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Representation of Employees and the Role of Unions in the United States and Canada: The Union Response to Change in a Competitive Context

*Irving Bluestone**

When I received the invitation to join you, I was a little puzzled by it, since I am not an attorney, and this is a law institute. I could not figure it out at first until I realized that it is the Canada-U.S. Law Institute. It so happens my wife is Canadian by birth, and I am American by birth, so obviously it was natural to receive that invitation to join you here. We fit the bill.

Yesterday, I was intrigued by the discussion which took place; both by those who lectured and the questions and responses which ensued. I have been an advocate of joint action processes between labor and management for well over twenty years. As a person who held office in my own union, I was a proponent for a long, long time of this kind of approach to labor management relations before it began to take hold.

As a matter of fact, in 1970, when I became director of the General Motors Department of the United Auto Workers ("UAW"), we were about to enter into negotiations. It was immediately after the unfortunate and untimely death of Walter Reuther. I suggested to our negotiating committee, comprising rank and file members elected by their peers, that we should place on the bargaining table a proposal for General Motors to consider. The proposal was that a national joint committee should result from these negotiations whose purpose would be jointly to "improve the quality of work life." When the puzzled faces asked me, "What are you talking about?" I pointed out that one of the unfortunate aspects of work life over these many, many decades has been the policies and the processes of scientific management. Namely, that only management knows how to do things, make decisions and give orders while the workers are the order takers.

I pointed out that it is about time the workers were given their full due for their capabilities, their experience, their knowledge, and their intelligence to make decisions. The committee bought into it. When we entered into negotiations, among the other proposals which we put on the bargaining table, we placed this one on the table, namely, to jointly form a national committee to improve the quality of the employees' work life. When the chief negotiator for General Motors Corporation asked

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what I meant, I explained it in terms which were similar to those which I had used in discussing the subject with our negotiating committee.

General Motors, as is true of many large corporations when in negotiations, has two ways of saying "no." We used to call it the "long no" and the "short no." The long no was usually a sixty page brief outlining the rationale for rejecting the union's position. The short no was, "Go to hell." We got the short no. It was not until three years later that this joint committee was organized as a result of our negotiations in 1973, and it was done with a very reluctant corporation.

What has happened since? The basic concept has spread not only in the auto industry, but also in the steel industry, the electrical industry and many others, as well as in the public sector over the ensuing years. That concept is what this conference is concerned with.

I would like to refer to a statement that was made by Sidney Hillman as long ago as 1918, because I think it is opportune and apropos today. He said, "What labor is demanding is not just a few material things like more dollars and fewer hours of work, but a right to a voice in the conduct of industry." A right to a voice in the conduct of industry. This is essentially what we are talking about when we come to grips with the joint action processes which are mounting in intensity around the country. Although, in terms of the total work force, it is still like a blip on an elephant's back.

Many years later, Walter Reuther was speaking before the University of Virginia Law School. One of his comments was:

Our basic philosophy towards the employers we meet at the bargaining table is that we have a great deal more in common than we have in conflict. And instead of waging a struggle to divide up scarcity, we ought to find ways of cooperating to create abundance and then intelligently find a way to share in that abundance.

Well, as we know, tradition has it that management and labor are adversaries; they are in separate camps, and they deal solely with issues which are controversial in nature. Therefore, they usually end up batting each other over the head at the bargaining table.

This has been tradition, and it continues. However, the labor movement in the United States, as we know it, has never been committed to an "ism," as is true in most European labor movements or those in South America. It has been supportive of the "capitalistic system," the free enterprise system. It has always been a matter of bewilderment to many of us that with a labor movement which is not attached to an "ism," as is true elsewhere, there is such opposition to labor on the part of so large a sector of the business enterprises of our country.

But even as differences obviously exist, and even as custom and tradition insist that management and labor are adversaries living in a climate of controversy, we must understand that the very purpose of a union goes far beyond simply negotiating wages, a better standard of liv-

ing, benefits and working conditions. The fundamental purpose of a union is to bring democratic values into the workplace, just as we enjoy democratic values as citizens in a free society. It is when the union enters the picture that workers then have rights which are secured to them in the collective bargaining process and written into the provisions of the contract. These are rights which do not exist except for the union being a negotiator on behalf of the employees. The union's role is to democratize the workplace, providing the opportunity for the workforce to help make decisions at work, just as they help make decisions as free citizens when they go into the voting booth.

The question then becomes, what direction are the new developments in labor/management relations taking? There are forces at work externally, as well as internally, which are compelling both management and labor to take a new look at their relationship. Mr. Fischer talked about this at some length yesterday in his address to you. I would like to put it in perhaps more concrete terms by citing some facts and figures, which are causing many in the management circles and many in union circles to say to each other, "Maybe we do have more in common than in conflict, and perhaps we ought to put our heads together to find solutions to our mutual problems instead of constantly battling them out over the bargaining table."

About a year and a half ago, a commission which was organized by Governor Cuomo in New York State issued its report. It was a report on trade and competitiveness in the United States. I was a member of that Commission appointed by Governor Cuomo, and we spent a year and a half studying our economy, what our problems are and where we are headed.

I would like to recite just a few facts and figures and then analyze the effect that they have upon the collective bargaining scene. For instance, we know that in 1978, we had a budget deficit of thirty billion dollars, and people were beginning to lift their eyebrows over the fact that we had a thirty billion dollar deficit. Under the succeeding administration of President Reagan, our budget deficit rose to the point where it was two hundred billion dollars a year. Now, it is somewhat lower, but still above one hundred billion dollars a year. That means that a very sizable portion of the taxes that we all pay to the federal government is going towards interest payments on the debts which have been incurred by the federal government, rather than going towards services to be rendered to the citizens — to us.

Our national debt has gone through the sky. At the end of the last administration, our national debt amounted to three trillion dollars. Unless something quite drastic occurs between now and the year 2000, it will stand at about four trillion dollars. I would ask you not to start counting these trillions a dollar at a time, because you would not live long enough to reach that figure.

Consumer debt has risen by sixty percent in the period from 1982 to

1987. We already understand from economists that the time is rapidly approaching when consumer debt will be so high that there will be a curtailment of consumer spending. That means slowing down the economy, which, in turn, means higher unemployment.

Farm debt is higher than ever before. Corporate debt is the highest today that it has ever been in the history of the United States. Large sectors of our business community now pay as much as fifty percent of their income in interest to pay off the debts which they have incurred. This means that corporations will not have the capital available for reinvestment to research, develop and market new products.

We have experienced a sharp decline in the past ten years in our rate of productivity growth, and, it is out of productivity growth that we create the enlarged national economic pie which can then be more equitably distributed. In the 1960s, our rate of productivity growth stood at about 3.3% annually. By the 1980s, it was down to 2%. And in one year of the 1980s, our rate of growth was even a minus figure. If the rate of productivity growth continues to stagnate, it means that our nation, as a whole, will rapidly become a second-rate nation within the competitive world.

Consider, by way of example the industry that I come out of, the automobile industry. In the 1950s, the domestic producers of automobiles in the United States captured 76.2% of world production and sales of automobiles. The rest of the world, in the 1950s produced only 23.8% of all automobiles that were sold. By 1989, the United States was producing 25% while the rest of the world was producing 75%. We really turned it on its head. Therefore, the automobile industry, the steel industry and other manufacturing industries have suffered a sharp retrenchment as they experienced a decline in their overall market share. Of course, this has been taking place at the same time that the shift in the national economy from the manufacturing to the service sector has occurred.

I recall that a few years ago, the Cyert Commission, (Mr. Cyert was president of Carnegie-Mellon University) undertook a study of the shift from the manufacturing to the service sector. The Commission concluded that by the year 2000 only 3 to 5% of all the jobs in the workforce will be in manufacturing, and that 95 to 97% will be in the service sector. Even if that is an exaggeration, let us say a 10% exaggeration, we still will find that the manufacturing sector continues to shrink, and that portends all kinds of problems that relate to education, retraining, relocation, etc. Then the question arises, is it possible to have a viable economy with so small a sector of the economy devoted to manufacturing when so large a part of the service sector depends upon manufacturing?

The figures sound an alarm that must not be ignored. I found an article that appeared in *Business Week*, sometime in 1987, to be very interesting. It was one of those *Business Week* issues in which the front cover had a great big headline: "Wake up, America!" I would like to

read it to you. This article was published right after the stock market suddenly declined in late 1987. *Business Week* noted that while the stock market may recover somewhat, the message underlying the crash remains largely unheeded. Americans have spent, borrowed, and imported too much. We have lived beyond our means and relied on foreigners to finance our massive budget and trade deficits. Our bill is now coming due. America's standard of living is bound to suffer. The rest of this issue of *Business Week* dealt with the "unless": "Unless we reduce government spending, raise taxes, increase private savings, decrease consumer spending, cut back on spending for the military, tighten our belts, reduce our standard of living, have our trading partners reduce their tariffs."

Not one word in this entire issue of *Business Week*, with the headline "Wake up, America!" about the effect that a revolution in labor management relations can have on the competitive factors that will make the difference between whether we are a first-rate nation or a second-rate nation. Not one single word in that entire issue about the quality of our products and how we market them. Not one word about people, about the human element, about that which was mentioned last night, human resource management.

Well, quality, as we know, has become a mighty important factor in the competitive world. The other day someone was telling me that we are approaching the end of the golden age of shoddy merchandise. That is a pretty good way to put it. Some years ago, I was speaking at a conference, and another speaker from the electrical appliance industry, told a story that I found difficult to believe, but he assured me that it really did happen. He stated that his firm had decided to outsource a part — one of the parts that goes into the final assembly of their product. The firm let it out for bid, and a Japanese firm was the lowest bidder. So in the normal fashion they wrote out a contract with this Japanese firm.

One of the provisions of the contract was that they would not accept more than 3% defective parts in any shipment that came from this Japanese subcontractor. They said that they put this provision into all of their contracts with subcontractors. He then said that when the first shipment came from Japan, the shipment arrived in two separate deliveries. One was marked "perfect parts," the other was marked "defective parts." A letter accompanied the shipment which ran something like this: "Pursuant to our contract, we are hereby delivering 97% perfect parts as ordered, and 3% defective parts." The letter went on to say, "We do not understand, however, why you would want any defective parts. Producing defective parts increases our costs. Therefore, hereafter, we propose shipping only perfect parts and trust this will not unduly interfere with your normal policy."

I can tell you, we can laugh at it, but there is a serious lesson to be learned from this anecdote. In the past several years, we have placed greater emphasis on the question of quality as an essential factor in mar-

keting our products. We are catching up, although we are not quite there, in the auto industry. Obviously, product and service quality is a troublesome issue. Therefore, the negotiating parties, in jointly examining their problems, are agreeing that, instead of battling over these issues at the bargaining table, they should do what Mr. Fischer was talking about yesterday, that is, put their heads together and find out how to make it work.

In the past decade or so, I have noted that labor/management relations have been moving along what I would call three parallel tracks. In this regard, I think you will find that some of the comments I have to make this morning differ in some respect from the comments that Mr. Fischer made yesterday, although, I assure you, we both think alike about the subject.

The first track is the traditional one, the customary adversarial relationship dealing with controversial issues. It will be a long, long time before the utopian level of negotiation concerning which portion of the profits will be given to the workers, (in terms of wages or salary increases and other economic benefits) and the nature of working conditions, is moved into a noncontroversial arena. I believe the adversarial aspects of that kind of distribution of our wealth will remain part of hard core bargaining.

From time to time, I would assume we may have strikes and crises. However, I am convinced that, even though hard core bargaining will continue, there are many economic and social pressures upon management and labor to find joint, cooperative approaches toward solving their mutual problems. Many of the issues which, in the past, have been highly controversial, will, and already are, becoming matters for joint problem solving; not in the adversarial climate of the collective bargaining arena, but rather at a table in which everybody sits down as equals and tries to find solutions.

Let me recite some examples of what has been happening in several of our industries along this second track. This does not apply to all industries, nor do all of the items which I will mention come to bear in any one industry. For instance, we know that for many years, joint programs for apprenticeship training have been developed in which union and management not only establish the training required to become a journeyman, but also monitor the apprentices as they progress. Even the hiring of the apprentices is managed on a joint basis. Union and management have done this for years. It goes back over thirty years in some industries.

We know, for instance, that in more recent periods, we have seen the establishment of joint health and safety committees in which management no longer takes unilateral responsibility for health and safety issues with the union filing grievances if it is unhappy. Both parties have representatives appointed to a joint committee who are trained together, and whose duties and functions are to try to maintain healthful and safe

workplaces. They have done a truly remarkable job as the labor and management health and safety representatives operate effectively while working together.

Joint employee assistance programs began about twenty years ago, first as alcoholism rehabilitation programs. Those who suffered from alcoholism were usually discharged from their jobs. There was no effort to rehabilitate them so that they could remain as positive contributors to the enterprise. Today, we have employee assistance programs to help such people who are addicted to alcohol and to drugs. We are moving into the arena of family problems and emotional stress to try to find ways and means of helping people, rather than disciplining them and discharging them. Here again, is a joint effort with union and management representatives working together.

Absenteeism has been a problem in the United States more than, for instance, in Japan. Now there are joint attendance programs in which union and management representatives consult with those who are habitually absent to find out what the problems are. The questions asked are: Can the problem be corrected; can we help this individual become a more satisfactory and productive employee?

Today, there are new hire orientation programs where management and union representatives together are giving information to new hires. They are also promoting pre-retirement programs for prospective retirees and their spouses. I must tell you a little anecdote about that. It is a favorite of mine. Among the very first joint programs in the UAW to provide training, advice and counseling to those who anticipated retiring was at a plant in Connecticut. I was involved in setting up this joint program where union and management representatives would act as instructors.

The spouses were invited to attend along with those who were about to retire. The union representative laid out the benefit structure on the blackboard and explained that after retiring, should the retiree subsequently die, the spouse would continue to receive benefits until he or she died. The same was true regarding health care. The spouses would be covered with health care programs, and in case the retiree subsequently died, the spouse would continue to be covered until his or her death.

When the presentation was completed, a woman, who was one of the spouses there, raised her hand and said, I have a question: My husband never even told me about this pension program, and he certainly never told me that if he should die after he retires, I would continue to get a pension. He never told me that if he should die after he retires, I would be continued under the company's health care coverage until I died.

The union representative said, "Yes, that is absolutely true, I have just put it up on the board. But what is your question?" She said, "What I want to know is, will I continue to get those benefits if my husband dies

of *unnatural* causes?" Can you imagine their dinner conversation at home that night?

The designation of outside consultants to help both parties is done jointly by labor and management. There are joint group legal services programs. Working together, the parties are setting production schedules and reducing health care costs which have an inflationary spiral three and four times that of the general cost of living index in our country. We see quality networks aimed at improving the quality of the product, utilizing the full knowledge, capacities, intelligence and experience of the workers and their representatives, as well as those of management.

There are issues of efficiency in which workers, with their union representatives, are involved in helping to make an operation more efficient, more competitive, and less costly. We even have situations today extending outside the workplace, child care, for instance. The very first child care on-site operation in the auto industry has just been agreed upon between Chrysler and the UAW to take place in a plant in Kentucky. Joint child care programming and referencing for those families that need child care have now been in effect in many industries for several years.

I could go on describing the issues which now have become subject to joint problem solving. They come out of the collective bargaining arena. The issues are raised and discussed at the bargaining table. Then, instead of writing a concrete and detailed provision, the parties will write general language, agreeing to work together to develop a process and program that will solve the problem. The issues which I have just delineated all come out of the bargaining process, but are implemented on a joint basis.

The third parallel track has to do with direct employee involvement, utilizing the capabilities of the workforce to make a more satisfying work environment and a more competitive product. Today we find workers coming up with notions about methods, means, processes of manufacture or providing service; they are even developing new tools. Of course, they are deeply involved in improving the overall quality of product or service. They are involved in the plant layout and the layout of the equipment. Employees are sent to manufacturing plants where they are producing new types of equipment that is then brought into their home plant. They review the technology and recommended changes to assure that the new equipment is ergonomically sound before it is brought into the plant and put into place. The question posed is how will such a piece of equipment best be set up to meet their needs as workers?

Of course, the employees also deal with creature comforts, such as fans, water fountains, and that kind of thing. We find there are workers today who have come up with brilliant ideas to save money by reducing energy consumption, something the engineers apparently failed to do. Now workers are involved in meeting with suppliers whose product is not up to specification. They determine what is wrong and discover ways

of correcting the situation, so that better quality products are produced by the supplier for assembly in the final product in the home plant. In some cases, Xerox is one of them, workers are now asked to make customer contacts so that they can find out how the customer feels about the product, and thereby have a closer connection with the entire marketability of that product. Previously, these kinds of issues were solely and exclusively management prerogatives; today they are being undertaken by workers, preferably and usually in groups.

On the horizon there is perhaps a fourth track. It is a track which Mr. Fischer alluded to yesterday in his remarks to you, and which embraces the question, how far does this go? Where does it end, this concept of jointness? Well, the fact is that capital investment problems, marketing problems, pricing problems, purchasing problems, and even membership on the board of directors are issues which are coming front and center as the process of jointness unfolds.

I happen to serve on the board of directors of a steel company which is employee-owned. I am appointed by the union, which has three representatives on that board, so I have been involved now for some six-and-a-half years helping to decide issues such as capital investment, marketing the product, pricing it, etc. As the years go by, I think that kind of union involvement will be taking place because the responsibility, in a democratic process, is for workers' representatives to be part and parcel of those decisions which have such a direct impact on the welfare of the workers. This, then, is democratization in action, and we are seeing it spread slowly, yet perceptibly.

There are certain conditions that apply to the process of joint action. We know, for instance, that technology is purchasable anywhere. We can visit the countries which are just beginning to enter into the modern industrial age, find that they can buy, and are buying, the same technology that we can. We can train better managers. So can they. But as *Business Week* forgot, it is the people in the final analysis who make the difference. It is the people who are the bottom line, and that is what we are talking about.

I propose that the prerequisites for success fall in the category of what I would call a three-legged stool. When one of the legs of a three-legged stool is chopped off, it falls to the ground. The three legs of this stool, called working together, are: Basic, fundamental and honest commitment to the new work culture at the top level (permeating through all of the ranks on both sides), labor and management. This then, leads to a climate of trust and mutual respect in which there is true, solid two-way communication.

Some years ago I received a telephone call from the owner of a small firm in Connecticut who had read something I had written on this subject. He asked if I happened to be in Connecticut, could I drop by and visit him, so I did. He asked me to explain this concept of joint action and employee involvement. I emphasized the need for two-way mutual

communication. He said, "You know, that is exactly the way I operate, two-way communication." I said, "That is interesting. How do you do it?" He said:

By way of example, a few weeks ago we had a manufacturing problem, and I called in my production manager and my chief financial officer, and we discussed it. I asked them to provide me with a lot of information. I took it home, studied it, and the light struck. I knew exactly what we had to do. So, the next day I called the production manager in. I said, You remember that problem we talked about? Here is the answer. I told him to instruct the foremen so they could instruct the employees precisely how to do the job.

I said, "Well, where does the two-way communication come in?" He said, "The next day I wrote a memo and sent it out." That is not two-way communication.

The third leg of the stool has to do with co-equality between union and management representatives in which they operate as a team, co-equal in status. It is not management dictating, or the union saying, "The hell with you, we are not going to do it." It is both in equal status, deciding how to do it and then how to proceed. This co-equality requires a basic alteration in the culture of organizations and in the system of work. That is why it does not come easily. It comes over time with the commitment, a trust relationship, co-equality between the parties in the advancement of this democratic process and input from all sides of the equation.

Unfortunately, our country, especially since World War II, has been too smug and complacent about our own abilities to prevail. Smugness and complacency obviously are not the answers to our problems. The statistics I cited earlier should dissipate any sense of smugness or complacency. We had better shed our sense of self-satisfaction, our belief that we are the best. Otherwise, we will continue to make mistakes, which in the final analysis, will mean that we will fail to meet the challenge of global competition. Working together is obviously the necessary choice. If we do not, we will find that we will continue to decline as a nation with enormous economic, social and political problems facing us in a world which is moving faster than we are, in the right direction.

Let me conclude with another little story about choices, which is a favorite of mine. It concerns a minister and a rabbi who were on their way to an ecumenical conference. They boarded the plane together, sat down next to each other, and when the plane reached its flying altitude, the flight attendant came by and asked if they would like something to drink. The rabbi, without blinking, said, "Yes, a double scotch and soda, please. Make it two." The minister looked at him with a wry grimace and said, "You know, I would rather commit adultery than let the devil's brew pass my lips." To which the rabbi promptly replied, "I did not know I had a choice."

We know we have a choice. There are those who are moving in the right direction to fulfill that choice. If we do not, we will be in trouble. I, for one, firmly believe we will make the right choice.

