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THE TWO FACES OF UNIONISM

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ABSTRACT

This study delineates and assesses the relative accuracy of two views of trade unions in the U.S. In the first, which we call the "monopoly" view, unions are a detrimental force in advanced capitalist systems; unions do little more than raise the wages of their members beyond what they would otherwise be, increasing the degree of economic inefficiency and inequality. In the second, which we refer to as the "collective voice/institutional response" view, unions provide workers with collective voice, which is essential in the absence of meaningful opportunities for individual exit; this voice elicits institutional responses which dramatically change the nature of the employment relationship and, in so doing, increases the levels of productivity and equality in many settings.

The evidence presented indicates that those who focus on the monopoly face of unionism and ignore the collective voice/institutional response view are likely to hold erroneous beliefs about unions in this country. The facts indicate that on net unions do <u>not</u> reduce efficiency or equality and are generally democratic and non-corrupt organizations.

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Trade unions are the principal institution of workers in modern capitalist societies, as endemic as large firms, oligopolistic organization of industries, and governmental regulation of free enterprise. For over two hundred years, since the days of Adam Smith, there has been widespread disagreement about the effects of unions on the economy. On the one side are economists including John Stuart Mill, Alfred Marshall and Richard Ely (one of the founders of the American Economic Association) who have viewed unions as having major positive effects on the economy. On the other side are economists such as Henry Simons and Fritz Machlup who have stressed the adverse effects of unions on the national dividend. In the 1930s and 1940s unions were at the center of attention among intellectuals, with most social scientists viewing them as an important positive force in society. In recent years, unionism has become a more peripheral topic and unions have come to be viewed less positively. Less and less space in social science journals, magazines, and newspapers is devoted to unions. For example, the fraction of articles in major economics journals treating trade unionism dropped from 9.2 percent in the 1940s to 5.1 percent in the 1950s to 0.4 percent in the early 1970s. What is written is increasingly unfavorable. The press often paints unions as organizations which are socially unresponsive, elitist, nondemocratic, or ridden with crime. Our analysis of the content of articles on unions in two major national news journals, <u>Newsweek</u> and <u>Time</u>, shows an increase in the percent of lines of print unfavorable to unions from 34 percent in the 1950s to 51 percent in the 1970s. Economists, into whose domain analysis of trade unions naturally falls, at present generally treat unions unidimensionally as monopolies whose sole function is to raise wages. Since monopolistic wage increases are socially deleterious, in that they can be expected to induce both inefficiency and inequality, most economic studies judge unions implicitly or explicitly as having a negative impact on the economy.[1]

According to our recent research on the subject, treatment of unions as organizations without solidaristic or purposive values, whose sole function is to raise wages, is seriously misleading. While unions appear to raise wages above competitive levels, they also have significant nonwage effects which influence diverse aspects of modern industrial life. By providing workers with a voice both at the work place and in the political arena, unions can and do positively affect the functioning of the economic and social systems. Although research on the nonwage effects of trade unions is by no means complete and some results will surely change as more evidence is available, sufficient work has been done to yield the broad outlines of a new view of unionism.

The Collective Voice/Institutional Response View of Unions

One key dimension of the new work on trade unionism can be best understood by recognizing that societies have two basic mechanisms for dealing with divergences between desired social conditions and actual conditions. The first is the classic market mechanism of exit and entry, which is represented by individual mobility. The dissatisfied consumer switches products. The diner whose soup is too salty seeks another restaurant. The unhappy couple divorces. In the labor market, exit is synonymous with quits, while entry consists of new hires by the firm. By leaving less desirable jobs for more desirable jobs or by refusing bad jobs, individuals penalize the bad employer and reward the good, leading to an overall improvement in the efficiency of the social system. The basic theorem of neoclassical economics is that, under well-specified conditions, the exit and entry, or mobility of persons (the hallmark of free enterprise), produces a "Pareto-optimum" (a situation where no one can be made better off without making someone worse off). Economic analysis can be viewed as a detailed study of the implications of the exit-entry mode of adjustment and of the way in which actual economies do or do not operate in the prescribed manner. As long as the exit-entry market mechanism is viewed as the only efficient means for such adjustment, institutions such as unions must necessarily be viewed as impediments to the optimal operation of a capitalist economy.

There is, however, a second mode of adjustment. This is the political mechanism, which Albert Hirschman has termed "voice" in his important book Exit, Voice and Loyalty. "Voice" refers to the process of direct communication designed to bring actual and desired conditions closer together. It means talking about problems: complaining to the store about a poor product rather than taking business elsewhere; telling the chef that the soup had too much salt; discussing marital problems, possibly with a marriage counselor, rather than going to the divorce court. In a political context, voice is participation in the democratic process, through voting, discussion, logrolling, and so on. Not surprisingly, voice is studied by political scientists, who in general regard citizen participation as the optimal means for solving community problems.

The distinction between the two mechanisms is best illustrated by a specific situation: for instance, concern about school quality in a given locality. The exit solution to poor schools is to move to a different community or to enroll children in a private school,thereby "taking one's business elsewhere." The voice solution would involve political action to improve the school system, through election of school boards, Parent Teacher Association meetings, and related direct activities.

In the job market, voice consists of discussing with an employer conditions that ought to be changed, rather than quitting. In modern industrial economies, particularly in large enterprises, a trade union is the vehicle for collective voice, providing workers as a group with a means of communicating with management.[2] Collective rather than individual bargaining with an employer is necessary for effective voice at the work place for two reasons.

First, many important aspects of an industrial setting are "public goods," which affect the well-being (negatively or positively) of every employee, reducing the incentive for any single person to express his preferences and invest time and money in changing conditions that benefit all. Safety conditions, lighting, heating, the speed of a promotion line; the layoff, work-sharing, cyclical-wage adjustment, and promotion policies of the firm; a formal grievance procedure; or a pension plan obviously affect the entire work force in the same way that defense, sanitation, and fire protection affect the entire citizenry. Externalities (things done by one individual (or firm) that also affect the well-being of another) and public goods at the work place call for collective decision-making. Without the policing of a collective organization, the incentive for the individual to take into account the effects of his or her actions on the well-being of others or express his or her preferences or invest time and money in changing conditions is likely to be too small. Why not let Harry do it and enjoy the benefits at no cost? This is, of course, the classic "free rider" problem which in the union context lies at the heart of the so-called "union security" versus "right to work" debate.

Second, workers who are not prepared to exit may be unlikely to reveal their true preferences to their bosses, fearing that their employers will punish them in some way. The essence of the employment relationship under capitalism, as Karl Marx, Ronald Coase, Herbert Simon and numerous other analysts have recognized, is the exchange between employer and employee of money for control over a certain amount of the worker's time which the employer seeks to use in a way that maximizes the value of the output the employee produces. Even in the case of piece rates, employers monitor employee activity to assure the quality of output. As a result, the way in which the time purchased is utilized must be determined by some interaction between workers and their boss. Since the purchaser of the labor power, the employer, can fire the protester, individual protest is dangerous. A prerequisite for effective voice concerning the employment relationship is the protection of activists from being discharged. In the United States this protection is granted in Sec. 8(a)(3) of the National Labor Relations Act which states that "It shall be an unfair labor practice for an employer by discrimination in regard to hire or tenure or employment or any term or condition of employment to encourage or discourage membership in any labor organization." It is important to note that, unionism aside, court interpretation of U.S. labor law makes a sharp distinction between collective and individualistic activity at the work place. While workers who act as a collective are protected from managerial retaliation, an individual acting alone is not.[3]

The collective nature of trade unionism fundamentally alters the operation of a labor market and, hence, the nature of the labor contract generated. In a nonunion setting, where exit and entry are the predominant forms of adjustment, the signals and incentives to firms depend on the preferences of the "marginal" worker, the one who will leave (or be attracted) by particular conditions or changes in conditions. The firm responds primarily to the needs of this marginal, generally younger, mobile worker and can within some bounds ignore the preferences of "infra-marginal," typically older workers, who, for reasons of skill, knowledge, or rights that cannot be readily transferred to other enterprises as well as other costs associated with changing firms, are effectively immobile. In a unionized setting, by contrast, the union takes account of the preferences of _all_ workers to form an average preference that typically determines its position at the bargaining table. Because unions are political institutions with elected leaders, they are likely to be responsive to a different set of preferences than those that dominate in a competitive labor market.

While social science lacks a theory of political institutions comparable to the economic model of profit-maximizing firms or utility-maximizing consumers, virtually any plausible model (e.g., the median voter model, in which the political institution responds to the desires of the voter in the middle of the relevant distribution of individuals by their preferences) would predict that the influence of older, infra-marginal workers relative to that of younger, marginal employees in determining the relevant employment contracts would be greater in a unionized as opposed to a nonunionized setting.
In a modern economy, where workers tend to be attached to firms for eight or more years, on average, and where younger and older workers are likely to have different preferences (for instance, regarding pension or health insurance plans versus take-home pay, or regarding layoffs by inverse seniority versus work-sharing or cuts in wage growth), the change from a marginal to an average calculus is likely to lead to a quite different labor contract. When particular work relations or modes of compensation have sizeable fixed or set-up costs or are public goods, it can be shown that a calculus based on the average preference can lead to a contract which, ignoring distributional effects, is socially more desirable than that based on the marginal preference.

The mix of employment benefits and policies resulting from the average calculus may be economically more "efficient" than that resulting from the marginal calculus.

The role of unions as a voice institution also fundamentally alters the social relations of the work place. Perhaps most importantly, a union constitutes a source of worker power in a firm, diluting managerial authority and offering members a measure of due process. In particular, the union innovation of a grievance and arbitration system permits workers to protest particular managerial actions concerning nearly all aspects of the labor exchange. While 99 percent of major U.S. collective bargaining contracts provide for the filing of grievances and 95 percent provide for arbitration of disputes that are not settled between the parties, relatively few nonunion firms have comparable procedures for settling disagreements between workers and supervisors.[4] More broadly, the entire industrial jurisprudence system, by which many workplace decisions are made on the basis of negotiated rules (such as seniority) as opposed to supervisory judgment (or whim) and are subject to challenge through the grievance/arbitration procedure, represents a major change in the power relations within firms. As a result, in unionized firms workers are more willing and able to express discontent and to object to managerial decisions. Although extent and form differ among establishments and unions, there is no doubt that unionism alters the distribution of power in firms.

As a collective alternative to individualistic actions in the market, unions are much more than simple monopolies that raise wages and restrict the competitive adjustment process. Given imperfect information and public goods in industrial settings and conflicting interests at the work place and in the political arena, unionism provides an alternative mechanism for bringing about important and socially desirable changes. This is not to deny that unions have monopolistic power nor that they use this power to raise wages for a select part of the work force. The point is that unionism has two faces, each of which leads to a different view of the institution: one, which is at the fore in economic analysis, is that of a monopoly; the other is that of a voice institution. To understand fully what unions do in modern industrial economies, it is necessary to examine both.

The second central dimension of our research is an analysis of how other institutions in our society respond to various union stimuli. We have found that in response to trade unions management has substantially altered both its personnel and production practices. These responses represent a key determinant of the ultimate economic impact of unionism, as was rightfully stressed in the classic volume by Slichter, Healy, and Livernash, The Impact of Collective Bargaining on Management. If management adopts more rational policies toward the work force and uses the collective bargaining process to learn about and improve the operation of the work place and the production process, unionism can be a significant plus. If one of the main effects of unions on management is to encourage "investigation and reflection," as Slichter, *et al.* claim, there is a reasonable chance that union organization can improve managerial efficiency. On the other hand, if management reacts negatively to collective bargaining or is prevented by unions from reorganizing the work process, unionism can have a negative affect on the performance of the firm. The important point is that just as there are two sides to the market, demand and supply, there are two forces determining the economic effects of collective bargaining, managements and unions. The economic impact of bargaining and the nature of industrial relations depend on the policies and actions of both. It is for this reason that we use the two terms collective voice and institutional response to refer to the second view of unionism under consideration.

Figure 1 sets out the difference between the monopoly and collective voice/institutional response views of the impact of unionism on three major social phenomena: economic efficiency, or how and what goods are produced; economic equity, or income distribution; and the operation of unions as organizations. While no sophisticated adherent of the monopoly model would deny the voice aspects of unionism and no industrial relations expert would gainsay the monopoly effects, the polar dichotomization usefully highlights the facets of unionism stressed by the two views.

The monopoly and collective voice/institutional response views of unionism are strikingly different, in many instances giving completely opposite pictures of the institution. In the former, unions are by nearly all criteria socially undesirable impediments to the good society; in the latter, unions have many valuable features which contribute to the functioning of the economy. Adopting only the monopoly view, the current dwindling in the fraction of private sector wage and salary workers who are unionized (from 37 percent in 1958 to 29 percent in 1974)[5] is a desirable development; it should be associated with increased productivity and reduced inequality and, thus, ought perhaps to be encouraged. Accepting solely the collective voice/institutional response view, the dwindling of private sector unionization has serious deleterious economic and social consequences and should most likely be an issue deserving public attention.

Since, in fact, unions have both monopoly and collective voice/institutional response components, the key question for understanding unionism in the United States relates to the relative importance of these two faces. Are unions primarily monopolistic institutions or are they primarily voice institutions which induce socially beneficial responses? What weights should be placed on the two extreme views to obtain a realistic picture of the role of trade unionism in the United States?

To answer these important questions, we have studied a wide variety of data sets that distinguish between union and nonunion establishments

Figure 1: Two Views of Trade Unionism

Issue: / View:	Economic Efficiency (What & How)	Economic Equity (For Whom)	Social Nature of Organization
Monopoly Unionism	Unions raise wages above competitive levels, which leads to too little labor relative to capital in unionized firms Union work rules decrease productivity Unions lower society's output through frequent strikes	Unions increase income inequality by raising the wages of highly skilled workers Unions create horizontal inequities by creating differentials between comparable workers	Unions ration places discriminatorily Unions (individually or collectively) fight for their own special interests in the political arena. Union monopoly power breeds corrupt and nondemocratic elements.
Collective Voice/ Institutional Response	Unions have some positive effects on productivity-- by reducing quit rates, by inducing management to alter methods of production and adopt more efficient policies, and by improving morale and coopera- tion among workers Unions collect information about the preferences of all workers which leads the firm to choose a "better" mix of employee compensation and a "better" set of personnel policies Unions improve the communica- tion between workers and management, leading to better decision-making	Unions' standard rate policies reduce inequality among organized workers in a given company or a given industry. Union rules limit the scope for arbitrary actions concerning the promotion, layoff, recall, etc. of individuals Unionism fundamentally alters the distribution of power between marginal (typically junior) and inframarginal (generally senior) employees, causing union firms to select different compensation packages and personnel practices than nonunion firms	Unions are political institutions representing the will of their members Unions represent the political interests of lower income and dis- advantaged persons.

and between union and nonunion workers, and we have discussed many relevant issues with representatives of management, labor officials, and industrial-relations experts. Although additional work will certainly alter some of the specifics, our research has yielded several important results which suggest that unions do a great deal more than win monopoly wage gains for their members. In the next three sections, the two sets of beliefs concerning union effects on efficiency and equity and the nature of the union as a political organization are developed further and examined in light of the existing evidence.

Economic Efficiency: The Amount and Mix of Goods Produced

Unions can affect society's "economic efficiency" through their impact on the economy's ability to produce output from its limited resources and through their impact on the composition of this output.

The Amount Produced: Beliefs. In the monopoly view unions reduce society's output below what it could be in three ways. First, union-won wage increases cause a misallocation of resources by inducing organized firms to hire fewer workers, to use more capital per worker, and to hire higher quality workers than is socially efficient. Second, union contract provisions, such as limits on the load handled by workers, restrictions on tasks performed, requirements that unnecessary work be done, and so forth reduce the output yielded by a given amount of capital and labor power. Third, strikes called to force management to accept union demands cause a substantial reduction in gross national product.

The collective voice/institutional response model, by contrast, directs attention to important routes by which unionism can raise productivity. According to the analysis, one of these potential paths is the reduction of quits. As workers' voice increases in an establishment, less reliance need be placed on the exit and entry mechanism to obtain desired work conditions. Since hiring and training costs are lower and the functioning of work groups is less disrupted when quit rates are low, reductions in voluntary attrition due to unionism can raise efficiency.

The fact that senior workers are likely to be relatively more powerful in enterprises where decisions are based on voice instead of exit and entry points to another way in which unions can raise productivity. Under unionism, promotions and other rewards tend to be less dependent in any precise way on individual performance and more dependent on seniority. As a result, in union plants, feelings of rivalry among individuals are likely to be less than in nonunion plants and the amount of informal training and assistance that workers are willing to provide one another greater. The importance of seniority in firms in Japan, together with the permanent employment guaranteed some workers have often been cited as factors increasing the productivity of Japanese enterprises. It is of course important to recognize that seniority can also reduce productivity by placing less able persons in certain jobs.

Unionism can also raise efficiency by pressuring management into tightening job production standards and accountability in an effort to respond to union demands while maintaining profits. Slichter, et al. writing in 1960 comment: "The challenge that unions presented to management has, if viewed broadly, created superior and better balanced management, even though some exceptions must be recognized." Their conclusion means that unionized management is able to extract more output from a given amount of inputs than is management which is not confronted with a union stimulus. This appears to occur largely by forcing modern personnel practices on the firm in place of traditional paternalism. Management's ability to make such improvements is a function of the union's cooperation, since the union can perform a helpful role in explaining changes in the day-to-day routine. One recent study supportive of this view reports that while union workers spend more time on formal breaks, they spend a comparable amount less time on informal ones and report working harder than nonunion workers. It is important to recognize that productivity gains from improved methods of management in the face of unionism run counter to the standard assumption of neoclassical economics that all enterprises operate at peak efficiency. It is, however, consistent with the "satisficing" models of firms developed by the recent Nobel Prize winner Herbert Simon and other analysts and with the model of X-inefficiency put forth by Harvey Leibenstein; in these models, firms strive for maximum efficiency only when they are under severe pressure from competitors, unions, or other external forces.[6]

Finally, under the voice view, the apparatus of collective bargaining opens a potentially important communication channel between workers and management which is likely to increase the flow of information between the two, possibly improving the productivity of the enterprise. As Reynolds has observed, "Unions can do valuable work by pointing out improvements that perhaps should have been obvious to management but were not, and that, once discovered, can be installed with a net gain to the company as well as the workers."[7]

The Amount Produced: Evidence. Most of the econometric analysis of unions has focused on the question of central concern to the monopoly view: How large is the union wage effect? In his classic book, Unionism and Relative Wages, H. G. Lewis summarized the results of this analysis through the early 1960s as showing that, while differing over time and across settings, the union relative wage effect averages on the order of 10-15 percent: as a result of collective bargaining, a union member makes about 10-15 percent more than an otherwise comparable worker (i.e., someone working in the same occupation, same industry, same geographic area, etc.) who is not a member. Later work using larger data files which have information permitting more extensive controls and employing more complex statistical techniques tends to confirm Lewis' generalization. While unions in some environments raise wages by an enormous amount, the average estimated union wage effect is by no means overwhelming.[8]

As predicted by the monopoly wage model, the capital-labor ratio and average "quality" of labor both appear to be somewhat greater than "optimal" in union settings. However, the total loss in output due to the misallocation of resources resulting from the union wage effect appears to be miniscule; an analysis done by Albert Rees suggests that the loss is less than .3 of one percent of gross national product.[9] In 1975, that would amount to $21.00 per person in the U.S. Even this estimate is likely to be too high if one considers the other important and relevant distortions in the economy. In particular, in the presence of elements of monopsony, which exist when there are costs to changing one's employer, union monopoly wage gains can raise rather than reduce efficiency. Other distortions, however, might cause the estimate to be understated.

The Collective Voice/Institutional Response Routes

One of the central tenets of the collective-voice/institutional response model is that among workers receiving the same pay unions reduce employee turnover and its associated costs by offering "voice" as an alternative to exit. Empirical research using both information on the job changes and employment status of thousands of individuals from newly available computerized data sets and industry-level turnover rates shows that with diverse factors, including wages, held constant, unionized workers have significantly lower quit rates than do nonunion workers who are comparable in other respects. As Table 1 shows, the differences between the organized and unorganized workers are very large. Moreover, consistent with the claim that unions provide better representation for more senior workers, the evidence suggests a more sizeable reduction in exit and increase in job tenure for older male workers than for younger male workers. A major non-wage reason for the greater attachment of workers to firms under unionism is likely to be the existence of formal grievance systems, which provide the opportunity to protest seemingly unjust conditions without resorting to exit. Since employee turnover is costly, the reduction of quits induced by union voice is one way in which unions reduce production costs and thus raise labor productivity.

Table 1: Estimates of the Effect of Unionism on Quits and Tenure with Firm[a]

Sample	Approximate Percentage Amount by which Quits are Reduced by Unionism (with wages fixed)	Approximate Percentage Amount by which Tenure is Increased by Unionism (with wages fixed)
All workers (Michigan Panel Study of Income Dynamics)	45%	36%
All workers (May Current Population Surveys, 1973-75)	86%	--
Male workers (National Longitudinal Survey)		
Older men (48-62 in 1969)	107%	38%
Younger men (17-27 in 1969)	11%	15%
Manufacturing workers (Industry-level Turnover Rates from Bureau of Labor Statistics)	34 to 48%	--

Note:

[a]Figures are based on multivariate regression analyses reported in R.B. Freeman, "The Exit-Voice Tradeoff in the Labor Market: Unionism Job Tenure, Quits, and Separations," Quarterly Journal of Economics, forthcoming, and in "Why Do Unions Increase Job Tenure?", National Bureau of Economic Research Working Paper.

As noted earlier, unionism can positively or negatively affect productivity in ways other than reducing turnover, leaving the net effect of unions on productivity uncertain. Traditional analyses of unionism and productivity based on case studies of establishments (especially by Slichter, Healy, and Livernash) have cited examples both where positive effects dominate and where negative effects dominate. By their very nature, however, case studies cannot give a broad quantitative assessment of the net effect of unionism on productivity.

Analysis of newly available data on unionism and output per worker in many establishments or sectors suggest at the least that the monopoly view of unions as a major deterrent to productivity is erroneous and that in some settings unionism is associated with higher rather than lower productivity, not only because of greater capital intensity and labor quality but also because of what can best be termed institutional response factors.

Table 2 summarizes the available estimates of the union productivity effect. The calculations in the table are based on statistical production function

Table 2: Estimates of the Impact of Unionism on Productivity

Setting	Estimated Increase (+) or Decrease (-) in Output per Worker Due to Unionism[a]
All 2-digit Standard Industrial Classification (SIC) manufacturing industries[b]	20 to 25%
Wooden household furniture[c]	15%
Cement[d]	6 to 8%
Underground bituminous coal, 1965[e]	25 to 30%
Underground bituminous coal, 1975[e]	-20 to -25%

Notes:

[a]All calculations are based on analyses which control for capital-labor ratios and diverse other factors that may influence productivity.

[b]From C. Brown and J. Medoff, "Trade Unions in the Production Process," Journal of Political Economy, June 1978, pp. 355-378.

[c]From J. Frantz, "The Impact of Trade Unions on Productivity in the Wood Household Furniture Industry," Senior Honors Thesis, Harvard University, March 1976.

[d]From K. Clark, "Unions and Productivity in the Cement Industry," Doctoral Thesis, Harvard University, September 1978.

[e]From R.B. Freeman, J.L. Medoff and P. Connerton, "Industrial Relations and Productivity: A Study of the U.S. Bituminous Coal Industry," in progress.

analyses which relate output per worker to unionization controlling for capital per worker, the skill of workers (in some of the analyses), and other relevant factors. While all of the studies are subject to some statistical problems and thus must be treated cautiously, a general pattern emerges. In manufacturing, productivity in the organized sector appears to be substantially higher than in the unorganized sector, by an amount that could roughly offset the increase in total costs attributable to the union wage effect. Analysis of cross-state production figures within 2-digit SIC manufacturing industries yields an estimated average productivity effect of from 20 to 25 percent. While this estimate is likely to be overstated by the gross nature of 2-digit SIC industries, the 20 to 25 percent figure is of the same magnitude as estimates with these data of the extent to which average costs are increased by union wage premia. Analyses of individual establishments in the wooden household furniture industry and in the cement industry confirm the finding of a significant positive union productivity effect which is of roughly the same magnitude as the impact of the union wage effect on average costs in the industry under consideration. The cement industry study provides especially valuable information, since output can be measured in pure quantity terms and the study contains data on plants before and after unionization as well as on organized and unorganized plants at a given point in time.

The importance of some of the specific routes by which unionism positively affects the amount of output produced has been analyzed. In the typical manufacturing industry the substantially lower quit rates under collective bargaining can explain about one-fifth of the estimated positive union productivity effect. Clark's discussions with individuals at the recently organized cement plants reveal that the entrance of a union was usually followed by major alterations in operations. Interestingly, the enterprise typically changed plant management, suggesting that the union drive was an important signal to top management of ineffective lower-level management, and thus, the drive provided increased communication or shock of a distinctive kind. Perhaps most importantly, the discussions with union and management officials in the cement industry indicated that firms often adopted more efficiency-oriented and less paternalistic personnel policies in response to unionism in order to raise productivity to meet higher wage demands.

On the other side of the picture, the analysis of productivity in organized and nonorganized underground bituminous coal mines indicates that as industrial relations in the union sector deteriorated in the late 1960s and 1970s, unionism became associated with negative productivity effects. The striking change in the estimated impact of unionism on productivity in this industry during the past decade highlights the important fact that the effects of unionism are not universal constants but rather depend on specific industrial relations settings. Collective bargaining can raise productivity as a result of some practices and good industrial relations; collective bargaining can reduce productivity as a result of other practices and bad industrial relations. In manufacturing, the factors which raise or at least do not lower productivity dominate; in coal, as the internal problems of the United Mine Workers have grown and the ability of management to deal effectively with labor issues seems to have deteriorated (most likely because rapid industry growth has yielded supervisors who are on average younger and have less experience in labor relations than was typical prior to the late 1960s), the factors which lower productivity have come to dominate. An important, and as yet uncompleted, task is to determine the differential impact of various industrial relations practices on productivity and to discover, as far as is possible, the reasons for these differences.

The evidence just cited suggests that unionism may increase productivity in some settings and decrease it in others. If the increase in productivity is greater than the increase in average unit costs due to the union wage effect then the profit rate will increase; conversely, if the union wage effect increases unit costs more than unionism increases productivity the rate of profit will fall. There is limited tentative evidence that, on average, net profits are reduced somewhat by unionism, particularly in oligopolistic industries; however, there are notable exceptions where the rate of profit increased a result of unionism. At present, there is no definitive accounting of what proportion of the union wage effect comes at the expense of capital, other labor, or consumers and what portion is offset by previously unexploited possibilites for productivity improvements.

Finally, it is important to note that despite what some critics of unions might claim, strikes do not seem to cost society a substantial amount of goods and services. For the economy as a whole, the percent of total working time lost directly to strikes during the past two decades has never been greater than .5 of one percent and has averaged about .2 of one percent. Even "national emergency disputes"--those which would be expected to have the largest repercussions on the economy--do not have major deleterious impacts.[10] Though highly publicized, the days idle because of the direct and indirect effects of strikes represent only a miniscule fraction of the toal days worked in the U.S. economy.

The Mix of Employee Benefits and Personnel Practices: Beliefs. Under the monopoly view, the exit and entry of workers permits each individual to find a firm offering the mix of employee benefits and personnel policies that he or she prefers. As noted earlier, however, the efficiency of this mechanism breaks down when there are public goods at the work place and for workers who are not able to change firms easily. In the voice view, a union provides management with information at the bargaining table concerning policies affecting its entire membership (e.g., the mix of the employee compensation package or the firm's employment practices during a downturn) which can be expected to be different than that derived from the movements of marginal workers. Hence, it is likely that the package of employee benefits and employment adjustment policies will be different in firms covered by collective bargaining than in those which are not. To what extent does the mix of goods at the work place differ between union and nonunion firms?

Evidence Concerning Fringes. Data on the remuneration of individual workers and on the expenditures for employees by firms show that the proportion of compensation allotted to fringe benefits is markedly higher for organized blue-collar workers than for similar nonunion workers. Within most industries, important fringes such as pensions and life, accident, and health insurance are much more likely to be found in unionized establishments than in those which are nonunion. While some of the difference is attributable to the higher wages paid to union workers, since higher wage workers generally "buy" more fringes, Table 3 reveals that a substantial difference is in fact due to the effect of unionism on the nature of the compensation package received by workers with the same level of pay. The table also indicates that the greatest increases in fringes induced by unionism are for the deferred compensation form which are favored by older, more stable employees; this is consistent with the view that unions are more responsive to senior, less mobile workers. More detailed analysis of the pattern of benefits among unionized blue-collar workers compared to the pattern among white-collar workers <u>in the same establishment</u> shows that the sizeable union impact is not due largely to the tendency for unions to organize firms which have high fringes in any case, at least as reflected in the compensation packages of the firms' white-collar employees.

Studies concerning workers' preferences for fringes and managers' awareness of these preferences provide support for the claim that a union can provide management with information that affects the composition of the pay package. For instance, Richard Lester's 1967 review of surveys of managerial perceptions of worker preferences found "limited data . . . that workers value benefits more highly compared to wages than employers believe their workers do".[11] Equally important is the apparent role of unions in evaluating the complex costs and prospective benefits of modern fringe benefits and transmitting these facts to their members.

Table 3:

Estimates of the Effect of Unions on Major Fringe Benefits with the Total Compensation of Workers Held Fixed[a]

Fringe Benefit	Cents Per Manhour on Fringe, All Establishments	Proportion of all Establishments with Specified Fringe	Percentage Amount by which Dollars per Manhour Spent on Fringe Is Increased(+) or Reduced(-) by Unionism
Total fringes	49.9	--	14%
Life, accident, health insurance	10.1	.850	48%
Pensions	9.4	.626	21%
Vacation pay	8.3	.836	19%
Holiday pay	5.2	.778	15%
Bonuses	1.8	.271	-49%

Note:

[a] From R.B. Freeman, "The Effect of Trade Unionism on Fringe Benefits," National Bureau of Economic Research Working Paper No. 292, October 1978.

It is unlikely that an individual worker will make the investment required to understand and judge the true cost and future benefits of alternative compensation packages. A collective of workers, however, can hire lawyers, actuaries, and related experts from whom they obtain the expertise needed to bargain effectively over diverse fringe benefits.

The fact that in many instances nonunion firms have imitated several of the provisions of union contracts is indicative of the "better" information available about workers' preferences in union settings. There is no reason for a nonunion firm to copy what union firms do unless union contracts are preferred by the average nonunion worker, since the satisfaction of the average (not the marginal) employee is what is relevant in a union representation election. It is important to note that to the extent that nonunion firms adopt beneficial union-initiated practices, the estimated impact of unionism on the prevalence of these practices will be understated.

Finally it should be pointed out that the knowledgeable representatives of both labor and management agree that one of the major functions performed by American trade unions is to determine a division of the compensation package acceptable to workers. They recognize that some of the most important bargaining under unionism goes on inside the union, where the desires of workers with disparate interests are weighted in a political process to decide the union's positions at the bargaining table.

Evidence Concerning Adjustments to Economic Downturns. One of the most important personnel decisions made by a firm is how to adjust its employment and wages in response to swings in economic demand. During a downturn, firms must choose among alternative adjustment mechanisms, such as temporary layoffs, cuts in wage growth, average hours reductions, and voluntary attrition. The evidence from various data sets presented in Table 4 indictates that the layoff mechanism is used to a much greater extent in unionized establishments than in those that are nonunion. However,

Table 4: Estimates of the Effect of Unionism on Layoffs[a]

Unit of Observation	Average Monthly Layoff Rates of All Workers		Average Monthly Proportion of Blue-Collar Workers Unemployed due to Layoffs	
	Union Firms	Nonunion Firms	Union Workers	Nonunion Workers
State by 2-digit Standard Industrial Classification (SIC) manufacturing industry cells, 1965-1969[b]	.023	.005	--	--
3-digit SIC manufacturing industries, 1958-1971[b]	.022	.010	--	--
3-digit Census manufacturing industries, May 1973, 1974, and 1975[c]	--	--	.042	.029

Notes:

[a] From J.L. Medoff, "Layoffs and Alternatives under Trade Unions in United States Manufacturing," American Economic Review, June 1979.

[b] Figures based on regressions which hold constant 2-digit SIC industry, average firm size, and other relevant factors.

[c] Figures are weighted averages, with the size of each industry's work force as its weight.

it is important to note that the vast majority of these layoffs are temporary, in that the laid off members await rehire and are recalled after a short spell of unemployment.

By contrast, evidence on the effect of swings in product demand on wages shows responsiveness of wage rates to be smaller in union than in nonunion firms. During the very severe economic downturn from May 1973 to May 1975, for example, while the fraction of hourly blue-collar union members unemployed due to layoffs grew more than twice as much as the comparable fraction for similar nonmembers, the wages of the unionized workers grew by 18.1 percent versus 16.6 percent for the nonunion workers. More generally, analysis of monthly data covering the 1958 to 1975 period for detailed manufacturing industries indicates that while the hourly wages of production workers vary positively with shipments to some extent in nonunion firms (reducing the need for layoffs), there is virtually no association in union firms. These findings reflect the fact that since the late 1950s about two thirds of the major contract manufacturing work force has come to be covered by agreements whose duration is three years or more, nearly all of which have provisions for automatic money wage increases.[12]

Why do temporary layoffs dominate alternative adjustment mechanisms to a much greater extent in firms that are unionized than in those that are nonunion? While lower quit rates in the union sector explain some of the differential use of layoffs, since nonunion firms can rely more heavily on quits to reduce employment, the question remains as to why unionized firms appear to use temporary layoffs relatively more than other non-quit adjustment mechanisms, such as cuts in wage growth or reductions in average hours, than do nonunion firms.

The most reasonable explanation is that under the provisions found in most union contracts, senior workers, who can be expected to have greater power in organized firms, will generally prefer layoffs over the alternatives. A subsample of the major contracts (those covering 1,000 or more workers) in effect in 1970-71 mentioning layoff procedures indicates that seniority was the "sole" or "primary" factor in determining layoff rights for 58 percent of the relevant workers; the comparable figure is 78 percent when contracts in which the issue was "subject to local negotiations" are excluded. In almost a fourth of the subsample of 1970-71 major contracts with layoff provisions, senior employees were allowed to waive their seniority rights and be laid off, while retaining eligibility for recall. When recall is a near certainty and seniority is retained (which is usually the case), and if regular and supplemental unemployment benefits are obtainable, some senior workers might welcome a short period on layoff. In addition, they may prefer a short-term layoff to placement in a relatively undesirable or low paying job.[13]

Hence, senior union members typically incur very small or no costs under an adjustment policy based on layoffs. They would, however, incur more under a policy based on an across-the-board reduction in wage growth or in average hours worked. Thus, if the preferences of senior workers were really given greater weight under unionism than in nonunion settings, as the collective voice/institutional response model claims, we would expect to find layoffs used to a much greater extent than cuts in wage growth or work sharing in union settings, as we have in fact observed.

Economic Equity

One of the striking implications of the monopoly view, which runs counter to popular thought, is that union wage gains increase inequality in the labor market. According to the monopoly model, the workers displaced from unionized firms as a result of union wage gains raise the supply of labor to nonunion firms, which can be expected to reduce the wages of nonunion workers. Thus, in the monopoly view, unionized workers are likely to be made better off at the expense of nonunion workers. The fact that those blue-collar workers who are organized would tend to be more skilled and higher paid than other blue-collar workers even in the absence of unionism implies further that this process benefits "labor's elite" at the expense of those with low skill and earning power. Since many have supported unions because of a belief that they reduce economic inequality, the monopoly view that unions have an adverse effect on the income distribution would, if true, constitute a telling argument against the union movement.

The collective voice/institutional response model suggests very different effects on equity. Given that union decisions are based on a political process and given that the majority of union members are likely to have earnings below the mean in any work place, unions can be expected to seek to reduce wage inequality. In addition, union members are likely to favor a less dispersed distribution of earnings for solidaristic and ideological reasons. Finally, by its nature, collective bargaining reduces managerial discretion in the wage setting process and in this way should also lower dispersion.

The forces leading unions to reduce economic inequality take explicit form in two distinct union wage policies. First is the long-standing policy of pushing for "standard rates," defined as uniform piece or time rates among comparable workers across establishments and impersonal rates or ranges of rates in a given occupational class within establishments. The importance of standardizing rates across establishments has long been recognized. In perhaps the earliest study the Webbs noted that "among trade union regulations there is one which stands out as practically universal, namely, the insistence on payment according to the same definite standard, uniform in its application." The importance of standardization of rates within establishments has also been widely recognized. Under unionism pay is usually based on job rates associated with specific occupational categories, rather than personal rates associated with individuals. While many large nonunion enterprises today employ similar formal wage setting practices, the option for personal differentials based on service, performance, favoritism, or any other factor within a job category is generally larger than in the union sector. For example, so-called "merit" plans for wage adjustment appear to be less prevalent in the union than in the nonunion sector. In the 1970s, while about 43 percent of all companies gave plant employees 'wage adjustment based on a merit plan,' only 13 percent of major union contracts mentioned these plans. Overall, according to Slichter, Healy and Livernash, "the influence of unions has clearly been one of minimizing and eliminating judgment-based differences in pay for individuals employed on the same job" and of "removing ability and performance judgments as a factor in individual pay for job performance." One important potential result of these policies is a reduction of inequality, possibly at the expense of efficiency by reducing the reward for individual effort. Another important potential result of this policy is that wage discrimination against minorities is likely to be less in unionized than in nonunionized settings.[14]

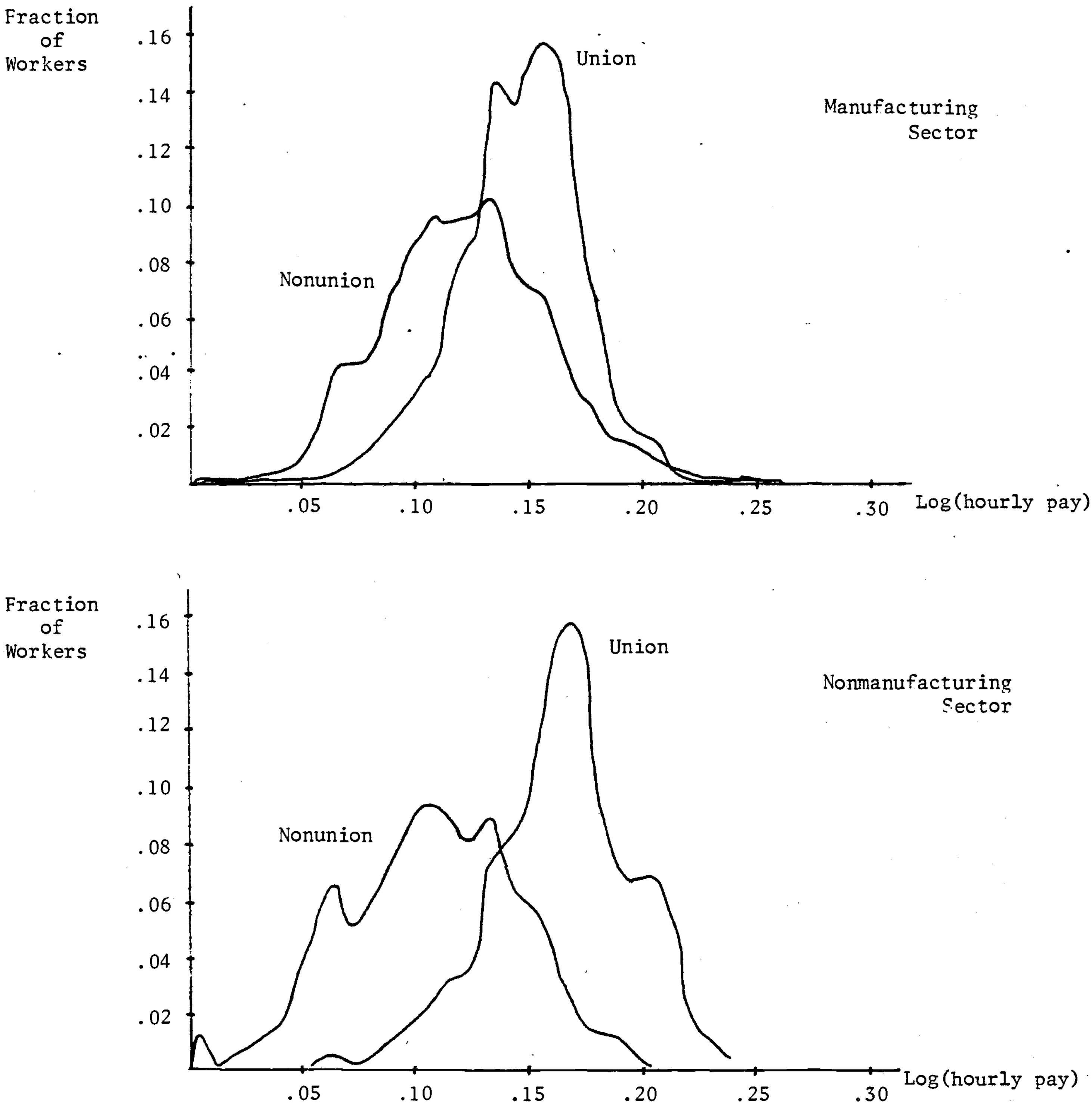
Second, union policies favoring seniority in promotion and job posting and bidding systems in which workers are informed about new openings and can bid for promotions can also be expected to have egalitarian consequences. The possibility for arbitrary supervisory judgments to determine the career of a worker is greatly reduced by the development of formal rules which treat each worker identically.

Thus, according to the monopoly model, trade unionism raises inequality, whereas according to the collective voice/institutional response model, it reduces inequality. Which of these effects dominates?

Until the advent of computerized data files, the information needed to answer this question was unavailable. While estimates were made of the increase in inequality due to monopoly wage gains, estimates of the reduction in dispersion due to standard rate policies could not be made. Newly available data on thousands of unionized and nonunionized workers permit, for the first time, estimates of the reduction of dispersion within the organized sector and of the net effect of unionism on inequality. Our empirical estimates based on the new data show that standardization policies have had a sizeable impact on wage inequality, reducing dispersion, and that the standard rate effect dominates the monopoly wage effect. On net unions reduce earnings inequality by a significant amount.

The impact of the standard rate policies on dispersion of earnings is shown in Figure 2, which compares the frequency distribution of the natural logarithm of earnings among unionized and nonunionized male blue collar workers. If standard rate policies significantly reduced dispersion, the union distribution would be more peaked and less spread out than the nonunion distribution. As the figure makes clear, the distribution of earnings is

Figure 2: Comparison of the Distribution of Hourly Earnings for Union and Nonunion Male Blue Collar Workers[a]



Note:

[a] R.B. Freeman, "Unionism and the Dispersion of Wages," National Bureau of Economic Research Working Paper No. 248, June 1978.

much less dispersed among union workers in both the manufacturing and nonmanufacturing sectors. The upper and lower parts of the frequency distribution are more compressed and the middle of the distribution much more peaked among those who are organized.

In addition to reducing earnings inequality among blue collar workers, union wage policies contribute to equalization of wages by lowering the differential between covered blue-collar workers and uncovered white-collar workers. In manufacturing, while white-collar workers earn, on average, 49 percent more than blue-collar workers, our estimates indicate that under unionism this premium is 32 percent. In nonmanufacturing, while white-collar workers average 31 percent more than blue-collar workers, under unionism the estimated differential is only 19 percent.

To obtain the net effect of unionism on earnings inequality it is necessary to add the decrease in inequality due to wage standardization and the decrease due to the reduction in the white collar/blue collar differential to the increase due to the greater wages of blue-collar union workers compared to lower paid blue-collar nonunion workers. Table 5 presents the results of such calculations using the variance of the natural logarithm of earnings as the measure of inequality. This measure was chosen, rather than other related indices (such as the well-known Gini coefficient) because variances are easier to deal with in adding together various effects. The results of the analysis are not substantively changed by the particular measure of relative inequality chosen.

The table shows clearly that the dominant effect on earnings inequality is the standardization of rates within the union sector (line 4). As a result of the large reduction in inequality attributable, it appears, to standard rate policies, the measure of the variance of earnings is reduced by 21 percent in manufacturing and by 27 percent in nonmanufacturing. Since the income distribution is, as Christoper Jencks and other have shown, relatively stable in the face of dramatic changes in such important social factors as the distribution of schooling, these effects must be judged as large. Unionism appears on net to reduce wage dispersion in the United States, which implies that the voice/response effects of the institution dominate the monopoly wage effect on this front.

Table 5: Estimates of the Contribution of Unionism to the Variance of Log Earnings Among Male Workers[a]

	Manufacturing	Nonmanufacturing
1. Variance in absence of unionism	.201	.224
2. Increase in variance due to monopoly wage effect	.004	.018
3. Decrease in variance due to reduction in white collar/blue collar differential	-.014	-.006
4. Decrease in variance due to within sector standardization of log of wages	-.045	-.058
5. Variance in presence of unionism (1 + 2 + 3 + 4)	.146	.178
6. Percentage effect of unionism on variance of log earnings	-27%	-21%

Note: [a] R.B. Freeman, "The Effect of Unionism on the Dispersion of Wages," National Bureau of Economic Research Working Paper No. 248, June 1978.

Unions also affect the distribution of earnings between blacks and whites. Despite conflicts between trade union seniority rules and affirmative action programs and historic patterns of discrimination by craft unions, empirical evidence, as Orley Ashenfelter was first to note, shows clearly that, on average, unions aid black workers and reduce discriminatory differences.

First, blacks are more likely to be union members than whites and thus more likely to benefit from union wage gains. In the 1973-75 period, 30 percent of black workers were organized compared to 24 percent of white workers. The greater organization of blacks reflects the fact that this group is overrepresented among blue-collar factory workers and underrepresented among the less organized white collar workers. While minorities are still not proportionately represented in some important craft unions, the latest apprenticeship data show that 18.1 percent of apprentices in 1976 were minorities, 9.4 percent being black and 8.7 percent being members of other minority groups.[15]

Second, unionization reduces discriminatory differences within organized firms, through the standard-rate and promotion-by-seniority policies described earlier. While black organized workers make less than white organized workers, the extent of the differential is smaller than among unorganized workers. Estimates with data from the 1973 to 1975 May Current Population Surveys show that among blue collar private sector wage and salary workers black hourly wage rates are below white hourly rates by about 9 percent in the organized sector of a typical 3-digit Census industry compared to about 15 percent in the nonunion sector of the same industry.[16] Seniority rules which are often regarded as inimical to the interests of black workers due to conflict with affirmative action programs should in the long run be beneficial to blacks; when promotion depends on seniority, the firm cannot discriminate on the basis of race.

Third, analysis by Duane Leigh of the effect of unionism on the tenure and quit behavior of black and white workers taken separately shows that with wages held constant the turnover of blacks is as much reduced by unions as the turnover of whites, implying that the nonwage benefits associated with unionism improve conditions as much for blacks as for whites.[17]

On net, while some discrimination is found in the union sector as elsewhere in the economy, trade unions raise black earnings relative to white earnings and, thus, help reduce discriminatory differences.

Trade Unions as Organizations

Under the monopoly view, the potential to use union monopoly power to raise wages and to extort funds from firms, particularly small weak firms, fosters a significant amount of corruption and nondemocratic behavior in the union movement. Many unions are alleged to be run by bosses who seek to enhance their own well-being at the expense of the membership's and by racketeers seeking to skim off the monopoly wage gains. Under the voice view, unions are expected to be democratic political organizations which are responsive to the will of their members. While the monopoly view has been highly publicized, the vast majority of evidence appears to support the voice view.

There are internal and external forces that can be expected to push unions--both locals and internationals--toward being responsive to the wishes of their members. Unions are, by their constitutions, democratic organizations, which are supposed to hold conventions or referenda to discern the membership's sentiment concerning important issues, and fair and frequent elections to assess the members' satisfaction with their leadership. While at one time U.S. labor law dealt only peripherally with the internal workings of unions, the Landrum-Griffin Act, passed in 1959 in response to the 1957 hearings run by Senator John L. McClellan, provides strong federal sanctions against corruption and nondemocratic behavior inside unions. This act contains provisions which: require local, intermediate, and international unions to hold elections at fixed, reasonably short intervals; guarantee members a reasonable opportunity to nominate candidates, run for office, and freely criticize union leaders and their policies; prohibit incumbents from using union funds to support the election of a given candidate for office in the union and from disseminating propaganda for one candidate without doing as much for his or her opponent; and require officials to file information on the financial affairs of the union and its leaders and on its constitutional provisions. Moreover, the country's labor law provides an election procedure under which a group of workers can decertify its union and become unorganized, replace one union with another, or attempt to change the boundaries of an existing bargaining unit.

The relevant evidence strongly suggests that the vast majority of local and international unions in the U.S. are quite democratic and only rarely plagued by major problems concerning internal democracy. Information issued by the Department of Labor on the number of complaints (filed under the provisions contained in the Landrum-Griffin Act) about the way union elections were conducted and on the resolution of these complaints shows that during fiscal years 1965 to 1974, only 239 claims that improper conduct affected the outcome of a union election were filed and ruled to have merit.[18] Moreover, it is probably true that in a fair number of these cases the violation was caused by ignorance of the details of labor law on the part of union officials as opposed to an explicit attempt to affect an election's outcome. Since approximately 200,000 elections were held by local, intermediate, and international unions during this period, the percentage of elections in which there were proved violations is approximately .1 of one percent. While surely there were some improper actions which affected an election's outcome but did not lead to the filing of a complaint ruled to be meritorious, the miniscule number of those that did suggests that the number of these actions was extremely small.

While many national union leaders tend to remain ensconced in office for years, at the local level a fair number of incumbents appear to be unseated, as would be expected in a well-functioning democracy. One pertinent study analyzed data on the turnover of union leaders in 94 locals in the Milwaukee, Wisconsin area during the two years from 1960 to 1962. It found that 40 percent of the officials in office at the beginning of the period were not in office at the end.[19]

The fact that the majority of members in most unions are satisfied with the internal operation of unions can be supported with information on the extent of union decertification in elections conducted by the National Labor Relations Board. In each year during the past decade, only about .1 of one percent of all union members were in bargaining units that voted to decertify the union representing them.[20]

Finally, recent surveys of members' views of the internal affairs in their unions, presented in Table 6, indicate that the vast majority of members were satisfied with the operation of the union. About 70 percent of members said they had "no problems" with their union in 1972-73, while about 80 percent had no problems in 1969-70. Roughly half of those who had problems in 1972-73 regarded them as "slight" or as "not really a problem at all." At both points in time, less than 10 percent of union members were dissatisfied with how democratically their unions were run, the conduct of their unions' leadership, or the officials' policies.

The internal operation of unions aside, the collective voice/institutional response analysis stresses the role of unionism in increasing democracy at the work place by providing workers with a mode of expressing their preferences to management and of increasing workers' willingness to complain about undesirable conditions. Evidence from surveys of workers' job satisfaction tends to support this view. In these surveys the reported job satisfaction of unionized workers is less than the reported satisfaction of comparable nonunion workers who are paid the same amount. However, the union members are also more likely to state that they are "unwilling to change jobs under any circumstance" or "would never consider moving to a new job," than are their "more satisfied" nonunion counterparts. The most direct interpretation of the puzzle is that collective organization provides support that encourages the voicing of dissatisfaction, a prerequisite for democracy. In contrast to most economic benefits, which increase both utility and stated satisfaction,

Table 6: Union Members' View of How their Unions are Run

	1969-70[a]	1972-73[b]
Member Mentions Some Problem with Operation of Union	19%	29%
Member Views Problem as great		6%
as sizeable		10%
as slight		8%
as not really problem at all		5%
Member Mentions Specific Problem		
Union should be more democratically run; leaders unresponsive	5%	9%
Union officials are too closely tied to company	1%	6%
Union should change election procedures	<1%	<1%
Membership should be kept informed	1%	3%
Union dues are too high, officials paid too much	1%	1%
Graft or corruption among union leaders	1%	1%
Union employs physical violence, threats, or coercion against present members or potential members in places being organized	0%	<1%
Union engages in political activities which are not appropriate	<1%	1%

Notes:

[a] Robert P. Quinn, Stanley E. Seashore, Thomas W. Mangione, Survey of Working Conditions, November 1969-January 1970, (Ann Arbor: Survey Research Center, Institute for Social Research, University of Michigan, 1972).

[b] R. P. Quinn, et al., Survey of Working Conditions, Winter 1972-73 (Ann Arbor: Survey Research Center, 1975).

voice increases utility while increasing stated dissatisfaction.[21] In addition, since information about problems in a work place can be viewed as a public good, a union will collect more information than will any individual, and then disseminate it all to each member. Hence, while union members know that their jobs are significantly better than the alternatives, they also know that their jobs are far from ideal. Since voice is also a tool of conflict, good strategists, unlike Voltaire's Pangloss, will not proclaim their work place as "the best of all possible worlds."

What about the view that unions are corrupt institutions? The evidence in Table 6 clearly runs counter to this stereotype. Ninety-nine percent of union members in both 1969-70 and 1972-73 stated that they had "no problems" with graft or corruption among their leaders. Moreover, after a careful analysis of the extent of corruption in the American Labor Movement, Derek Bok and John Dunlop, writing in 1970, concluded:

> Although the record in this country compares unfavorably with that of many other nations, legal safeguards now go far to curb dishonesty and encourage democratic behavior. Probably only a tiny fraction of all union officials in America would stoop to serious abuse. The overwhelming majority of labor leaders are honest men who take seriously their obligation to represent the interest of the members who have elected them to office.[22]

Finally, in what ways has organized labor affected outcomes in the American political arena? Have unions had a greater impact through support of 'social' legislation that benefits lower income persons or workers in general or through support of 'special-interest' legislation?

Despite the bad press given some union efforts to obtain special-interest legislation, much union political muscle has been devoted to progressive social policy which provides no obvious material gains to unionized workers, save as members of the overall working population.

For instance, organized labor was quite active in pushing for the passage of the Public Accomodation Act of 1964, the Voting Rights Act of 1965, equal employment opportunity legislation, anti-poverty legislation, and the Occupational Safety and Health Act of 1971.

At the other end of the spectrum, most union-favored special-interest legislation has failed to pass Congress, while important legislation opposed by unions as detrimental to their power and survival has been passed. The last major piece of legislation regulating collective bargaining and unionism, the Landrum-Griffin bill, was enacted in 1959 over the vociferous opposition of unions, while a 1977 mild labor law reform bill strongly favored by unions failed to clear the Congress. Typically, only when unions align with management in a particular sector in favor of legislation that will benefit the sector have unions had success in gaining support for their special interests.

All in all, while unions, like other groups in a pluralist society, have fought for self-interest legislation, they have scored their greatest political victories on more general social legislation. In terms of actual outcomes, unions have been more effective as a voice of the whole working population and the disadvantaged than as a monopoly institution seeking to increase its monopoly power.

Explaining managerial opposition

If, in addition to its negative monopoly effects, trade unionism is associated with substantial positive effects on the operation of the economy and on the performance of firms, why do so many United States enterprises oppose unions so vehemently?

While at present no detailed analysis of the factors underlying managerial opposition exists, several seemingly important elements deserve mention. First, it should be understood that the bulk of the economic gains due to unionism accrue to workers and not to owners or managers. Managers are unlikely to perceive any personal benefits from their subordinates' unionization, but are likely to be quite aware of the costs from a diminishment of power, need to to work harder, loss of operating flexibility, and the like. Second, while productivity might typically be higher in union than in otherwise comparable nonunion work settings, so too are wages. It would seem, given the objectives and actions of most unions, that the rate of return on capital would be lower under collective bargaining, although important exceptions must be noted. Thus, there is risk in unionization; the firm may be able to rationalize operations, have good relations with the union, and maintain its profit rate, or it may not. In addition, while the total cost of strikes to society as a whole has been shown to be quite small, the potential cost to the particular firm which is struck can be substantial. Granting that managers, like most other people, are risk averse, we would expect opposition to unions even if on average the benefits to the firm equal the costs. Moreover, given the wide-ranging differences in the effects of unions on economic performance, at least some managerial opposition arises from enterprises where the benefits of collective bargaining may be small while the costs may be high. Even the most vocal advocate of the collective voice/institutional response view of unionism would admit that, though functional in many industrial settings, unions are not functional in others, and would expect greater managerial opposition in the latter cases. Third, management may find unionism expensive, difficult, and very threatening in its initial stages, when modes of operation must be altered if efficiency is to be improved. New and different types of management policies are needed under unionism, requiring changes in the behavior of current management or, as appears to be the case in many just-organized firms, a new set of managers. Finally, U.S. management has generally adopted an ideology of top-down enlightened control, under which unions are seen as both a cause and an effect of managerial failure. In this view, unions interfere with management's efforts to carry out its societal function: ensuring that goods and services are produced efficiently. In addition, unions typically come into existence because management has made mistakes in dealing with its work force.

Conclusion

We believe that our analysis of unionism has opened up a host of neglected issues regarding the key worker institution in the U.S. capitalist system and gives a very different picture of that institution than currently prevails. While some of our findings will surely be altered by additional research and some (hopefully few) may be proven wrong, we do believe that they present a reasonably valid picture of modern unionism in our country--one which stands in sharp contrast to the monopoly model and many popular beliefs about trade unions. If, as we have found, the positive collective voice/institutional response effects of unions are, in many settings, more important than the negative monopoly effects, the on-going dwindling of private sector unionism--a development unique to the U.S. among Western developed countries--deserves serious public attention.

Footnotes

[1]See George E. Johnson, "Economic Analysis of Trade Unionism," American Economic Review, May 1975, pp. 23-38 for a discussion of the trend in the fraction of articles in major economics journals dealing with unionism. See Richard B. Freeman and James L. Medoff, "Where Have All the Members Gone? The Dwindling of Private Sector Unionism in the U.S.," in progress, for evidence on the content of Newsweek and Time articles. The nature of the inefficiency economists typically associate with monopoly unionism is presented articulately in H.G. Johnson and P.M. Mieszkowski, "The Effects of Unionization on the Distribution of Income: A General Equilibrium Approach," Quarterly Journal of Economics, November, 1970, pp. 539-61.

[2]The point that unions provide collective voice, which is an alternative to individual exit, is made in R.B. Freeman, "Individual Mobility and Union Voice in the Labor Market," American Economic Review, May 1976, pp. 361-68 and is discussed at length in R.B. Freeman and J.L. Medoff, What Do Unions Do? (New York: Basic Books, forthcoming). Hirschman's analysis is given in Exit, Voice, and Loyalty (Cambridge, Mass.: Harvard University Press, 1972).

[3]Despite the law, it appears that a non-trivial number of workers are discharged for union activity. According to the Forty-Second Annual Report of the National Labor Relations Board (p. 269), 16,697 workers filed allegations under Sec. 8(a)(3) in fiscal year 1977.

[4]The information concerning the prevalence of grievance and arbitration procedures in major collective bargaining contracts is from U.S. Department of Labor, Bureau of Labor Statistics, Characteristics of Major Collective Bargaining Agreements, July 1, 1975 Bull. 1957 (Washington, D.C.: GPO, 1977).

The statement concerning the extent to which these procedures are found in nonunion firms is based on data presented in Bureau of National Affairs, *Personnel Policies for Unorganized Employees*, Personnel Policies Forum Survey No. 84, November 1968, p. 13.

[5]Total U.S. union membership is from the U.S. Department of Labor, Bureau of Labor Statistics, *Directory of National Unions and Employee Associations, 1975*, Bull. 1937 (Washington, D.C.: G.P.O., 1977), p. 70. Total employment was calculated as total employees on nonagricultural payrolls less total government employees plus hired farm employment, with data from U.S. Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics 1975-Reference Edition*, Bull. 1865 (Washington, D.C.: G.P.O., 1975), p. 105 and p. 118, and from U.S. Department of Labor, Bureau of Labor Statistics, *Handbook of Labor Statistics, 1977*, Bull. 1966 (Washington, D.C.: G.P.O., 1977), p. 88 and p. 96.

[6]For the Slichter, *et al*. quote see, S.H. Slichter, J.J. Healy, and E.R. Livernash, *The Impact of Collective Bargaining on Management*, (Washington, D.C.: Brookings, 1960), p. 951. The study with data concerning time on breaks is G. Duncan and F. Stafford, "Pace of Work, Unions, and Earnings in Blue Collar Jobs," mimeographed, 1977. Simon's work is presented in H. Simon, *Models of Man* (New York: Wiley, 1957), pp. 241-60. Leibenstein's model was first presented in H. Leibenstein, "Allocative Efficiency vs. X-Efficiency," *American Economic Review*, June 1966, pp. 392-415.

[7]The Reynolds quote is from L.G. Reynolds, *Labor Economics and Labor Relations* (Englewood Cliffs, N.J.: Prentice Hall, 1974), p. 539.

[8]Lewis' work is published in *Unionism and Relative Wages* (Chicago, Ill.: University of Chicago Press, 1963).

[9] C. Brown and J. Medoff, "Trade Unions in the Production Process," Journal of Political Economy, June 1978, pp. 355-78 analyzes the extent to which unionized firms are more capital intensive and use higher quality labor. Rees' monopoly loss estimate is discussed in A. Rees, "The Effects of Unions on Resource Allocation," The Journal of Law and Economics, October 1963, pp. 69-78.

[10] On this point see Donald E. Cullen, National Emergency Strikes (N.Y. State School of Industrial and Labor Relations, Ithaca, N.Y., Cornell University, 1968); Irving Bernstein, Harold L. Enarson, and R.W. Fleming (eds.) Emergency Disputes and National Policy (N.Y.: Harper & Brothers, 1955); John A. Ackermann, "The Impact of the Coal Strike of 1977-1978," Industrial and Labor Relations Review, Jan. 1979, pp. 175-88.

[11] R. Lester, "Benefits as a Preferred Form of Compensation," Southern Economic Journal, April 1967, pp. 488-95.

[12] See J.L. Medoff, "Cross-Industry Differences in Cyclical Employment Variability," mimeographed, for analysis of the responsiveness of wages to demand conditions in union and nonunion settings. Figures on the duration of contracts are reported in U.S. Department of Labor, Bureau of Labor Statistics, Characteristics of Major Collective Bargaining Agreements, July 1, 1974, Bull. 1888 (Washington, D.C.: GPO, 1975), p. 7 and p. 40.

[13] U.S. Department of Labor, Bureau of Labor Statistics, Layoff, Recall, and Worksharing Procedures, Bull. 1425-13 (Washington, D.C.: GPO, 1972), pp. 53-54 and p. 44.

[14] See S. Webb and B. Webb, Industrial Democracy, (New York: Longmans, Green & Company, 1902); Bureau of National Affairs, Wage and Salary Administration, Personnel Policies Forum Survey No. 87, July 1972, p. 14; U.S. Department of Labor, Bureau of Labor Statistics, Characteristics of Major Collective Bargaining Agreements, July 1, 1975 Bull. 1957, (Washington, D.C.: GPO, 1977), p. 33; and Slichter, Healy and Livernash, op. cit., p. 602 and p. 606.

[15] The union membership percentages were derived with microdata from the 1973-75 May Current Populations Surveys. The data on apprentices were from The Employment and Training Report of the President (Washington, D.C.: GPO, 1978), pp. 56-57.

[16] See O. Ashenfelter, "Racial Discrimination and Trade Unionism," Journal of Political Economy, May-June 1972, pp. 435-64 for earlier evidence on this issue.

[17] D.E. Leigh, "Unions and Nonwage Racial Discrimination," Industrial and Labor Relations Review, forthcoming.

[18] U.S. Department of Labor, Labor Management Services Administration, Compliance, Enforcement and Reporting in 1974 (Washington, D.C.: GPO 1975), p. 4

[19] L. Appelbaum, "Officer Turnover and Salary Structures in Local Unions," Industrial and Labor Relations Review, January 1966, pp. 224-30.

[20] E.F. Beal, The Practice of Collective Bargaining, fifth ed. (Homewood, Illinois: Richard D. Irwin, Inc., 1976), p. 191; U.S. Department of Labor, Bureau of Labor Statistics, Directory of National Unions and Employee Associations, 1975, Bull. 1937 (Washington, D.C.: GPO, 1977), p. 63.

[21] R.B. Freeman, "Job Satisfaction as an Economic Variable, American Economic Review, May 1978, pp. 135-41. G. Borjas, "Unionism and Job Satisfaction," Journal of Human Resources, forthcoming.

[22] Bok and Dunlop, Labor and the American Community (N.Y.: Simon & Schuster, 1970), p. 27.