying federation for most of the major unions within the United States, including organizations as diverse as the International Association of Fire Fighters and Associated Actors and Artists of America (AFL-CIO, 2007). As membership continued to decrease, many unions became increasingly dissatisfied with the leadership of the AFL-CIO, and in 2005, some left the organization to form a new group known as the Change to Win Federation (Edsall, 2005). Although the AFL-CIO is still the largest union federation, the CTW now consists of over seven million members (Change to Win, 2006). The reduction in membership resulted in a dues income reduction of $20 million for the AFL-CIO (Edsall, 2005).

In addition to the budget implications of the union reorganization, the two federations are now directly competing, rather than working cooperatively, for new members. The CTW federation has set a goal of 50 million members (Change to Win, 2006). In the construction industry, which has traditionally been comprised of a 40% union membership, the AFL-CIO and the CTW federation have already become more aggressive in recruiting new members, and current members are likely to be impacted by more stringent demands on employers, with an increased possibility of strikes (Price, 2006).

United Auto Workers

The United Auto Workers (UAW) union was founded in 1935 as a part of the American Federation of Labor (United Auto Workers Union, 2006). The UAW has had an important role in the big three automobile manufacturing companies in America: Chrysler, General Motors, and Ford Motor Company; each has been affected by union practices and strikes on behalf of its employees. During the 1960s, the UAW was able to negotiate wage increases for its workers, and the auto manufacturers continued to raise their prices to maintain their profitability (United Auto Workers Union, 2006). This strategy worked well until the foreign auto manufacturers began producing automobiles at a much lower cost and exported them to the United States. This resulted in a reduction in auto profits, an increase in factory shutdowns and job eliminations, and a decline in membership.

Despite these negative events, many workers feel that they are well represented by the UAW. In a February, 2007 interview, Briscoe, a member of the UAW who works at the Chrysler production plant in Newark, Delaware was questioned about the general opinion of the union's performance. Briscoe stated that most workers at Chrysler are generally satisfied with the UAW (Briscoe, personal communication, February 5, 2007). The major issue that has caused recent controversy has been the reduction of employee benefits throughout the past years, notably in the area of personal days and medical costs (Briscoe, personal communication, February 5, 2007).

Another issue that deals directly with UAW employees is the union representation involved in disciplinary situations. When an employee commits a workplace violation which would result in a firing in a unionized company, the union is required to intervene and fight for its member. This causes complaints by other union members, who see this as a waste of time and financial resources. When the efforts of the union representatives are spent on defending a guilty employee, they are not being spent on representing the model employees who are doing their work as they should (Briscoe, personal communication, February 5, 2007). Many workers believe that their sixty dollars of union dues per month are going to assist people who do not deserve to be helped, and that they are not being provided with the services they were expecting from their membership (Briscoe, personal communication, February 5, 2007).

Many unions have had a history of extreme violence in the workplace. Some have even been linked to organized crime. The UAW member interviewed stated that there has been no workplace violence as a result of the union throughout his thirty years of employment (Briscoe, personal communication, February 5, 2007). While many companies have had significant issues with unions, there are examples of peaceful relations between employees, the company, and the union.

The UAW member interviewed believes that, while the company could operate without the presence of a union, he stated that it would not be a place where he would want to work (Briscoe, personal communication, February 5, 2007). Briscoe believes that the union assists the workers greatly, and is a key component to the relationship between the company and its employees at an auto production plant. Although there are only a few occasions where he has personally needed the union representation, he believes that it is a personal requirement for him in this industry. In his opinion, the reason that the union is successful at his place of employment is due to the fact that it has a good working relationship with the company's management (Briscoe, personal communication, February 5, 2007).

In this case, the workers do benefit from the union's presence. This comes at the expense of the worker, in the form of union dues, and at the expense of the company, in the form of increased salaries and benefit expenses. These expenses add to the cost of production, but employees see it as necessary to ensuring the future viability of the plant. Unfortunately, Chrysler reported a seven percent sales drop for the full year 2006, and a net loss of $1.5 billion in the third quarter of 2006 alone (Chrysler's secret plan, 2007). The Newark, Delaware plant is to be closed down as part of a restructuring plan announced in February, 2007. Most analysts believe that over 10,000 union jobs will be impacted (Chrysler's secret plan, 2007).

Professional Sports Labor Unions

Sports teams, franchises, and player associations are a large part of the business world. Many popular sports have unions in which the players are members. Like other unions, this membership brings many benefits but also many requirements. In the National Football League, for example, players are required to pay a large sum of money to the association each year (National Football League Players Association, 2002). The union is responsible for ensuring that players are being paid properly by their team owners, and that the actions of the franchise for which they play is fair. The National Football League Players Union works with the league and the commissioner to develop the rules for its players. Recently, to combat the increased usage of steroids by the players, the league, in conjunction with the union, has increased both the quality and quantity of drug testing (National Football League Players Association, 2002). Another important issue that is influenced by the union is the salary cap. The decision must be made whether or not to add more money to the cap to allow teams to spend more money on their athletes. In this sport, all of the players are required to join the union, and on many occasions, well-known athletes have had to rely on the union to negotiate for contract terms on their behalf (National Football League Players Association).

Other sports also have important, and not always positive, relationships with their players' unions. Within the last ten years, many of the other major sports have had strikes as a result of non-agreement between unions, owners, and the leagues. The National Basketball Association had a lock-out in the 1998-1999 season and missed the first half of the season (Crain, 1999). Major League Baseball has had similar problems, and as a result was forced to cancel the second half of the 1994 season and the World Series, which also resulted in reductions in attendance the following year (Matheson, 2006). Most recently, the National Hockey League was forced to cancel the entire 2004-2005 season due to issues with the collective bargaining agreement (Gregory, 2004).

While the players in professional sports find the unions necessary to deal with the teams and their owners, they do come with costs. In addition to the dues that they must pay, they are also at risk of losing time in their playing careers, due to strikes and lockouts, if the sides cannot work out agreements. These incidences have resulted in lost wages for players as well as lost revenue for the franchises. The loss of goodwill of fans and sponsors is great, and difficult to fully measure. In any case, public perception of unions is damaged as a result of these events.

The Process of Unionization

Unions use two main processes in entering a company. In some instances, they search out companies that are believed to potentially have internal problems. These can include issues like inconsistent administration, high turnover, and a sudden change in working conditions. The second method begins with the employee. An employee may approach a union, tell them the problem with their company, and then the union will assign a team of organizers to convince the employees of the company to fill out union authorization cards. When 30% of the employees sign cards, they are forwarded, in most cases, to the National Labor Relations Board, which is the governing authority for all union activity in the United States (National Right to Work, 2007).

The NLRB schedules and conducts a secret ballot election. Prior to the election, the union will strongly campaign to the employees about their need for a union within their specific workplace. This can be a vicious time for both the union and the company (National Right to Work, 2007). The union will bring up as many faults in the company as possible and target specific supervisors and managers. The company will also fight back and try to show the employees the problems that unions have caused, and the importance that they not be certified. The election is held at a specific time and is conducted in the same format as a local or national political election. If 50% plus one person votes that they want a union to represent them, the company must recognize the union (National Right to Work).

On average, only 40% of the time is a union certified on the first vote; although, if a subsequent election is held, then the union has a success rate of eighty percent (Wilson, 1997). When the union is certified by the NLRB, the company is required by law to bargain with them regarding wages, benefits and working conditions (Funding Universe, n.d.).

How Companies Defend Against Unionization

The best way for a company to keep a union out of their workplace is to treat its employees well (Stemberg, 2007). The large office supply company, Staples has been credited with building a good company because of their ability to relate to the employee and provide them with strong benefits (Stemberg). Good pay and benefit packages are only part of the equation. It is important that the work environment is one that is uplifting and effective. People need to feel as if they are accomplishing tasks and receiving continuous feedback. When employees are happy and productive, unions will be less disposed to intervene.

The practice of keeping everyone in the work force positive and motivated every day of the week is a difficult one. There will often be isolated situations of workers who do not buy into the system and are not productive and this could lead to worker dissatisfaction. It only takes one upset person contacting a union to potentially cause a major issue. When these situations occur, the company has a few options. Going head-to-head with a union is a task that takes a great effort. Companies will have to convince its employees that they are better off without a union, and show them the ramifications of a union becoming involved. The company could also decide to move its plant to a low cost labor country or choose to close a plant entirely (Edwards, Garonna, & Todtling, 1986; Dawson, 2006). These cuts cost the union its members, due to the fact their jobs are eliminated. When a company is faced with the decisions involved in recognizing a union, it will evaluate its options and decide whether or not to keep the plant in operation.

If a union is already involved in a company and the employees believe that they would be more productive without the union's presence, they should attempt the process of de-certification. Near the time of the end of a contract period, the employees of the company can decide to try to remove the union (National Right to Work, 2007). The process is similar to that of bringing in a union. This must be an employee-led effort without the assistance of the company involved. Employees may sign a de-certification petition, and if more than 30% of the workers do so, a secret ballot election will be held. If more than 50% of the workers vote to remove the union, it will be de-certified (National Right to Work). On the average, 75% of the time a de-certification election is held, the employees are successful in removing the union (Wilson, 1997).

Some companies have found ways to excel in the marketplace with or without a union. Costco decided to defend against the union in a different way. The business is in a right-to-work state, where workers have the right to choose if they want to join a union or negotiate personally with the company. Costco does not waste its time fighting off the union it just takes care of its workers (Herbst, 2005). Costco makes a large profit because of the low overhead and is able to pass the benefits on to the employees and the customers (Cervantes, 2006). The company keeps its workers satisfied by paying them high wages and giving them strong benefits. Employees who have worked at Costco for three years can make forty-two thousand dollars annually with 92% of their health insurance covered (Herbst, 2005). The company benefits despite its high employee costs because its loyal and well-compensated workforce is both productive and efficient (Herbst, 2005). Costco is able to get more out of its workers, and its workers respect the company for providing them with quality rewards. Costco continues to succeed, with sales of seven hundred and ninety-five dollars per square foot, compared to Wal-Mart's Sam's Club's rate of five hundred and sixteen dollars per square foot (Herbst, 2005). This is evidence that if employees are treated well by the company they can be much more productive regardless of union involvement.

What do Unions Do?

Freeman and Medoff (1984) described the role of unions as having two faces. The first face is known as the monopoly face because unions are able, through the threat of strikes, to require companies to pay their employees wages and benefits that are above the market rate for that labor. The second face is referred to as the collective voice face, which is useful to employees in communicating their issues, concerns, and desires to management (Freeman & Medoff, 1984). The monopoly voice is considered to be negative to the economy as a whole because the result is often higher prices. The voice face is considered to be positive in that it provides employers with information that they might not otherwise readily obtain.

There has been considerable argument as to whether the overall impact of unions has been positive or negative for the U.S. economy, considering workers, companies, and customers. Freeman and Medoff's work continues to be debated, most recently by Sleigh (2005), who takes the unionist perspective, and by McLennon (2005), who offers the management perspective. Below is a review of the key components of unionization that have been cited by these and other analysts.

Salaries

As noted above, one of the primary results of unionization is a wage premium, or advantage in union salaries versus those employees who are not union members. Using 2004 employee compensation data, Budd (2005) reported that hourly salaries of union members in the public sector were $20.69, while nonunion employees in these positions earned $16.32 per hour. This earnings gap of $4.37, or 26%, clearly demonstrates that unions have positively impacted the salaries of their members (Budd, 2005).

Benefits

Budd (2005) also compared union versus nonunion benefits, and found that there was a corresponding gap in these categories as well. Union members were provided with $11.44 per hour in benefits versus $5.69 per hour for nonunion members (Budd, 2005). Virtually every individual benefit category favored union members, with the largest difference in the health care and retirement areas. As with salaries, unions have positively impacted the benefits of their members.

Productivity and Efficiency

Sleigh (2005) argues that unions provide a number of benefits that lead to increased productivity and efficiency. He believes that if employees' voices, through the union, are heard and responded to by management, the employees will be much less likely to leave the company and much more motivated to perform at a high level (Sleigh, 2005). In short, Sleigh believes that the productivity gains will offset the union wage gap.

In addition, Sleigh's union, the International Association of Machinists and Aerospace Workers (IAMAW), significantly changed its perspective and strategy related to workforce cooperation. Beginning in 1990, the union has worked alongside companies as part of productivity efforts in the interest of cost reductions. According to Sleigh (2005), however, its efforts have not always been successful because "management has shown far more desire to remain in control than in truly trying to find ways to increase productivity and expand job opportunities for production employees" (p. 634).

McLennon (2005) disagrees with Sleigh's opinion that unions increase the productivity at a company. Instead, he believes that the uniform employee rules and contracts limit management's ability to effectively address poor performers. He states, "Human resource policies designed to improve productivity require that compensation be closely related to performance" (McLennon, 2005, p. 600).

Profitability

McLennon (2005) cites profitability as the greatest concern of the impact of unionization. He disagrees that unions can positively impact productivity, and instead believes that if there are productivity gains, they cannot offset the inflated wage and benefit costs, and the additional costs of maintaining the union relationship. In addition, he argues that the lower profitability also impacts the company's future. This is because the company must be more selective in research and development spending; this reduces the development of new technology and products, and limits the company's growth. McLennon rejects unions, and considers them to be an obstacle to business success.

Current Events in Unions

As their memberships continue to decline, unions are taking steps to maintain their relevance in today's business markets. Many unions have branched out and expanded to secondary industries. For example, the United Steelworkers of America, which was created to protect workers in the steel industry, has expanded to the health care, pharmaceutical products, as well as the off-shoring sectors (United Steelworkers, 2007). The hotel industry has been specifically targeted by unions and is a good example of how the union process works.

Hotel Industry

The hotel industry is another area in which unions have experienced significant membership losses, dropping from a one-time high of 23% to 12% currently (Sherefkin, 2006). The following tactics are used as unions, in response to these membership decreases, are attempting to gain entrance into many different industries.

As noted earlier, the signing of cards has been part of the union process for many years. Cards are signed by workers if they are interested in having a vote to request union representation. If enough cards are signed, the NLRB will conduct a secret ballot vote. But, a major issue connected with the signing of cards is coercion. Union representatives will speak to employees at the workplace, but also will call them or even go to their homes to persuade them to sign the card. This can be a very intimidating event, one that results more frequently in the employee signing the card regardless of his or her desire for a union. Today, unions want to be able to use the signing of cards, or card checks, as they are known, as the way to vote in the union (Sherefkin, 2006). The proposed plan would be that if 50% plus one worker signs a card, no vote will occur; instead, the union may immediately begin representing the employees of the company (Sherefkin, 2006).

If this plan is accepted, unions would be able to get into a company without the necessity of an actual election. The danger is that a union could enter a company where employees were only considering a union, but then decided, after the card signing but before the election, that they did not want representation. Although by law there is no obligation to sign a card, it may be difficult to turn down a union representative that is encouraging and persuading you at your front door to sign up. Legally, the National Right to Work Legal Defense Foundation, Inc. provides some support if a worker believes that he or she was not treated fairly (2007). They have a hotline which can be used to request assistance if any foul play is detected (National Right to Work Legal Defense Foundation, Inc.).

The Employee Free Choice Act is a proposal that would reinforce the concept of card checks by making secret elections illegal. This act, which could be ruled upon in a year, would represent a significant gain for unions (Merkel, 2006). The danger of both card checks and the Employee Free Choice Act is that it could increase the possibility of coercion and corruption within the unionization process.

Neutrality agreements are changing the ways unions can go about entering a business. They re-write the rules for access. This agreement calls for the employer to remain neutral in the process (National Right to Work Legal Defense Foundation Inc., 2006). By gaining these agreements, unions are permitted to attempt to convince employees that joining the union would be wise, but the company is not given that opportunity. These tactics have repercussions which usually fall on the employees themselves. They can result in the employers giving a list of personal information about employees to the union in order to assist their process of unionization (Merkel, 2006). Another privilege that can be gained through neutrality agreements is access to the workplace itself. With this advantage, union representatives enter the workplace and freely discuss the employees' options and attempt to convince them of the benefits of union representation.

A corporate campaign is another tactic used by unions to apply pressure to businesses. In the hotel industry, for example, unions will launch boycotts against the hotels, picket in front of hotels, and even bring charges against the hotels regarding ways they violated regulations. Hotels in San Francisco and Chicago have been specifically targeted by unions for strikes, walk-outs, and boycotts (Merkel, 2006). Union members in these cities recently authorized the use of a strike if union leaders believe it is necessary (Marketing News, 2006).

When these techniques are applied, the success rates of unions infiltrating companies drastically rise. Overall, forty-eight percent of the time unions succeed in their election process (Merkel, 2006). This number grows to seventy-eight percent when card checks alone are the way that the union is recognized and even increase to eighty-six percent when neutrality and card checks are allowed (Merkel).

Goodyear Strike

On October 5, 2006, a major strike occurred that has drastically affected the tire business. The United Steelworkers (USW) union and Goodyear Tire and Rubber Company were not able to come to terms on a new long-term contract. The USW wanted to provide its members with more job security and better retiree health care plans. The union felt that it had not done well in negotiating during the 2003 talks, which resulted in the closure of an Alabama plant (Dawson, 2006). Goodyear, for its part, would not agree to guarantee that all of its plants would remain in operation, allowing for the contingency that closing a plant might increase its competitive advantage by reducing its cumulative production costs (Dawson, 2006).

One of Goodyear's customers, General Motors, dramatically felt the effect of the resulting strike. GM had just resolved a dispute with Goodyear over contracts and shipments, and now a month later it learned of this strike (Sherefkin, 2006). GM claimed that it was not properly notified of the imposing strike, and that it was placed in a bad situation. To put it into perspective, GM purchases $350 million per year in tires from Goodyear, and its source of supply had now been shut down (Sherefkin, 2006).

Other stakeholders are affected from a strike by this magnitude. In the tire industry, many manufacturers and independent tire sellers rely on Goodyear. Strikes are one of the top tools that unions possess to control businesses. When a union is involved, it can impact every element of a business. In this and other situations where a union is present, companies must change their operating procedures because of the possibility of a strike.

In order to deal with the extra expense and losses from the strike, Goodyear made the decision to close its Tyler, Texas plant; this resulted in an expense reduction of approximately fifty million dollars annually and the elimination of eleven hundred positions (Dawson, 2006). By the time an agreement was reached, the strike had cost the union members thousands of dollars in lost wages and the closing of a production center. The union was able to negotiate a one billion dollar fund from the company that will cover medical needs of retirees (Wall Street Journal, 2006). However, the gain for the retirees was offset by the cost to the union members of the closing of the plant. Goodyear felt that the plant closing was critical to the future of the company; and, although it lost approximately thirty to thirty five million dollars per week in production during the strike, it was able to meet many of their consumer demands (Wall Street Journal, 2006). At the conclusion of the strike, the stock price of the company soared to a four-year high.

The union did ensure that retirees would receive coverage for medical expenses, but it cost the company and its members much more than it gained (Wall Street Journal, 2006). It hurt many employees who needed to be working during the three months of the strike and left them with no choice but to wait until the plants reopened. Some even waited only to find out that their plant would be shut down. The union was not even able to secure the continued operations at all of its plants, as it originally had sought to do, and an additional plant, in Canada, is now scheduled to be closed (Wall Street Journal, 2006). This is an example of how unions can gain benefits for some, but cause significant losses and disruptions for others.

How Companies Can Prevent Strikes

Jack Welch, former CEO of General Electric proposes two principles that leaders should follow in dealing with their employees. These principles can assist companies with keeping the workers happy in order to maintain a strong work environment. Strikes can sometimes be a result of not having strong relations with the employees. The reason behind the issue can sometimes be linked to how the company treats their people. Therefore, in most cases strikes and unions can be avoided with good management. The first principle that Welch gives is a mindset. Managers must know that their workers are their people (Welch, 2007). The employees work and live in the same area and have a need to rely on each other to succeed. Welch says the second principle follows from the first; managers should give workers a voice and dignity. Listening to the workers' voice requires attention to everyone and hearing all of their ideas (Welch, 2007). It is important for bosses not to watch from the sidelines; instead, they need to be active and know how the workers are feeling and what they are doing. They do not have to be their best friend, but they do have to be able to relate to them and engage with their jobs. Being able to talk and be fair with employees builds trust, and having trust will eliminate the need for unions (Welch, 2007).

Recommendations and Implications

Many companies will face a prospective union attempt. Clearly understanding the advantages and disadvantages of unions is essential for both companies and employees. When deciding to join or not to join a union, employees should consider several factors. They should consider if it is worth it economically in terms of increased salaries and benefits or reduced working hours. In addition, they should consider their own attitudes towards their job. If they are satisfied with their job and their supervisor, they are not likely to want to join a union. However, if they are dissatisfied, they might seriously consider voting for union representation. Also, if they are in a right to work state they can choose to not be a part of the union and deal directly with the company. The other alternative is to leave the job.

Economically, union salaries have traditionally been higher than nonunion salaries; however, with the higher union salaries comes a diminishing of each employee's individual power. The employees no longer have the direct line of communication to with managers. Individual workers also lose the privilege of decision-making, because they must follow the guidelines mandated by the union. For example, if the union calls for a strike, the union members must strike.

It is also important to consider unions from the management standpoint. Unions have a major impact on the business and the consumer. Many companies, such as Wal-Mart, believe that it is not profitable to have a union (Verma, 1997). Unionization results in higher costs for the company and sometimes less job opportunities because there is a third party involved which brings more expenses. A second reason for a company to resist unionization is its desire to have a fair, one-on-one relationship with its employees.

One element of this relationship is to not have the union serve as an intermediary between management and employees. Wal-Mart's H. Lee Scott summarizes his position by saying that unions exist to represent the employee but he represents the employee and the customer (Verma, 1997). While unions can assist the employees in hostile working environments, if a management team can effectively deal with their workers, a union will not be necessary.

The effects of unionization impact the customers of the company as well. The union believes that it is ensuring that the company produces a higher quality product because of the expertise and training of its members. Many companies believe, however, that they must increase prices in order to compensate for the additional costs of unionization.

Conclusion

When a union is put in place, many people are affected. Some of the goals of unions are to increase the pay and the benefits of a worker. If this is done, the cost to the employer for each worker will increase. The law of supply and demand will come into effect and employers will try and get by with fewer employees. In this situation, everyone loses; the unemployment rate will go up because of the reduction of jobs, the nonunion workers will be unhappy because they are making less than the unionized workforce, the consumers will buy less because the products will cost more, and the companies' may not remain competitive in the marketplace due to the increased wages and benefits.

Many companies have prospered through the years with a union being a part of the equation. In certain industries, a union can be as beneficial as it was when unions were first introduced. If these companies continue to be profitable, they should keep their union in place. At the same time, many companies with unions have seen their performance decline. This may be an indicator that it is time to make a change. The companies that have the best union relationships are the ones that are not in the news. If strikes are occurring and the two sides are fighting, then the relationship is not operating smoothly. Within the United States automobile industry, for example, sales and profits continue to decrease. The big three automakers continue to report losses each quarter and do not have a secure plan for the future. This is a sign that their current business model is not working and it is time to pursue a future apart from the unions. This will have to be done with a drastic overhaul of the entire operation. The reason that this has not occurred is that the employees are the ones who have to de-certify a union and they are currently pleased with their salaries even though the company as a whole is losing money.

Although there has been much discussion about the need for unions and management to fully partner in order to achieve productivity enhancements, there has been much too little action taken. Perhaps there is too much historic negativity to effectively realize this high level working relationship. Given the increasingly competitive global landscape, many American companies and their employees may be running out of time and might very well face the unpleasant consequences.

For employees who work for companies that do not currently have unions in place, based on the research, it would be highly questionable for them to pursue union involvement. The current condition of the workplace in America has drastically improved from when unions were first introduced. Much has changed and employers are required to treat their workers better than they were in the early horse and wagon transportation days. Unions are consistently becoming a thing of the past; businesses have proven that they can operate profitably without their assistance. For this to work, managers at nonunionized companies must lead their operation and employees in a manner that would not prompt the need for a negotiator to come between the employees and the management. The loss of contact between employees and management can have a devastating effect on the company as a whole. Quality leadership is needed to keep these relationships going as well, and it is best complemented with a good benefits package showing the employees that they are the company's best resource. When employees feel needed and they are paid accordingly, they are likely to have a positive attitude which will lead to increased productivity and profits.

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Appendix - personal communication, February 5, 2007

Chrysler Corporation

UAW Member – R. Briscoe – February 2007

Do you feel that most union members at Chrysler are satisfied with the benefits of being a member?

Yes, for the most part even though we are losing ground with our benefits.

What would be one thing you would want to change about being in the union?

The fact that they have to fight for workers that commit work place violations when they should be fired for doing them (Under the law, they have to do this).

Has violence ever occurred as a result of your union?

Nothing significant since I've been there (30 years).

Approximately how much are union dues? Are they reasonable?

About $60 a month, for what we receive they are worth it.

Do you think that the union is necessary at Chrysler?

Yes, in a large manufacturing plant like Newark Assembly, I feel I need union representation at times even though it is rare.

In other words, could the employees and the company survive if the union was not in place?

I think the company could survive but it wouldn't be a place I would want to work in.

Overall, do you feel that unions are beneficial to companies?

Yes, if they can develop a good working relationship like what has been done at Chrysler over the years then they would be beneficial. We don't have the hard line stance between company and workers like you did in the early years of union forming.