



Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

[Federal Publications](#)

[Key Workplace Documents](#)

February 1994

Statement of Henry S. Farber Before the Commission on the Future of Worker-Management Relations

Henry S. Farber
Princeton University

Follow this and additional works at: https://digitalcommons.ilr.cornell.edu/key_workplace

Thank you for downloading an article from DigitalCommons@ILR.

Support this valuable resource today!

This Statement is brought to you for free and open access by the Key Workplace Documents at DigitalCommons@ILR. It has been accepted for inclusion in Federal Publications by an authorized administrator of DigitalCommons@ILR. For more information, please contact catherwood-dig@cornell.edu.

If you have a disability and are having trouble accessing information on this website or need materials in an alternate format, contact web-accessibility@cornell.edu for assistance.

Statement of Henry S. Farber Before the Commission on the Future of Worker-Management Relations

Comments

Suggested Citation

Farber, H. S. (1994). *Statement of Henry S. Farber before the Commission on the Future of Worker-Management Relations*. Retrieved [insert date], from Cornell University, School of Industrial and Labor Relations site: http://digitalcommons.ilr.cornell.edu/key_workplace/340/

*Hot Topic
Future Worker Management*

Statement For
The Commission on the Future of Worker-Management Relations

Henry S. Farber
Professor of Economics
Princeton University
February 24, 1994

Property of
MARTIN P. CATHERWOOD LIBRARY
NEW YORK STATE SCHOOL
INDUSTRIAL AND LABOR RELATIONS
Cornell University

I. Introduction

Professor Dunlop and Members of the Commission, thank you for the opportunity to make this presentation. I will base my remarks largely on work I have done analyzing the decline of union membership in the United States over the past twenty years.

Based on my tabulations of the Current Population Survey, 21.7 percent of the private-sector non-agricultural labor force were members of labor unions in 1977. The unionization rate fell to 15.6 percent by 1984 and to 11.9 percent by 1991. The picture is quite different in the public sector where the unionization rate stood at 32.7 percent in 1977, increased to 35.8 percent by 1984, and stood at 36.9 percent in 1991. In fact, by 1991, fully 40 percent of union members in the United States were in the public sector (compared with 25.9 percent in 1977). While no disagreement exists about the dimensions of the decline of the private-sector unionization rate, there is substantial debate about its causes.

Some believe that the decline in the unionization rate is that it is largely a product of shifts in the structure of the labor force. Specifically, it is often argued that the shift in employment away from the heavily-unionized manufacturing sector and toward the less-unionized service sector combined with the shift away from blue-collar employment and toward white-collar employment is responsible for much of the decline in the unionization rate. In fact, changes in the industrial, occupational, and demographic composition of the workforce explain only about 20-25 percent of the decline in the private sector unionization rate. Unionization rates fell within every major industrial and occupational category. For example, the unionization rate in private-sector manufacturing fell from 35 percent in 1977 to 20 percent in 1991 and the unionization rate in private-sector blue collar jobs fell from 40 percent in 1977 to 25 percent in 1991. Thus, the explanation for the most of the decline of the unionization rate must lie elsewhere than in the

changing structure of the labor force.¹

Two other explanations for the decline in the unionization rate that have been advanced. The first explanation is that increased employer resistance to unions and efforts to organize may have made union formation more difficult. Much of the evidence for this is based on analyses of the NLRB electoral process for certification of unions as bargaining agents.² Unfair labor practice charges are up, and union success rates in elections are down. In addition, the fraction of the nonunion workforce participating in certification elections has decreased dramatically. The second explanation for the decline is that workers may simply be less interested in unions than they used to be.³ This is consistent with the evidence that union success rates in certification elections are down and that the fraction of the nonunion workforce participating in certification elections is down.

My goal here is to help distinguish between these competing explanations through the analysis of specific evidence on workers preferences for union representation. I argue that much of the decline in the unionization rate is due to a decrease in worker demand for traditional forms of union representation and that relatively little is due to increased employer resistance to unions. This implies that changes in the process that the NLRB uses to certify unions as bargaining agents, such as moving away from an election-based process to a process based on signing of authorization cards, are not likely to have a large positive effect on the unionization rate. A brief discussion of potential explanations for the decline in worker demand for union representation concludes my presentation.

¹Farber (1983) and Dickens and Leonard (1985) present evidence that bears directly on the question of how much of the decline in the unionization rate is due to shifts in the structure of the labor force.

²Weiler (1983, 1990) presents detailed evidence and arguments suggesting that the National Labor Relations Act does not adequately protect workers from employer reprisals during organizing efforts and beyond. LaLonde and Meltzer (1991) challenge Weiler's reading of the evidence, and Weiler (1991) responds to Lalonde and Meltzer.

³Farber (1987, 1990) and Farber and Krueger (1993) present evidence consistent with the view that much of the decline in the unionization rate is due to decreased worker interest in union representation.

II. The Decline in Demand for Union Representation

Several surveys carried out between 1977 and 1991 ask nonunion workers about their interest in union representation. More precisely, the surveys ask nonunion workers whether they would vote for or against union representation on their current job in a secret ballot election. The surveys include the Quality of Employment Survey (1977), the National Longitudinal Survey of Young Men (1980), the National Longitudinal Survey of Young Women (1982), a Lewis Harris Survey conducted for the AFL-CIO (1984), and the General Social Survey (1991). Alan Krueger and I also conducted a small-scale survey with the same question in 1992.

The interpretation that respondents are likely to make of such a question is crucial to making sense of these data. I assume that the respondents interpret the question quite literally as asking only for their private choice regarding whether or not they would prefer their current job be union or nonunion. As such, it is an indicator of the demand among nonunion workers for union representation. I assume that respondents understand that they are *not* being asked whether or not they would actively participate in an organization effort. This matters because, to the extent that respondents believe that they are being asked whether or not they would actively participate in an organization effort, fear of employer reprisals might deter affirmative responses.

I focus my analysis here on the 1977 Quality of Employment Survey, the 1984 AFL-CIO survey, and a combination of the 1991 General Social Survey and the 1992 Farber/Krueger Survey. This allows me to examine the components of changes in the unionization rate at three evenly-spaced points in time from 1977 to 1991. The numbers and analysis I present here are taken from recent work I completed with Alan Krueger (Farber and Krueger, 1993), and more detail can be found there.

I use four measures here to represent the unionization rate and its determinants, all calculated from one of these surveys augmented by the CPS where appropriate.

- 1) **The unionization rate.** Measured simply as the fraction of respondents who are union members (25.3% in 1977, 20.6% in 1984, 17.7% in 1991).
- 2) **The demand for union representation among nonunion workers.** Measured as the fraction of nonunion respondents who

say that they would vote for union representation on their current job (38.6% in 1977, 33.1% in 1984, 34.0% in 1991).

3) **"Frustrated" demand for union representation.** Measured as the fraction of respondents who are nonunion but prefer their job to be unionized (28.8% in 1977, 26.3% in 1984, 28.0% in 1991).

4) **The overall demand for union representation.** Measured as the fraction of respondents who are either union members or are nonunion workers who say that they would vote for union representation (54.1% in 1977, 46.9% in 1984, 45.7% in 1991).

This is calculated as the sum of the unionization rate and frustrated demand for union representation.

Key to disentangling the causes of the decline in the unionization rate are the overall demand for union representation and frustrated demand for union representation. Overall demand is a measure worker interest in unions, and it includes both unionized workers and nonunion workers who would prefer that their job be unionized.⁴ Frustrated demand for union representation, which measures the fraction of the workforce that prefers union representation but is employed on non-union jobs, is a rough indicator of the effectiveness of employer resistance to union organization.

It is important to note that the distinction between these concepts is not absolute. Actions that employers can take to avoid or resist union organization might reduce overall demand as well as increase frustrated demand, and this can make interpretation of the results more difficult. For example, nonunion employers can resist unions by providing wages, working conditions, and other workplace structures that are "union-like" so that nonunion workers will be less interested in unionization and overall demand for union representation will be lower. This sort of "positive" resistance to unions can be very effective. However, this does not mean that I have measured demand incorrectly. Conditional on fully-appropriate behavior by non-union employers, the

⁴Note that this measure assumes that all unionized workers prefer their jobs to be unionized. Several of the surveys mentioned above ask unionized workers if they would vote for or against continuing union representation in a secret ballot election. The results suggest that 90 percent would vote to continue union representation.

demand for union representation is accurately indicated by my measure. Of course, it might be the case that if the threat of unionization were to subside even further, non-union employers might not feel compelled to provide such benefits to workers.

At the other pole is the sort of "negative" behavior by non-union employers in form of quasi-legal and illegal behavior during organization and first-contract negotiations (Weiler; 1983, 1990). This form of resistance can reduce measured demand for union representation along with increasing frustrated demand. However, the union preference question is clear in asking only about a vote in a secret ballot election. My view (ultimately my judgement) is that responses to the vote question will not be strongly affected by fear of employer reprisals so that the responses will yield an accurate measure of underlying demand. Negative employer resistance will be indicated by an inability of workers who prefer union representation to translate this preference into union employment, and this is what the frustrated demand measure is designed to capture.

Figure 1 contains a graphic representation of these four series for 1977, 1984, and 1991. The lowest line illustrates the decline in the unionization rate over this period. The line labeled "nonunion demand" shows that there was a substantial decline between 1977 and 1984 in the fraction of the nonunion workforce that demanded union representation. Nonunion demand was roughly constant between 1984 and 1991. The line labeled "frustrated demand" shows that frustrated demand actually fell between 1977 and 1984 and then rose somewhat between 1984 and 1991. Finally, total demand fell sharply between 1977 and 1984 and was roughly constant between 1984 and 1991.

The pattern is clear. The sharp drop of 7.6 percentage points in the unionization rate between 1977 and 1991 is fully accounted for by a drop in total demand for union representation of 8.5 percentage points. Frustrated demand fell slightly during this period by 0.9 percentage points. This indicates that employer resistance to union organization actually became somewhat less effective, offsetting some of the decline in demand.

The conclusion is that virtually all of the decline in the unionization rate between 1977 and 1991 is due to a decrease in demand.

III. Further Evidence from the Public Sector

As noted in the introduction, the unionization rate not only is much higher in the public sector but also increased over the 1977 to 1991 period. Those who argue that the decline in unionization in the private sector is due to increased employer resistance to union organization have used the contrast with the public sector as evidence (Freeman, 1988). Specifically, it is argued that the relative success of unions in the public sector is due to a regulatory structure in the private sector (the NLRA as currently administered) that is less hospitable to union organizing than the regulatory structures prevailing in the public sector (state laws). This is a key part of the basis for the view that reform of the legal structure in the private sector would go a long way toward improving the fortunes of unions in that sector.

However, an analysis that Alan Krueger and I carried out using data from the 1984 AFL-CIO survey and the 1984 CPS suggests something very different (Farber and Krueger, 1993). Fully 44% of public sector nonunion workers would vote for union representation compared with only 29% of private sector nonunion workers. On this basis, we conclude that the higher unionization rate in the public sector (36% vs. 16%) is due entirely to higher overall demand for union representation in that sector (64% vs. 40%). The level of frustrated demand is actually higher in the public sector than in the private sector (29% vs. 24%).

IV. Why the Decline in Worker Demand?

In fact, we know relatively little about why workers are less interested in unions today than they were previously. One possibility is that the labor market has become more competitive, due both to increased international competition in manufactured goods and to deregulation of key domestic industries. However, direct evidence that bears on this is scarce (Abowd and Farber, 1990). Another possibility is that the government has taken over many functions of workplace regulation that used to be in the domain of labor unions exclusively. These range from regulation of workplace health and safety regulation (OSHA) to regulation of pensions (ERISA) to the erosion of the employment-at-will doctrine in the nonunion sector (Stone, 1992). Thus, unions may have less to offer workers today with regard to traditional areas of workplace regulation.

The strongest correlate I can find with the preferences of nonunion workers for union representation is job satisfaction. It is not surprising either to me or to generations of union

organizers that workers who are dissatisfied with their jobs are more likely to want union representation. Dissatisfied workers are more likely to perceive that unions can be of real benefit to them in improving wages and working conditions. A surprising finding, however, is that job satisfaction (overall, with pay, and with job security) has actually increased somewhat between 1977 and 1992. In fact, this increase in job satisfaction can account for the entire decline in demand for union representation by nonunion workers over this period.

It is difficult to understand why job satisfaction seems to have increased over this period. After all, real wages have not been growing and it seems clear that job security in many parts of our economy has been threatened by increased competition both domestically and internationally. While the increase in job satisfaction may simply represent cognitive dissonance as workers cope psychologically with new economic realities, it may also reflect active policies by nonunion employers to provide (perhaps union-like) workplace procedures and institutions to preempt dissatisfaction and its consequences (turnover, low productivity, and perhaps a union organizing drive). To the extent that these human resource management strategies actually exist and are a reaction, at least in part, to a perceived threat of union organization, they represent a positive effect of labor unions on which nonunion workers are getting a "free ride".

V. Concluding Remarks

I have presented evidence strongly suggesting that the decline in the unionization rate between 1977 and 1991 is due largely to a decline in worker demand for union representation rather than to an increase in employer resistance to union organizing. This has important policy implications. First, it suggests that modifications to the National Labor Relations Act that streamline the certification process are not likely to yield a substantial increase in the unionization rate. Second, it suggests that the ultimate arbiter of the success of unions in the United States are the workers, and any successful form of organization must reflect workers needs and desires. Unfortunately, our knowledge about what it is workers want, what they are willing to pay for, and what they are willing to work for is rudimentary at best. Thus, relaxing the restrictions in the NLRA on management involvement in workplace organizations to allow more flexible forms of worker participation is not a sure solution to the union movement's problems.

VI. REFERENCES

- Abowd, John M. and Henry S. Farber. "Product Market Competition, Union Organizing Activity, and Employer Resistance, " Working Paper No. 295, Department of Economics, Massachusetts Institute of Technology, April 1990.
- Dickens, William T. and Jonathan S. Leonard. "Accounting for The Decline in Union Membership, 1950-1980," *Industrial and Labor Relations Review* 38 (April 1985): 323-334.
- Farber, Henry S. "The Extent of Unionization in the United States," in T. Kochan (ed.), *Challenges and Choices Facing American Labor*. Cambridge, MA. MIT Press, 1985.
- Farber, Henry S. "The Recent Decline of Unionization in the United States," *Science* 13 (November 1987): 915-920.
- Farber, Henry S. "The Decline of Unionization in the United States: What Can be Learned From Recent Experience?" *Journal of Labor Economics* 8 (January 1990): S75-S105.
- Farber, Henry S. and Alan B. Krueger. "Union Membership in the United States: The Decline Continues," in Kaufman and Kleiner (eds.) *Employee Representation*, Madison, WI. Industrial Relations Research Association, 1993.
- Freeman, Richard B. "Contraction and Expansion: The Divergence of Private Sector and Public Sector Unionism in the United States," *Journal of Economic Perspectives* 2 (Spring 1988): 63-88.
- LaLonde, Robert J. and Bernard D. Meltzer. "Hard Times for Unions: Another Look at the Significance of Employer Illegals," *The University of Chicago Law Review* 58 (1991): 953-1014.
- Stone, Katherine Van Wezel. "The Legacy of Industrial Pluralism: The Tension Between Individual Employment Rights and the New Deal Collective Bargaining System," *The University of Chicago Law Review* 59 (1992): 575-644.
- Weiler, Paul C. "Promises to Keep: Securing Workers' Rights to Self-Organization Under the NLRA," *Harvard Law Review* 96 (1983).
- Weiler, Paul C. *Governing the Workplace: The Future of Labor and Employment Law*. Cambridge, MA. Harvard University Press, 1990.
- Weiler, Paul C. "Hard Times for Unions: Challenging Times for Scholars," *The University of Chicago Law Review* 58 (1991): 1015-1032.

Figure 1

The Decline of Unionization 1977-1991

