THE CHANGING ROLE OF UNIONS
New Forms of Representation

Edited by
Phanindra V. Wunnava
THE CHANGING ROLE OF UNIONS

Incorporating cutting-edge research, leading labor economists analyze the future of unionism both in the United States and abroad. They agree that unionism in the traditional sense is declining and there needs to be another form of representation. They explore new forms of unionism modeling, highlight new constituents, and outline future directions for union organizing as well as nonunion programs promoting positive human resource management. The contributors suggest that while the exact form of new employee institution outside traditional unionism may be uncertain, they could provide large gains in satisfying worker demands for employee involvement. The book includes lessons learned from the success stories of union organizing around the globe as a springboard for similar efforts in the United States.

"Is unionism in the U.S. headed toward extinction, becoming the realm of paleontologists, as one of the authors in this volume speculates? Perhaps; but the studies included show that there are still many interesting questions that economists can analyze usefully. The essays on union growth and decline in the U.S. and in international perspectives are especially important."

—Daniel S. Hamermesh
Centennial Professor of Economics
University of Texas at Austin

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M.E. Sharpe
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To my late beloved parents,

Sri Venkateswarao and Ranganayakamma Wunnava
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Preface

This volume is a refined product of the Twenty-third Annual Conference on Economic Issues: "Changing Role of Unions," held April 13–14, 2002, at Middlebury College. Our annual conference series has had a very rich history of bringing together diverse researchers working on a set of issues of common interest, with the aim of expanding the frontiers of knowledge. Such an ambitious event cannot take place without the generosity of donors. I would like to formally acknowledge that the Christian A. Johnson Endowment Foundation has been providing us funding over the years.

A few words about my interest in unions: I would say that I have had a love-hate relationship with unions. My first impressions were very negative. Growing up in southern India, for me "union" and "strikes" were synonymous. I remember a number of school closings due to union-initiated strikes and work stoppages. My late father, who was in middle management at a public-sector commercial bank, was once manhandled for crossing a union picket line—in fact, he was out of circulation for over a week. On another occasion, I was at the receiving end. I was just about to make my maiden voyage to the United States in the fall of 1978, and I had to endure the wrath of a group of unionized airport workers when I tried to help an elderly fellow-passenger carry her luggage. That was the last straw for me. I said to myself that I did not want to have anything to do with those "darn" unions!

So why am I now interested in unions? When I was a graduate student at the University of Miami economics department, Professor Ronald Ehrenberg of Cornell University came to give a talk to the faculty and graduate students in January 1982. Around that time, I was also getting interested in
labor economics, with professors Phil Robbins and David Bliss joining the faculty ranks of the economics department. The theme of Ehrenberg’s talk was the relative productivity of public-sector union and nonunion workers. His talk was a revelation to me, because it demonstrated that after one controls for some of the observed differences, union workers on average could be more productive than nonunion workers. Ehrenberg’s work was subsequently published in a leading economics journal. I was willing to give unions a second chance.

As I was completing my studies at the University of Miami, my interest in an applied economics Ph.D. program with a labor economics focus grew, but I missed the deadline to apply for admission at Cornell Industrial Labor Relations School (ILR) in the spring of 1982. It was suggested that I look into the State University of New York (SUNY), Binghamton, which also had a good faculty of labor economists, as a second alternative. Since the chair at the University of Miami at that time was a former chair of the SUNY economics department, with his recommendation, I managed to get into the SUNY Binghamton program. By the fall of the late spring of 1982 and started my studies at Binghamton. That year, my plan was to stay for a year at Binghamton and then apply to Cornell the following year. Around the same time, a distinguished labor economist from the University of North Carolina, Chapel Hill, was in the process of joining the economics department at SUNY. That distinguished economist is none other than my mentor, Professor Solomon Polacheck. Given my East Asian heritage, maybe it was my "good karma" that I managed to work under Professor Polacheck.

When I was looking for a topic on which to write a term paper for an advanced econometrics course, one of Dr. Polacheck’s suggestions to me was that I expand one of my earlier papers. Interestingly, the paper was an investigation of the effect of unions on age-earnings profiles. His suggestion was like a mantra to me. Subsequently, that particular econometrics term paper evolved into my doctoral dissertation. Since then, unions have been one of my favorite topics of research. Over the years, I have learned a lot about unions from the writings of most of the researchers who contributed to this volume. I would like to acknowledge that I am immensely grateful to Dr. Polacheck for being such a lively mentor, professional colleague (by coauthoring a number of joint articles), and dear friend. His insight in his current and former students is boundless. If some of my students think that I am a bit hard on them, I want them to know what I had to endure working under Professor Polacheck! But the bottom line is that he is my hero.

A brief overview of this conference volume follows. One of the caveats of this volume is the exclusion of public-sector unionism and the decrease to which government employment standards and regulation substitute for unionism.

The chapters in part I by Richard B. Freeman and Christopher L. Erickson et al. focus on reasons for the success of union drives in certain sectors against the odds. In the words of Freeman, "With the Internet offering great opportunities to deliver services to workers who otherwise cannot gain collective bargaining at their workplace and permitting the development of new organizational forms, I expect unions to morph into something akin to the open source described herein." Erickson et al. present a very interesting case study of Janitors (Justice for Janitors (JFI) in Los Angeles) to provide a union success story. Despite the obstacles, the JFI campaign of the Service Employees International Union succeeded in reorganizing the cleaning service industry in Los Angeles. The tactics and successes have spread to other areas. The JFI is seen by organized labor as a model to be emulated. Moreover, janitorial unionization in Los Angeles has survived up and down in the business cycle and three bargaining rounds, suggesting that the JFI strategy is sustainable. Key factors that contributed to the success of the JFI approach are its application in a nontradable service industry, the surprising industrial concentration of the cleaning services industry despite its low capital requirements, union use of pressure on building owners and managers—rather than on the contractors—that surmounts legal barriers, and union enlistment of key political and community figures in the organizing and bargaining campaigns, and public sympathy for the plight of the working poor. In addition, a union strategy of coordinated bargaining across cities appears able to leverage success in one area to achieve gains in others.

In part II, the chapter by Bruce K. Kaufman gives us a historical perspective of American unionization and the critical lessons to be learned, contrasting union growth in two earlier periods: the 1920s and the 1930s. In the words of Kaufman, “[T]hese two decades are particularly instructive, because they illustrate two ‘end points’ with respect to the private and social demand for union WRAP (wealth redistribution, aggregation, and protection) and CGF (constitutional government in industry) and thus provide examples of possible outcomes for the early twenty-first century.” Rafael Gonzalez and Morley Gunderson propose a novel approach to modeling unionization; specifically, as an “experience” good. Such an approach will enable one to account for major empirical findings of union literature, such as the intergenerational transmission of union status and preferences, the persistence of union membership or its decline, the observed postpurchase satisfaction among workers who have sampled union membership, and the effect of social networks in influencing the desire for unionization on the part of the young and those with less market experience.
Parts III and IV consist of mostly empirical chapters focusing on union wage and employment effects based on both U.S. and international data. Barry T. Hirsch, David A. Macpherson, and Edward J. Schumacher present conflicting evidence on trends in private-sector union and nonunion wages. The U.S. Bureau of Labor Statistics's quarterly Employment Cost Index (ECI), constructed from establishment surveys, uses fixed weights applied to wage changes among matched job quotes. The ECI shows a substantial decrease in wage growth for union relative to nonunion workers. The annual Employer Costs for Employee Compensation (ECEC), drawn from the same source, data as the ECI, provides wage-level estimates constructed from the full sample of job quotes using current sector weights. Surprisingly, the ECEC shows no trend in the relationship between union and nonunion wages. The authors conclude that there has been a closing in the union-nonunion wage gap since the mid-1980s, but that the magnitude of the closing is anything but clear.

Bradley T. Ewing and Phanindra V. Wunnava's chapter is concerned with identifying the differing responses of union and nonunion wages to shocks to real output growth, inflation, and the stance of monetary policy. Theoretical macroeconomic models imply that wages will respond in certain ways to unanticipated changes in aggregate measures of economic activity. Given the differences in compensation levels of union and nonunion workers, and the link to the stage of the business cycle and industry, it is expected that the aggregate wage differentials both for the entire private sector and by industry will respond to macroeconomic shocks in a predictable manner. The relationship among these wages differentials and the macroeconomy is examined in the context of a vector autoregression. Ewing and Wunnava's results show the extent and the magnitude of the relationship between the union-nonunion wage differentials and several key macroeconomic factors.

Francine D. Blau and Lawrence M. Kahn examine microeconomic evidence on the impact of collective bargaining on the wage structure and on the relative employment of different skill groups in the United States and the Organization for Economic Cooperation and Development countries. They find abundant evidence that collective bargaining and minimum wage laws lead to wage compression and help explain the higher level of wage inequality in the United States than we see in other countries. Collective bargaining appears to have stronger effects on the overall labor market than do minimum wages. However, their examination of the impact of institutions on employment yields less clear-cut results than those for the wage structure. In many cases, union or minimum-wage-induced wage compression is seen to lower the relative employment of the less skilled. The negative employment effects of unions appear to be concentrated on the young.

Sarah Brown and John G. Sessions investigate the relationship between international competition and the labor market prospects of a representative sample of British workers. Their analysis, which sets out the first explicit test of both the wage and employment implications of increased international competition, highlights an interesting asymmetry. Composition negatively affects the wage, but not the employment, prospects of unionized workers and the employment, but not the wage, prospects of nonunion workers.

The chapters in part V are solely based on British data. Clive R. Beifeld and John S. Heywood focus on how the desire to unionize impacts human resource management practices, while John T. Addison and Clive R. Beifeld's chapter focuses on the strength of unions and establishment performance. Specifically, Beifeld and Heywood investigate the desire of nonunion workers in the United Kingdom (UK) to become represented by unions. Comparing their results to those from the United States, they find those in the UK are less likely to desire unionization and express lower dissatisfaction with their influence at work. The determinants of the desire for unionization are estimated, controlling for a wide variety of individual and workplace variables. The role of human resource management, and employee involvement in particular, is isolated. They identify a direct effect of these practices in reducing the desire for unionization and an indirect effect operating through the influence of employee relations, a major determinant of the desire for unionization. Also, they identify characteristics of coworkers that are associated with a desire for unionization and examine the role information revelation may play in managerial strategies to forestall unions.

An interesting aspect of British research on unions based on the Workplace Industrial Relations Surveys and Workplace Employment Relations Surveys has been the apparent shift in union impact on establishment performance in the 1990s compared to the 1980s—and the recent scramble to explain the phenomenon. Addison and Beifeld chart these changes along the dimensions of financial performance, labor productivity, employment, quits, absenteeism, industrial relations climate, and plant closings. Using the most recent workplace survey, they also investigate the controversial notion that union influence is positive where unions are strong and is negative where unions are weak. This notion, encountered in recent research in Britain, emphasizes the benefits of the collective voice of unions, arguing that this voice is only "heard" when the union is strong or is a credible agent. They examine this contention for a fuller array of definitions of union influence and workplace performance measures. Overall, their discussion reveals some evidence that is consistent with reduced bargaining power in the wake of antitrust reform measures and heightened product market competition. On the other
hand, there is little support for the recherché notion that stronger unions have a beneficial impact, yet weaker ones do not.

Finally, the chapters in part VI focus on union organizing trends in the United States (Henry S. Farber and Bruce Western) and in other selected countries (Solomon W. Polacheck). The lessons from these two-chapters will have far-reaching consequences for the future of union organizing across the globe. It is common knowledge that rates of private-sector union membership are declining in the United States. However, not known is why union density in the United States is declining. Farber and Western illustrate the powerlessness of the "usual suspect" causes usually linked to declining private-sector unionism. As such, they find that U.S. labor law matters little, and that Ronald Reagan and the Republicans made little difference. Certification and decertification issues were not the culprits either, because both affect too few workers to matter. Thus, U.S. union density is declining almost solely because of nonneutral U.S. economic growth. Since this growth is taking place mostly in the nonunion sector, union employment is getting relatively smaller. Accord- ingly, union membership relative to workforce size is dwindling drastically. Put simply, the economy is divided into two parts: a union segment, which appears to be shrinking, and a nonunion segment, which by contrast is expanding. From a policy perspective, Farber and Western’s conclusion is important because it implies a rather pessimistic view of future U.S. union power. Over the 1973-99 period, unions would have had to organize at a rate more than twenty times their actual new-organization rate to be able to yield a union membership equal to the U.S. 1950’s peak. The amount of resources needed for this endeavor would have been over $2 billion, or about $200 in organiz- ing expenses per union member, compared to the current $20. But it is not even clear that expending this much on organizing would yield the necessary replacement rates of declining membership, especially if globalization and other factors caused the economy to sustain structural changes. So, for example, if workers have become skeptical of unions’ abilities to provide high wages, job security, and other worker benefits, then the process of organizing workers would have become more difficult and elusive. Thus, according to Farber and Western, the future of unionism is bleak.

It is to be noted that declining union membership patterns are not the norm for all countries. In the words of Polacheck, "[I]t is not obvious the same conclusions would be reached if international data were explored. The purpose of Polacheck’s chapter is to employ international data, albeit with a different empirical methodology, to see if conclusions similar to those of Farber and Western can be obtained. In addition, his chapter suggests an interesting reason based on international relations research why certain eco- nomic sectors tend to be union, while others tend to be nonunion.

Hence, the main goal of this conference volume is to bring together the multifaceted efforts of a number of researchers working on different aspects of unions. We hope that the resulting mixture of perspectives will help shed light on the evolving role of unions in the twenty-first century. I would like to thank my colleagues in the economics department of Middlebury College for giving their unstinting support on this project. I would like to thank our academic coordinator, Amy Holbrook, for her timely assist- ance when this project was getting off the ground. Although initially I thought our events coordinator, Maric Winner, was my sidekick, I very quickly real- ized that maybe I am her sidekick! I would not hesitate to say that her scrupulous attention to every possible detail was outstanding. I do not think we could have had the gathering of conference participants in April 2002, and the subsequent publication of this volume, without her hard work, dedica- tion, and planning.

Our students here at the college are an integral part of our intellectual lives, and they actively take part in the proceedings of our annual confer- ences. I would like to thank the student moderators (Jessica Wasilewski, Dusan Petrovic, Laura Zarchin, Valerie O’Hearn, Brendan McCauley, and Justin Drescher); for their meticulous time management of the conference sessions; the student drivers (Nathan Andersen, Armand Faisal, Kevin Immonge, Ryan Birtwell, and Laura Zarchin) for transporting the conference participants safely; director of media services Dean Cadoret, technico manager W. Stewart Lane, digital specialist Scott Witt, and video camera operator Bernadette Gunn for their outstanding professional support in running this conference; and our dining staff for putting together excellent meals. I would like to thank our dean of library and information services, Barbara Doyle-Wich, and her col- leagues, reference librarian Brenda Ellis, collections specialist William War- ren, and project coordinator Tess Daddo and educational tech specialist Alex Chapin, for their unwavering support and encouragement in running this con- ference and in getting this manuscript ready for publication. I would like to thank our college computer center consultants Amy Hoffman, Nathan Burt, Sasha Hurstley, Dimitar Koperov, Khurram Jamali, and Ngela Watthaka for their timely help in translating files from one format to another, and 2003 Christian A. Johnson Economics summer interns Laurel Houghton and John Oliver, who provided invaluable assistance when the details of organizing the tables, notes, and references required focused, careful labor. In fact, it is not an exaggeration that without the sustained effort of Laurel on the copyedited manuscript as well as the page proofs, this volume would not have appeared in print in a timely fashion. I was also very fortunate to work with Lynne Taylor (executive editor), Esther Clark (editorial assistant), Henrietta Toth (project editor), Steven Long (copyeditor), and Daniel J.B.
Mitchell (series editor) of M.E. Sharpe. Aside from contributing a chapter to this volume, Hirsch was instrumental in pulling the major themes of this conference (and volume) together—I am very grateful for his additional contribution to this volume. I gratefully acknowledge the timely and meticulous indexing by Helen Roy.

I need to thank my family (Vijaya, Geetha, and Sanjay) for their loving support—especially my better half for not carrying out her threat of throwing the deadbolt when I was holed up in my office late at night working on some aspect of this conference (and volume). Finally, I would like to thank my spiritual guru, Bhagawan Sri Satya Sai Baba, for giving me strength in making this project a reality.
Major Themes

Private-sector unionism is in decline, with little prospect for a resurgence of unions in their traditional form, given structural changes in jobs, the competitive world economy, current labor law, and the costs of union organizing. Recent surges in unionism have involved major shocks and shifts of attitudes (world wars and depression). One cannot reliably predict the occurrence or form of future shocks. However, if the Internet is used effectively, it may bring down the cost of organizing. So, there is a glimmer of hope that the future of unions may not be as bleak as some researchers are predicting.

Left unmet is a sizable demand among workers for employee involvement in a cooperative environment. This demand is not likely to be satisfied by traditional unions. The emergence of other institutions to satisfy worker demand is uncertain, but potentially can provide large gains.

Unionism is like an "experience good" that must be experienced in order to understand its attributes. This means that unionization "decline begets further decline" as people are less likely to experience unionization. It also means that inducing young people to experience unionization may foster further unionization.

Alternative institutions or employee programs appear to be more substitutes for rather than complements to traditional unionism. Nonunion programs promoting positive human resource management partly close the involvement gap without unions. As with unionization itself, forms of employee involvement (EI) are "experience goods," suggesting that forms of EI that work well could evolve and be sustained over time.

Other forms of employee associations or information centers are likely to emerge, although the exact form is uncertain. The Internet lowers the cost of
information and communication. It is uncertain whether unions, firms, or third parties will emerge as the most reliable source of such information. Better information to workers will improve their voice within union and nonunion companies (e.g., IBM), although the nature and impact of these forms of voice are likely to be heterogeneous. Absent major shifts or legal changes, we are likely to be surprised by idiosyncratic union successes and failure (e.g., Justice for Janitors in Los Angeles). These occurrences will make sense ex post but not be readily predicted ex ante.

Unions have real impacts on compensation levels and the earnings structure (inequality). The wage impact has declined over time in the United States and Europe. Whereas both the union wage premium and management resistance to unions are large in the United States, both now appear small in the United Kingdom.

Unions have real impact on firm performance. In the UK, negative effects on financial performance have lessened as union power has weakened (plant closings an exception?). Similar evidence for the 1990s and beyond is not available for the United States and Canada.

Union density in the United States is declining mainly due to nonneutral employment growth, which is taking place mostly in the nonunion sector relative to the union sector. This decline is further accelerated by the high costs of organizing. However, declining union membership patterns are not the norm for all countries. One could hope that the lessons learned from the success stories of union organizing across the globe serve as a springboard to turn the tide in favor of higher rates of U.S. union organizing leading into the twenty-first century.
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