THE EFFECT OF COLLECTIVE BARGAINING ON PRODUCTIVITY: 1947-1979

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ABSTRACT

Productivity measures the ratio between inputs and outputs. As productivity rises, there is more to share among all the income claimants. Thus, the worker, the employer, and the union have a huge stake in the efficiency of the economic system. It is questionable, however, whether the labor force acknowledges the relationship between productivity and income, since in the three most prosperous periods of the 20th century, average output per man hour grew less and less. During the years 1947 53, average output per man hour grew 4.1%; between 1953 66, the growth rate was 3%; and from 1966 73, it was only 2.1% (Thackray, 1978, June). There are a variety of explanations presented for this declining growth rate, which include the changes in the gender and age make up of the labor force, the lack of adequate capital spending, cutbacks in research and development outlays, and over regulation by the government. While there is no single cause for the decrease in the rate of growth, a contributing factor is the reduction in productivity resulting from the collective bargaining of union contracts.

INTRODUCTION

So called "free" collective bargaining became compulsory collective bargaining during various periods in the 20th century. The union official evaluated his or her worth to the union members by gains not in production and output, but in what he or she could secure for members' use off the job, such as more money, higher pensions, earlier retirement, broader insurance coverage, more paid holidays, and vacations. Thus, when unions and management negotiated contracts, there was a difference in objectives that could be categorized into three areas of potential conflict. Bargaining disputes began over what could be labeled as security versus efficiency (Dubin, 1958). The individual tended to view his or her position as an employee as a source of income to provide for physical and social needs. Management viewed the individual as part of the production process and evaluated the employee for the work he or she contributed to the business organization. The contrast resulted in a conflict between the two sides when technology changed or when new equipment was introduced displacing workers from their jobs. Disputes also arose about job tenure, continuity of work, and work speed. It is interesting to note that the question of speed of work is now argued less and less as an issue of work fatigue and physical strain, instead becoming an issue that tends to be related to subjective standards. As an example of the dispute between labor and management concerning work speed, consider the miners. The claim of the miners for a six hour day was in response to the oversupply of miners rather than the physical labor involved (Durbin, 1958).

ADDITIONAL BARGAINING ISSUES

The second bargaining issue was a result of the diminishing significance of workmanship, meaning the skilled and capable performance of a trade (Durbin, 1958). As work was specialized through the breakdown of jobs into smaller and smaller units, greater efficiency in production resulted but brought along with it a separation of workers from the final products they produced. Job breakdown was also achieved by job dilution, which was the reduction in the amount of skill necessary to perform a job by breaking it down into its component parts. As a consequence of work specialization and job breakdown, the individual worker had no incentive to improve beyond the minimum standards set for quality and quantity of output. The job was reduced to merely a way to earn a living. Thus, unions placed an emphasis on the significance of income. When labor costs, which directly or indirectly accounted for 75% of the cost of all products, increased with no corresponding rise in productivity, the union member disregarded the importance of efficiency in the economic system (Schmidt, 1973). The union's income objective was closely related to security, but during a recession the two were not always compatible. Evidence indicated that in a choice between the two, income came out on top, with continuing increases in wages and benefits demanded. When more than 80,000 UAW members were laid off in 1979 because of declining car sales, the UAW pushed for and won a contract with General Motors giving active workers a 34% wage increase over three years and improving pension benefits (Dodosh, 1979, September). The GM settlement was not an isolated case; other union gains in wages during this period included the garment industry (29%),and the trucking industry (31%) (Dodosh, 1979, September). Even with the decrease in production and the laying off of workers, the overriding consideration in employees' minds during contract talks was maintaining their standard of living during rising inflation, not worrying about losing their jobs.

Different objectives regarding stability and change resulted in the third possible area of conflict between unions and management (Durbin, 1958). Labor union policy supported changes that increased wages, reduced hours, and provided for shared costs in health and welfare plans. Management, on the other hand, often introduced significant changes affecting work and employees, the most obvious being technological changes. Another bargaining issue concerned the present ways of performing work and possible changes. This issue involved the application of local conditions against conditions of general developments in the larger society. For example, a union could argue for higher wage rates on the claim that other companies in the industry are paying more money. The company was likely to counter by insisting that the wage rates presently paid were in line with local community scales for similar or identical jobs.

THE IMPACT OF COLLECTIVE BARGAINING

With the three general areas of actual or potential conflict as a parameter, the impact of collective bargaining can best be illustrated through actual contract provisions limiting productivity. Unproductive practices include work that contributes little to the achievement of enterprise objectives, any unnecessary activity, or labor that has a value less than its cost. Through collective bargaining, most contracts required more employees than were necessary to do the work. Thus, contracts regulated the number of workers in a crew or how many workers could operate machinery. A study of railroads in the 1970s estimated an excess of 40,000 union employees, particularly firemen (Sibson, 1976). Technology had changed and firemen had little to do with the equipment being used. The employment of unnecessary men and women was evident in some electrician's locals that required an electrician to be constantly on the job when temporary lighting was used, even though he or she had nothing more to do than turn off the lights when the other men or women were through working.

Rules stated in union contracts made it difficult to lay off workers when they were no longer needed. Typical contract provisions made dismissal of employees for marginal or substandard output a cause for contention. In a few cases, where the union had failed to obtain a closed shop, unions required that non members be dropped before any union member was dismissed. Employers naturally wanted a free hand in picking the employees to be dropped. Not only did such freedom permit management to dismiss the least competent and least industrious workers, but the knowledge that such workers could be the first to go was a continuing stimulus to maintain efficiency throughout the labor force. A principal method that unions employed in attempting to control layoffs required that workers be dropped in order of their seniority. Several aspects of seniority could diminish the productivity of labor. Seniority was likely to bind the whole organization together in such a way as to increase the number of workers affected by technological changes, thus strengthening the opposition to change. For example, a change in process which displaced a few workers near the top of the seniority list could cause them to displace other men with less seniority, and those in turn to displace others until a large part of the department has been affected. As a result of the seniority rule, the union required that the employer rehire laid off employees in their order of seniority before engaging other workers. The principal arguments raised against seniority as a basis for layoffs and recalls was that it placed a premium on mediocrity and could limit the employer in finding the workers who are best qualified for the work. It discouraged individual initiative by ignoring differences in ability and enthusiasm, and it interfered with management's ability to discipline and reward in terms of performance. Both of the practices have an adverse effect on productivity.

Another union approach to controlling job opportunities and insuring uniform standards was in the direction of contract rule making on the setting of production standards and make work rules and policies. A recurring source of conflict between unions and management arose from differing views as to what should properly constitute the average worker's daily job. The setting of daily or weekly work standards had the effect of restricting output. Closely related to work standards was the wage structure itself. The two basic methods of paying labor were day work (by the time worked) or piece work (by the piece produced). Traditionally, the union had opposed incentive methods of payment. Unions hypothesized that directly relating earnings to effort worked against the major union principle of wage uniformity. The typical worker is compensated for time, not productivity. Even with the concession of employers to day work, there was still the disagreement over single rates or rate ranges. As a general rule, employers preferred rate ranges, whereas unions preferred single rates. Employers favor rate ranges because they afford a greater flexibility in wage administration and allow management to reward superior effort and performance on the job. Thus, management argued for progress on merit, whereas the union argued for automatic increases at regular intervals.

There were also indirect limits imposed on the speed of work. At one time, the longshoremen's union on the Pacific coast regulated the size of the sling load, which served to reduce productivity. Unions could also make-work for their members by controlling the quality of work and insisting on better quality work than the employer required. Still other techniques used by unions to incorporate make work rules into contracts included requiring time consuming methods of work, encouraging unnecessary work to be done, and providing for work to be done more than once. The agreement in effect in 1939 between Painter's District Council No. 14 and the Chicago contractors prohibited the use of brushes more than 4 1/2 inches wide in oil painting jobs (Slichter, 1941). This increased the time required for each job. Common rules among building trade unions prohibited or discouraged the performance of certain operations in the shop rather than on the job, even though it was much easier and quicker to perform many operations in shops where special machines and equipment were available instead of on the job. The New York Plasterers' Local had a contract provision requiring that stock models be destroyed in order to provide work for the molders, an example of the existence of unnecessary work. In some cases, the rules permitted rework, which required that factory-produced products or components must be disassembled when they arrived on-site and then be reassembled before they could be installed. The New York Local and others refused to install switchboards and other electrical components unless the wiring done in the manufacturing plant was torn out and union members were permitted to rewire the apparatus (Slichter, 1941).

Make work rules also included the requirement that work must be performed by members of a given skill level. As a consequence of this provision, skilled workers were often used to do work which semi skilled or unskilled workers were capable of doing. While these rules did not necessarily limit output, they did raise costs. The railroad unions attempted to establish the principle that each and every piece of work in the operation of the railroad belonged to some particular class of employee. Thus, it was in effect owned by that class. Given this structure, management no longer had the right to decide what class of labor could perform the particular job most efficiently and economically under the circumstances, but had to call a member of the union who "owned" the work. If management failed to call a worker of the proper class, a furloughed worker of the class could claim a day's pay for not being called upon to do the work. The restriction of work to a given trade was acceptable at higher levels, but at lower or intermediate skill levels it reduced productivity. The amount of down time in waiting for the next tradesmen with the proper skill level both reduced ultimate output and increased cost.

ADDITIONAL PROVISIONS

Other provisions established through collective bargaining inhibited management's right to manage the business effectively. The limitations imposed on management in assigning people to the work they were best qualified to do, as well as the restrictions placed on management in the areas of transfer and work assignments, were included in the discussion on seniority. Seniority was also be a factor in promotions, with employers resisting any effort to introduce length of service as a determining factor in promotions. Management insisted that ability should be the governing factor, and the right to promote should be an exclusive management prerogative. An additional restriction could be placed on the employer in terms of who the employer could hire. A primary objective of most unions was to secure a closed shop arrangement that would solidify the union's position in the particular enterprise, contributing to the objective of job security. Even if the employer was free to hire unrestricted workers, the union attempted to negotiate a union shop clause requiring the new employee to join the union at the end of his or her probationary period. If a particular trade union was successful in controlling the supply of labor in its labor market area, it was in a position to conserve and allocate the existing job opportunities as it saw fit and to raise the price of that labor by restricting the supply.

Union bargainers used the threat of a strike in order to persuade employer bargainers to accept the union's demands. The primary intent of such a tactic was to prevent production. The strike, as the lever of the union power, generally involved two steps. In the first step, employees stopped work in unison, and in the second, other workers were prevented from competing for the jobs. Otherwise, the strike would be no more than a mass resignation. Membership solidarity was important if the strike was to be the means of acceptance of union demands. Picket lines were a display of solidarity, established to prevent other workers from taking the striker's jobs and to keep strikers from returning prematurely to work. Today, when a plant is struck, the employer generally makes no attempt to keep it running, a fact attesting to the effectiveness of a strike.

In addition to the negative effect collective bargaining had on labor productivity, the process itself was considered a detraction from productivity. The time spent in negotiation on a contract, in day to day operations, in discussions with union stewards, and in the handling of grievances was time spent unproductively.

Initially, labor unions performed the much-needed function of improving working conditions. Once this objective was satisfied, however, the unions continued to gain power and exert their strength in other areas. As management introduced new machines and technologies that increased productivity, unions used their influence to counter such actions. New machines and technologies required fewer workers, thus threatening jobs. Unions, through collective bargaining, were successful in achieving their goals of security, income, and stability. However, achieving these goals came at the expense of productivity. All of the contract provisions mentioned above adversely affected productivity and increased the cost of labor. The combined effect of the two was documented by using figures from the second quarter of 1979. Productivity dropped in the private business sector at a seasonally adjusted annual rate of 2.4%, while at the same time there was a 9.3% annual rate of increase in hourly compensation. This brought the cost of producing a unit of output to a 12% annual rate of increase (Dodosh, 1979, September). Rising labor costs, combined with little or no gains in productivity to offset the rise in labor costs, placed pressure on businesses to raise prices. Businesses raised their prices in order to maintain their profit margin. This circled back to the consumer when labor's wages were increased. Union member's demanded higher wages in order to maintain their standard of living.

ALTERNATIVE APPROACHES

There was an alternative approach to collective bargaining known as productivity bargaining. Management first identified all the elements of the union contract that inhibited or reduced productivity. Each of the unproductive practices were costed and developed into an analytic framework for estimating the potential improved productivity if these practices were eliminated. Management and the union then had to combine to achieve common objectives. Unfortunately, given the existing diversity in objectives between the two bargainers, productivity bargaining did not appear to be obtainable without drastic changes on both sides.

A 1970s development, known as a self financing productivity deal, was more realistic because it did not require a change in established objectives. Union negotiators were not satisfied with the 10% limit on wage increases and pressured management to exceed the limit, which resulted in the introduction of performance linked wage payments. The government had accepted the plan, provided that the arrangement paid for itself and that the total cost of producing the goods did not increase as a result. Management had decide whether to group employees together and measure output in average units produced per day, which would lower individual incentive, or measure the performance of individual or small related groups, which would be more costly in management time and effort and would take longer to negotiate. Possible conflicts with the union could arise over machine breakdowns, quality control, and a guaranteed level of earnings.

CONCLUSION

Given the disagreements that lacked closure concerning alternatives to collective bargaining, it was unlikely that any major changes in the process would occur in the 1970s or 1980s. Management still had to contend with the many provisions resulting from collective bargaining that limited productivity, including unnecessary employees, seniority, restricted control over hiring, layoffs, work assignments, rework, output standards, wage structures, and strikes. Working within this environment, the trend toward a decrease in the growth rate of productivity and an increase in hourly compensation was certain to continue.

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