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Unions have their backs against the wall.

# Unionbusting: The Corporate Assault on Organized Labor



by WARNER WOODWORTH

THE LAST TIME the worth of a union movement was debated in public by a major industrial society occurred during the rise of the Third Reich in Nazi Germany. But in the 1980s, a period in which crazy ideas are the order of the day, a recent article in *The Wall Street Journal* heralded the present "unique opportunity for companies [to conduct] business in a union free environment." Unions are becoming more rare, having lost 2.6 million members in the last several years. Unionized employees have gone from 20 to 17.9 percent of the work force.

Traditionally one of our most essential democratic institutions, labor has become the scapegoat for the economic ills of the past several years. When things got tough, those in power found a fall guy wearing a hard hat, and labor has been getting a bum rap ever since. From Reagan's crushing of PATCO to the Phelps Dodge assault on workers in Arizona, union-

busting has become a favorite sport of today's executives. In the political sphere, the National Labor Relations Board has reversed decades of protecting worker rights. Currently some 5 percent of workers who attempt to exercise free speech simply by signing union cards are fired from their jobs. Decertification strategies are rampant, while less than half of majority votes for unionization ever result in a union's actually being established. Complaints filed with the NLRB are now dragged out for a discouraging number of years as the board explicitly adopts a strategy to delay and divert.

## STRIKE OF CAPITAL

In the private sector, managers have picked up the anti-labor hue and cry of Washington. The operative word has become "concessions." What we are witnessing, to paraphrase William Winpisinger, president of the Machinists, is not a labor strike but a strike of capital. During the past several years, hundreds of unions have been blackmailed into accepting wage and/or benefit cuts in order to keep company doors open. For many, having a job is no longer a right in

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### Labor's Decline in Britain

"What a difference a decade makes. Ten years ago, militant British unions toppled the Conservative Party government of Edward Heath and forced the repeal of his contentious Industrial Relations Act. Now, Margaret Thatcher's Tory government is emerging strengthened rather than battered by a coal miners' strike, and a series of labor laws designed to do many of the same things as Mr. Heath's ill-fated act seems to be working."

—*The Wall Street Journal*  
November 23, 1984

this country but a privilege, and workers must pay the piper. And when workers protest corporate insistence on concessions, the executive neutron bomb is brought out of management's arsenal, the threat of bankruptcy.

So today's workers can't win. When Litton Industries is found guilty of violating dozens of fair labor practices, no one suggests we get rid of the company. Yet unions are declared to be outlaws. The historical struggle of blood, sweat, and tears to establish individual rights in the workplace is forgotten. The social contract which legitimizes the roles of both parties and spells out the ground rules for management/labor relationship is being undermined. If the trend of the recent past continues, it will lead us backwards to industrial feudalism or to a workers' revolt in the streets.

Labor has been the watchdog for the larger society, attempting to protect the individual against organizational abuse. Yet a great deal of rhetoric in the press has attacked unions on various fronts, often mixing smoke with fire. These criticisms of today's trade unions tend to rest on a number of fallacious arguments. The following is a sampling of the folklore:

*Illusion #1: "Unions have outlived their usefulness and today are a costly, monopolistic relic of the past."* While only 20 million workers are organized, the other 85 million workers toil for bosses who worry so much about unionization that as a result many tend to give employees a degree of dignity and pay decent wages. This spillover effect is obvious in that a relatively small union movement plays a big part in the positive labor relations of the IBMs of industry.

*Illusion #2: "Unions push aggressively for economically destructive strikes which hurt us all."* The reality is that unions per se do not cause strikes. If this were the case, Western Europe would experience a

high level of work stoppages since nearly its entire work force is organized. Yet nations such as Sweden have virtually no strikes. If anything, the trend in the United States is going down, from 235 strikes of any significant size five years ago to only twenty-five in the first half of 1984. According to the Department of Labor, during the decade of the 1970s less than 3 percent of the work force went on strike in an average year, a number probably lower than those who were out because of the sniffles.

*Illusion #3: "Unions are too greedy in demanding excessive wages."* The facts do not support such an assumption. When companies were hit by the 1981-1982 recession, many unions took no increase. In 1982, over 400 union contracts involved some degree of wage givebacks in order to help companies survive. There seems to be a normalization factor which keeps wage demands appropriate to current realities. For example, the recent talks between General Motors and the UAW concluded with only a 2.2 percent increase when, in reality, the UAW could have really socked it to Detroit with its projected \$6 billion profit. Yet the result was a win-win, with each party getting a piece of the pie, a very pragmatic solution.

#### STRIKE FOR LOWER PAY

Perhaps the classic illustration of union fiscal responsibility occurred in New Jersey in the fall of 1984. When the management of a construction company attempted to bargain a new labor contract based on its proposed \$2.50/hour wage increase, the union led workers on a strike to protest the exorbitant offer. Labor's position was that management was irresponsible and that paying such wages would hurt the company's market position. Instead, the union settled for a \$0.90 increase.

*Illusion #4: "Workers, such as airline pilots and steelworkers, have priced themselves sky-high."* In certain instances, this may be true, but who gave those unions such high increases? In the case of steel, for example, Pittsburgh executives simply passed mounting labor costs on to customers. This strategy worked for decades and Big Steel enjoyed years of labor peace in exchange for hefty wages. But high wages are the exception, not the rule among unions. Textiles are on the low side. Building trades enjoy a decent hourly rate, but the seasonal nature of their work blocks excessive annual incomes.

A case could be made that the real problem is greedy management. During 1984, managers enjoyed an average salary boost of 6-8 percent—almost triple that of their union employees. Over fifty executives received compensation in excess of \$1 million

each in 1983, led by Ford's Caldwell with a \$7 million package. While GM workers settled for \$0.15/hour, 181 top GM managers got to split \$181 million in bonuses alone. Perhaps what is really needed is management concessions.

*Illusion #5: "U.S. workers are pricing themselves out of the labor pool and foreign workers are entering the field."* The fact is that in comparison with most other industrialized nations, Americans are falling behind in wage gains. U.S. corporations in reality are running away, transferring jobs to Taiwan or Korea while decimating communities, workers, and their families at home. Big multinationals increasingly seek to exploit \$0.60/hour labor markets overseas, yet they often sell their foreign-produced goods at the same price as their "Made in America" products. Such activities often are of no benefit to the consumer, since the company simply pockets the difference.

*Illusion #6: "Unions are resistant to change and oppose innovation."* Such a view is premised on the historical resistance of the Luddites who attempted to smash their machines. Yet today's unions by and large are more sophisticated. With respect to technology, admittedly computers and robots have scared some union workers who see their jobs being displaced by new high-tech equipment. Yet generally, labor tends to accept new technology in pursuit of such goals as improved working conditions and less physically demanding jobs. Unions like the Communication Workers have created "new technology committees" to study the introduction of the latest equipment.

#### COLLABORATIVE EFFORTS

Speaking of innovation more broadly, many unions have initiated efforts to collaborate with companies in order to reduce costs, to streamline operations, and to brainstorm with management to improve the success ratio of bids for new business. Plant labor/management committees and quality of working life efforts, pioneered most notably by the UAW, have saved many plants from closing and made relatively healthy firms even better.

*Illusion #7: "Unions diminish corporate performance."* The research on this issue is abundantly clear: Unionized firms typically are more productive than nonunion companies. A study by Steven Allen of North Carolina State University concluded that in the construction industry union, productivity ranged from 21 to 36 percent higher than nonunion building projects. Other studies corroborate this fact in such industries as coal, furniture, cement, and general manufacturing. The rationale behind such findings seems self-evident. Unionized firms tend to be characterized

### Out of Touch?

"Although a majority of union members voted for Mondale, unions failed to steer enough labor voters away from Reagan to show convincingly that the rank and file opposes his policies. Union leaders, who have never had more than moderate success in delivering the votes of their members, could not do so even after the most devastating postwar recession had eliminated hundreds of thousands of blue-collar jobs.

"Ironically, labor's campaign may also have worsened its problems outside of Washington. Because labor leaders identified so closely during the campaign with New Deal Democratic themes that no longer impress younger voters, they have bolstered the perception that they are out of touch. This could hinder efforts to organize key groups, such as white-collar workers, that labor must recruit in order to reverse the 10% decline in union membership since 1980."

—*Business Week*  
November 19, 1984

by a clearly defined and agreed-upon system of labor relations. Because of the union, managers tend to be out on the shop floor monitoring production and troubleshooting problems. Unionized companies have lower turnover rates, a factor that not only stabilizes the costs of hiring but also results in a more skilled and experienced work force over time.

*Illusion #8: "Unions entangle managers in rigid, bureaucratic work rules."* Many companies experience just the opposite. Much of what unions bargain for has served to assist managers in keeping the system functioning smoothly. While there are cases of work rule overkill, the general impetus has been to create order out of chaos. The bargaining contract serves to foster a more objective set of principles by which both parties play the game. Although cumbersome at times, if both parties indeed go by the book, there is less subjectivity, less violation of individual rights; and as noted above, the result is better productivity.

My own consulting experience is replete with instances of unionized workers' contributing to their companies rather than being a detraction. Out on the shop floor, workers see subtle problems that managers often do not perceive. Reporting (or complaining) up through the union system allows for such

## Management in the Pink

The average chief executive officer of the nation's Top 100 industrial companies is 60 years of age, has twenty-six years of service with his company and has held the top position for seven years. Excluding the extremes—company founders or their families, who own significant interest, or newly appointed CEOs, who hold few shares—the more typical CEOs in the Top 100 firms own between 14,259 and 77,272 shares in their companies. The market value of this stock ranged from \$525,000 to \$3,195,000 in August of 1984.

—Towers, Perrin, Forster, & Crosby

problems to be properly disposed of, mutually serving the interests of employees, managers, and stockholders.

*Illusion #9: "Unions are not good for the community; they are dictatorial organizations in which big labor bosses manipulate the masses."* Such rhetoric is sheer fantasy. Labor leaders have a tough time getting their membership to agree on anything these days as illustrated by the maverick Canadian Autoworkers' strike which forced a separate settlement, or the Teamsters for a Democratic Union who constantly take on top officials. Most glaringly, the AFL-CIO drive to marshal the rank and file behind Walter Mondale's campaign for the presidency just did not capture the hearts and votes of the membership. Unionists are not puppets on a string.

*Illusion #10: "Unions negatively impact the economic health of the larger society."* There are two aspects to this assertion that need to be refuted. First, in contrast to public opinion, union labor costs are not a significant inflationary factor in the United States. A new book by Professors Freeman and Medoff of Harvard, *What Do Unions Do?* points out that during the 1970s, union wage increases accounted for only three-tenths of one percent of the total GNP. Consumption of chocolate alone may cost us more than that at \$4 billion per year!

### UNEQUAL WAGE STRUCTURE

The second dimension of this criticism underlies the assumption that unions create unequal wage structures. This is partially true when comparing unionized blue-collar wages with nonunion blue-collar income. However, my observation is that there is a kind of coattail effect which operates with non-

union firms. Nonunion firms often survey area wage patterns and tend to try to play oneupsmanship with area unions in order to reduce labor organizing in their own plants. Furthermore, with respect to white-collar workers, the push by unions for blue-collar wages that more closely mirror the pay offered to office workers functions as a major equalizing force in society.

### WHO'S MORE CORRUPT?

*Illusion #11: "Unions ought to be done away with because they are corrupt."* While not complete, the evidence on this point is convincing. It is estimated that indeed some 300 union locals are influenced by racketeers. But this comes to less than one percent of the 60,000 local union organizations in the country.

With business, on the other hand, the problem of graft is more severe. Would anyone argue, therefore, that corporate America should be eliminated? For instance, approximately seventy banks failed during 1984, a post-Depression record. Nearly all failures are due to insider abuses and/or criminal misconduct by managers. The national media report weekly accounts of managerial corruption far in excess of that of labor. A *Fortune* study of 1,000 big firms found that 117 had been guilty of one or more crimes. The 11 percent figure for business far exceeds the less than one percent rate of corrupt unions. A number of these firms had been indicted for several crimes and the *Fortune* report concludes that the crime rate among middle-sized and small business is much higher. Of course, some unions are corrupt. But we can't throw the baby out with the bath water. Managers work in corrupt businesses too.

Admittedly, labor faces a formidable future. The movement has seen millions of jobs eroded, with a

## The Wage Scale

### Average Annual Pay in Key Industries—1983

Mining	\$28,808
Transportation	24,041
Wholesale trade	21,505
Manufacturing	21,469
Construction	20,492
Finance	19,575
Government	18,154
Services	15,351
Retail trade	10,007

—U.S. Department of Labor

## The Safety Net

Average Number of Recipients of Various Government Programs  
(1983)

<u>Program</u>	<u>Recipients</u>	<u>% of Population</u>
Social Security	31,710,000	14.1
Medicare	26,711,000	11.9
Food stamps	18,662,000	8.3
Medicaid	17,508,000	7.8
AFDC	9,323,000	4.2
Subsidized housing	8,465,000	3.8
Veterans' benefits	4,622,000	2.1
Educational assistance	3,624,000	1.6
Supplemental Security Income	3,205,000	1.4
Unemployment compensation	3,040,000	1.4
Child nutrition	2,429,000	1.1

—The New York Times  
September 27, 1984

concomitant loss of dues and influence. Unions need to expand beyond their historical agenda, opening themselves up more to minorities and women and appealing more to high-tech and service sector workers. Labor needs to become more relevant, not only fighting for wages and working conditions but improving productivity and efficiency too.

There is a critical need in our society to preserve a balance of economic power. Two strong forces, labor and management, must share jointly in furthering industrial economics. Recent developments, like the appointment of Owen Bieber of the UAW to Chrysler's board and the co-determination agreement between Eastern Airlines and its unions with regard to labor having board seats, stock ownership, full access

to the corporate books, and collective decisionmaking suggest fruitful new roles for the union movement. Labor needs to get in on the front end of corporate decisions rather than simply reacting post facto. On the other hand, while engaging in cooperative problem-solving, care should be taken that such efforts do not lead to cooptation.

But beyond the needed changes within labor, managers, politicians, and the public need to change too. Anti-labor smokescreens need to be blown away. Illusionary biases need to be confronted with reality as to the critical significance of labor in a progressive society. No, America doesn't need less of a union presence. If anything, the country needs more of it. □

### BEST ARGUMENT FOR TAX SIMPLIFICATION

"In 1982, taxpayers spent about two billion hours preparing federal and state individual returns and paid about \$3 billion for professional tax help."

—The Wall Street Journal  
October 3, 1984