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Procedia - Social and Behavioral Sciences 211 (2015) 34 – 41

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**Procedia**  
Social and Behavioral Sciences

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2nd Global Conference on Business and Social Science-2015, GCBSS-2015, 17-18 September  
2015, Bali, Indonesia

## The Relationship between Union Organization and Union Effectiveness: The Role of Type of Union as Moderator

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### Abstract

Previous studies have established that the union organization forms a significant relationship with union effectiveness. Nevertheless, there is still a paucity of studies conducted, in view of the moderator's role between both the constructs. This research aims to determine the moderating effect of the type of union on their union effectiveness. Data collected from a survey on 676 union officials in Selangor and the Federal Territory (Putrajaya and Kuala Lumpur) was analyzed using structural equation modeling. The findings indicate that the union effectiveness was significantly influenced by union organization. Nonetheless, the type of union does not function as moderator.

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Peer-review under responsibility of the Organizing Committee of the 2nd GCBSS-2015

*Keywords:* Moderator; structural equation modeling; type of union; union organization; union effectiveness

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## 1. Introduction

There are various factors that determine union effectiveness based on union effectiveness models that have been constructed by previous researchers (Fiorito, Jarley & Delaney, 1993; Hammer & Wazeter, 1993; Bryson, 2003; Pyman, 2002; Burchielli, 2004; Edralin, 2009; Frege, 2002). However, these models were constructed without paying adequate attention to the role of moderator constructs. Based on Pyman (2002), industrial characteristic stands to be one of the moderators for union effectiveness.

Based on our knowledge, there is a scarcity of studies conducted in western countries containing reports from union officials for research on union effectiveness (Fiorito, Jarley & Delaney, 1995; Fiorito, Stepina, Jarley, Delaney & Knudstrup, 1997). In Malaysia, research that considers reports from union officials for research on union effectiveness appears to be non-existent. The members of union officials include the president, deputy president, secretary, assistant secretary, treasurer, assistant treasurer and member of the working committee. These are the people involved in administration and who administer the trade union's affairs, which include trade dispute cases (Rule 12, Constitution of Malaysian Airline System Employees' Union Peninsular Malaysia). Therefore, report from union officials are substantial to dwell into the union effectiveness due to the fact that these officials know how the union is run and the kinds of problems faced by the union as compared to ordinary members, who are obliged to pay the monthly fees.

Furthermore, there are still very few empirical studies which examine the relationship between union organization and union effectiveness. An empirical study by Mohamed, Shamsudin and Johari (2010), for instance, looked into the relationship between union organization and union effectiveness.

With regard to the lack of previous studies, a comprehensive empirical study broaching on the moderator, union organization and respondents which comprises of union officials should be conducted to analyses union effectiveness. Therefore, the study objective was to examine the direct influence of union organization on union effectiveness among union officials as well as the role of union type as moderator.

## 2. Literature review and research hypothesis

### 2.1. Union effectiveness

From the literature review, we have discovered that researchers measured union instrumentality or union effectiveness using varying types of measurements. Economic consultancy, working environment, the protection of members, member participation and communication with others were enlisted as the proposed measurement for union effectiveness by Carillon and Sutton (1982). Conversely, by definition, Burchielli (2004) sees union effectiveness based on three dimensions of effectiveness measurement for unions namely administration, representation and ideology. Fiorito et al. (1993) had additionally established six measurements for union effectiveness namely organization, services to members, consultancy for members, political and legal as well as the advancement of the interests of all workers. Bryson (2003) defines union as an effective agency when it can improve the working conditions and employment in seven domains namely obtaining wage increment, protecting workers from being maltreated by employer, achieving equal opportunities, making work engagement an enjoyable, working with management to perform better, increasing management responses from employees and making the workplace a more conducive place for work. In addition, according to Carillon dan Sutton (1982), most previous studies measured union effectiveness in terms of direct service provided by the union. Examples of direct services provided were offering better wages, providing adequate workplace facilities, providing proper employment, addressing members' grievance, protecting members from unfair dismissal and improve member participation in the decision-making stage in the company.

### 2.2. Union organization

Bryson (2003) defines union organizational effectiveness as the factors that give trade unions the capacity to represent its members as an organization in a manner deemed proper and healthy. This definition is identical to the concept of perceived union support, which is the belief among members that the union values their contributions and cares for their well-being as union members. Bryson (2003) had put forth seven dimensions of organizational

effectiveness for union that is the ability of union to communicate and exchange information; the benefits of the union as a source of information and advice; transparency and accountability by the union to its members; union's response to members' problems and complaints; comprehend the employer's business; union power; as well as its importance to management. Mohamed et al. (2010) had carried out a factor analysis on these seven dimensions and identified four new dimensions for union organization and they are communication within the union, union power, management's attitude and union's understanding towards employer's business.

### *2.3. Type of union*

According to Aminuddin (2009) there are two types of union serving for the private sector namely national union and in-house union. Meanwhile, in the public sector, union exists under the civil service, statutory bodies and local authorities. These national and in-house unions have a certain amount of influence towards employers. Normally, national unions comprise of many members (members from various companies in similar industry, trade or jobs), substantial financial resources and skilled union officers in terms of labour laws and union administration. On the other hand, in-house unions demonstrate a number of weaknesses namely scarce members, union leaders that fall into easy exploitation, limited financial resources affecting union activities and their leaders often being marginalized (where promotion, dismissal and change of workplace are concerned) (Aminuddin, 2013). In-house unions normally form as a result of incentive or sponsored by the employer, to prevent national union from representing their company (Aminuddin, 2003; Ramasamy & Rowley, 2008). In this study type of union refer to national union and in-house union.

### *2.4. Union organization and union effectiveness*

Mohamed et al. (2010) has done a study to observe the relationship between union organization and union effectiveness. The study was carried out in an in-house union of a tyre manufacturing company. Data were obtained from a total of 415 respondents who completed the questionnaire. Results showed that, three out of the four dimensions had significant and positive relationship namely communication within the union, union power, and management's attitude. Meanwhile, there was no significant relationship between the understanding towards the employer's business and the union effectiveness. Multiple regression analysis results had pointed to the fact that the communication within the union, union power, management's attitude and union's understanding towards employer's business contributes 45.5 percent of the variance for the effectiveness of the union delivery.

As has already been established, there is a paucity of research that has been done pertaining to the influence of union organization on union effectiveness in the industrial relation environment. However, numerous studies which place an emphasis on the relationship between perceived organizational supports with achievements have been done and most of the results showed that perceived organizational support is positively and significantly linked to job performance. For example, Miao (2011) has conducted a study to look into the relationship between perceived organizational support and job satisfaction with organizational citizenship behavior and job performance in China. Correlation analysis and hierarchical regression results had shown that there was a positive correlation in perceived organizational support and job satisfaction on their task performance. This study synchronises with the studies carried out by Neves and Eisenberger (2012); Shanock and Eisenberger (2006); Muse and Stamper (2007); Chen, Eisenberger, Johnson, Sucharski and Aselage (2009) illustrating that perceived organizational support does affect performance. Based on this discussion, the researcher anticipates a significant relationship between union organization and union effectiveness. Hence, this study establishes the following hypothesis:

Hypothesis 1: There is a positive and significant relationship between union organization and union effectiveness.

### *2.5. The role of moderator*

Research looking at the relationship between union organization and union effectiveness moderated by the types of union is still not very common. However, a separate study emphasizing on the relationship between union

organization and union effectiveness has been discussed previously. Results of past studies proved that the constructs' separate relationship produces a positive and significant outcome. Therefore, based on these discussions and suggestions from Pyman (2002), we are convinced that type of union will act as moderator for the relationship between union organization and union effectiveness. Therefore, the next hypothesis proposed is as follows:

Hypothesis 2: Type of union moderates the relationship between union organization and union effectiveness.

### 3. Research framework

This study seeks to examine the relationship between union organization and union effectiveness among union officials. The type of union is the moderator for the relationship between both the constructs. Union organization sub-constructs comprise of communication within the union, union's power and understanding of the employer's business. Meanwhile, union effectiveness sub-constructs refer to wage and non-wage aspects. The research framework is demonstrated in Figure 1.

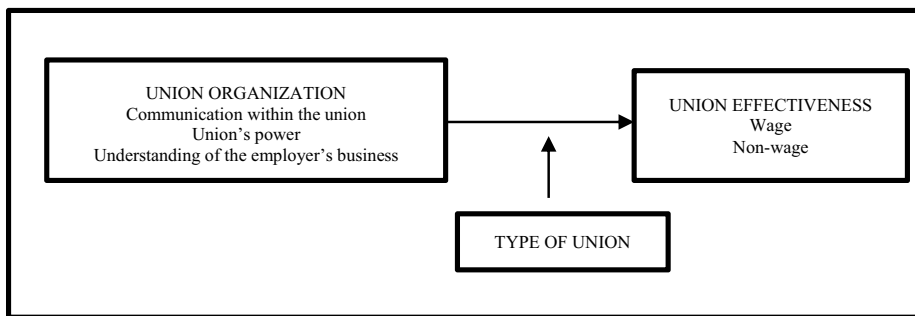


Figure 1. The conceptual framework of the research

### 4. Research methodology

#### 4.1. Sample and research procedure

Samples in this study are based on the union list issued by Department of Trade Union Affairs. Selangor and Federal Territory (Putrajaya and Kuala Lumpur) have been chosen as the study sites since these states recorded the highest number of registered trade unions which accounted for more than 40% of all trade unions in Malaysia. Besides, all categories of trade unions used for the purpose of this study namely private sector unions (national union and in-house union) and public sector unions, are also available in these states. Respondents in this study were union officials in the states of Selangor and Federal Territory (Putrajaya and Selangor).

In this study, a two-stage sampling technique was adopted. Firstly, the stratified random sampling technique was used, since respondents were from different trade unions. Thus, the first process is to segregate the union following their respective categories, namely private sector unions (national union and in-house union) and public sector unions. After the unions were divided by their categories, simple random sampling technique was conducted to select 156 unions consisted of 44 public sector unions and 112 private sector unions (27 national unions and 85 in-house unions). Total sample selected is proportional to the total union category population in the states concerned. In the second phase, researchers distributed questionnaires to officials of the union selected and a total of 1,560 questionnaires were distributed. This is to ensure a good return rate. Out of 1,560 questionnaires distributed, 812 forms were returned and this represented a 52% rate of return. However, 136 questionnaires with outlier were removed to produce a normally distributed data for this study. Leaning on the analysis of the normal distribution, the number of respondents used to analyze the measurement model and structural equation model (SEM) in this study totalled 676 people.

## 4.2. Measurement of construct

Questionnaire by Mohamed et al. (2010) was employed to measure union organization constructs. There are three dimensions in the union organization constructs namely communication within the union, union's power and understanding of employer's business, all of which constituted 17 items altogether. Meanwhile, the union effectiveness questionnaire by Hammer, Bayazit and Wazeter (2009) was employed to measure union effectiveness constructs with two dimensions which are wage and non-wage aspects. Total numbers of items are six, and there were three for each dimension. Each item was rated on a 5-point scale, where 1 represented strongly disagree and 5 represented strongly agree.

## 5. Research findings

### 5.1. Preliminary analysis

Both measurement models had been examined under the Confirmatory Factor Analysis (CFA) process using AMOS (Analysis of Moment Structures) version 21.0. Table 1 implies the results of CFA and it showed that all measurement models achieve fitness indexes to the required level: GFI (goodness of fit) = 0.930, TLI (tucker-lewis index) = 0.940, CFI (comparative fit index) = 0.951, ChiSq/df (dividing  $\chi^2$  values with degree of freedom) = 3.755 and consequently, the value of RMSEA (the root mean-square error of approximation) = 0.064. Number of item remained after the CFA process for wage and non-wage sub-constructs were two respectively. According to Hair, Black, Babin dan Anderson (2010: 644), low average variance extracted (AVE) values and/or having total number of items less than three are acceptable if the sample size is large as that of this study.

Table 1. CFA results for measurement model

Construct	Item	Factor loading	Cronbach alpha (Above 0.7)	CR (Above 0.6)	AVE (Above 0.5)
Union Organization	CWU2	0.65	0.896	0.935	0.527
	CWU3	0.68			
	CWU4	0.74			
	CWU5	0.76			
	CWU6	0.78			
	CWU8	0.66			
	CWU9	0.80			
	UP11	0.62			
	UP13	0.63			
	UP14	0.62			
	UEB15	0.83			
	UEB16	0.82			
	UEB17	0.79			
	Union Effectiveness	WG1			
WG2		0.93			
NWG4		0.89			
NWG5		0.88			

Overall Model Fitness Indexes: GFI=0.930; TLI=0.940; CFI=0.951; ChiSq/df=3.755 and RMSEA=0.064.

Note: CR, composite reliability; AVE, average variance extracted; CWU1, CWU7, CWU10, UP12, WG3 and NWG6 were dropped following the low factor loading values

After going through the CFA process for all measurement models, the assessment on unidimensionality, validity and reliability have been performed before continuing with the SEM. Referring to Table 1, it was found that the requirement for unidimensionality was fulfilled, since all constructs had items with high factor loading values 0.50 and above (Hair, Black, Babin, Anderson & Tatham, 2006). The requirement for reliability is also met because internal reliability or the cronbach alpha values for all constructs exceeded 0.70 (Nunnally, 1978), construct reliability value (composite reliability) (CR) exceeded 0.60 and AVE values for each main constructs also exceeded more than 0.50 (Bagozzi & Yi, 1988).

Furthermore, the requirement for convergent validity, construct validity and discriminant validity had also reached the predetermined values. Convergent validity was achieved since AVE value exceeded 0.5 for all measurement models and construct validity achieved since fitness indexes for all measurement models met acceptable range. Following Fornell and Larcker (1981), discriminant validity is verified when the value of average shared variance between the scale and its measurement is more than the shared variance between other scales in the hypothetical models. In reference to Table 2, the bold diagonal values refer to the square root of average variance extracted (AVE), while other values stand for the correlations between constructs. As presented in Table 2, bolded values were higher than values contained in the rows and columns, indicating that the discriminant validity was met.

Table 2. Summary of discriminant validity indexes

Construct	Union organization	Union effectiveness
Union organization	<b>0.73</b>	
Union effectiveness	0.59	<b>0.90</b>

## 5.2. Results of main analysis of hypothesis

Once unidimensionality requirements, as well as the validity and reliability of latent constructs were fulfilled, the next step is to check on the hypothesis relationship. Hypothesis relationships as presented in Figure 1 were tested using the SEM. Standard regression coefficients and fitness indexes for the model are presented in the table. As sampled in the table, results show that the model has good fitness indexes namely GFI=0.930, TLI=0.940, CFI=0.951, ChiSq/df=3.755 and RMSEA=0.064. Path analysis between union organization and union effectiveness demonstrate a significant and positive relationship ( $\beta = .586$ ,  $p < 0.001$ ). Therefore, the results of SEM analysis verified that the first hypothesis is accepted.

Table 3. Path analysis

Path	Hypotheses	$\beta$ Stand.	Stats-t
Union organization – Union Effectiveness	H1	0.586*	8.879

Overall Model Fitness Indexes: GFI=0.930; TLI=0.940; CFI=0.951; ChiSq/df=3.755 and RMSEA=0.064.

\*significant at  $p < 0.001$

## 5.3. Moderating effect of union type

The technique of multi-group analysis (Zhao and Cavusgil, 2006; Awang, 2012) was used to evaluate the impact of moderator practiced in this study. Moderator analysis was run using two sets of data namely data from national union and data from in-house union. Both sets of data are obtained by segregating the private sector union data into two groups, which are the national union and in-house union. At the beginning, the path parameter was constrained from union organization and union effectiveness (the value of regression coefficient was predetermined as 1). Secondly, the path parameter was not constrained (the value of regression coefficient was not fixed to be 1). Chi-square difference between constrained models and unconstrained models ascertain whether the type of union assumed the role as moderator for the relationship between union organization and union effectiveness. Table 4 gives evidence that type of union was not a significant moderator between union organization and union effectiveness. This is because the chi-square difference was not significant. Thus, the results of SEM analysis have confirmed that the second

hypothesis is rejected.

Table 4. The moderation effect of type of union

Relationship	Moderator	Hypotheses	$\beta$ Stand.	$\chi^2$ difference
Union organization – Union Effectiveness	National union	H2	0.782*	1.68 (n.s)
	In-house union		0.512*	0.373 (n.s)

Overall Model Fitness Indexes: GFI=0.930; TLI=0.940; CFI=0.951; ChiSq/df=3.755 and RMSEA=0.064.

\*significant at  $p < 0.001$ , n.s: not significant

## 6. Discussion and conclusion

Results of this study have highlighted the fact that union organization enhances union effectiveness. This is harmonious with other studies within organizational environment namely perceived organizational support which affects performance both significantly and positively (Neves & Eisenberger, 2012; Shanock & Eisenberger, 2006; Muse & Stamper, 2007; Chen et al., 2009). However, the type of union does not act as moderator between union organization and union effectiveness. This contradicts with Payman (2002) who suggested that industrial characteristics will function as moderator in union effectiveness studies. This inconsistency may take place due to the difference in environment and respondents used in this study.

Results from this study have confirmed that union organization has a remarkable and positive influence on union effectiveness. Therefore, unions must arrange activities that can improve union organization for example sharing information with members, informing the development of the union to its members, facilitating members to have a meeting with the union, provide effective advising to its members, responsible to its members as well as to be influential and knowledgeable about the employer's business. These efforts not only contribute towards the betterment of union effectiveness, in fact it also inculcates employers' positive attitude towards their union. However, based on 2011 annual report by Department of Trade Union Affairs, it is shown that various types of complaints have been filed to the department regarding union officers. The complaints include disputing the election of union officials, the embezzlement of union funds, the violation of union rules, power abuse by union officials, the loopholes in union administration and the fact that the general meeting was not held within the duration stipulated. In 2010, the department received 63 complaints and it came down to 56 in 2011 (Department of Trade Union Affairs, 2011). Thus, union officials must raise greater concern on the efforts to improve union organization over their own personal interests. Government or relevant agencies could also provide advice and proper education regularly to union officials so that negative activities can be hampered and the focus will be able to be placed on the union organization instead.

Even though national union carries some strength over in-house union particularly in the aspects of financial resources, number of membership and the expertise in the administration of union but both types of union are still confronted with the same challenges or obstacles from employers compared to the public sector unions. The challenges include recognition procedures, the company's own set of rules and regulations, discrimination against workers who serve in the union, the handing-out of wages based on productivity, competition rife from foreign workers and the establishment of a different mechanism by employers to challenge unions. This could be the reason why the type of union does not function as the moderator in this study. Therefore, results of this study have become contradictory to the views stated by previous researchers whereby the establishment of the in-house union is to prevent national union and in-house union is not comparable to national union when it comes to fighting for workers' rights. Based on results derived from this study, the establishment of in-house union should be promoted and sustained, despite it receiving a slew of negative views from labor organizations. This is due to the fact that in-house union also fights for the rights of their members and may be better compared to national union in fighting for this cause.

## 7. Limitations and direction for future research

Although this study offers some important contributions and implications on the study of the union effectiveness, it is not devoid of limitations. Firstly, this study only covers unions in both states of Selangor and the Federal Territory (Putrajaya and Kuala Lumpur). Therefore, generalizations should be carefully carried out. It would be more useful if

identical survey is conducted to cover all Malaysian states, even if it entails both the cost and time. Furthermore, it would be more fascinating if the moderator relationship between union organization and union effectiveness also takes into account other industrial characteristics as well such as union sectors (both public and private sectors), the period of existence of the unions and union's industries (to name but a few, construction, service or plantation). Last but not least, future research should also include other constructs such as union commitment, employers' attitude and union participation that may all in all, leave an impact to union effectiveness.

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