What Do Unions Do to the Workplace? Union Effects on Management and HRM Policies

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I. *Introduction*

My objective is to advance our understanding of union effects by examining what unions do to managerial practices in the workplace. Unions can be an instrument of social change, but even when they play a larger role in society, their core activity remains in the workplace. Their principal engagement is with management, though their actions may extend to lobbying, politics, and the community at both local and international levels. Therefore, in considering the question, "What do unions do to the workplace?," it is important to examine how unions affect management, in general, and human resource management (HRM), in particular.

The main focus for Freeman and Medoff, in their 1984 book, *What Do Unions Do?*, (hereinafter F&M) was not on this question but rather on union effects on outcomes such as productivity. Their findings have been influential in advancing our knowledge of union impact on organizational outcomes, and they offer a number of explanations for their finding of a positive union effect on productivity. Apart from lower quit rates, three other possible explanations are suggested: seniority-based rewards, better job production standards (and better management accountability in general), and more employer-employee communications (pp. 14–15). The latter two of these explanations concern managerial practice but were not directly investigated in the study. I fill a research gap by examining empirical support (or lack thereof) accumulated since the early 1980s, for some of these and other explanations for a positive union effect on management practices.

Citing a landmark study by Slichter, Healy, and Livernash (1960) (hereinafter SHL), F&M argue that unions can improve efficiency by "putting pressure on management to tighten job production standards and accountability in order to preserve profits in the face of higher wages" (p. 15). The SHL study investigated how unions affect management practices by examining an exhaustive range of management policies such as hours of work, wage incentives, subcontracting, promotions, and discipline, to name only a few. SHL found that unions can have both positive and negative effects on management and hence on efficiency. Among the positive effects of unions, SHL point to better management, a better balance between employer and employee interests, and better communications. Although SHL did not formally define the term themselves, their findings of a positive union effect has been referred to as the "shock effect" of unions on management.[1]

Even though the SHL study reported both positive and negative union effects on managerial practice, it is most often cited only for unions' positive effect on efficiency. Although some efficiencies result from the union exercising its voice role, the SHL study cites numerous other examples to show that union voice does not always contribute positively to productivity. In many instances, union actions and policies restrain productivity or efficiency. Similarly, the monopoly face of unions arguably can also contribute to restraining as well as enhancing efficiency, although it is generally associated with negative outcomes for management. Thus, the relationship of union policies to efficiency, whether it be the voice or monopoly face, is a complex one.

To further develop our understanding of these issues, it is important to examine empirical evidence accumulated since the publication of F&M on union effects on management practice. Studies conducted since the early 1980s allow us to examine union effects on a range of workplace and HRM policies. Accordingly, I re-visit the impact of unions on managerial practice in HRM and related workplace practices. More specifically, I attempt to fill two gaps in the research literature. First, I revisit the theoretical bases for union impact on management. This section attempts to integrate and clarify a variety of explanations offered in the past. Second, I update the SHL study by examining the empirical evidence accumulated by various studies since the early 1980s. The second half of the paper builds on the conceptual framework to survey the empirical evidence accumulated on union effects on managerial practice in HRM and other related workplace policies. In examining union impact, my focus is on managerial practice rather than on employee or firm-level outcomes. For example, I do not include topics such as the effect of unions on productivity or the effects of seniority on employee outcomes.

II. *Conceptual Framework*

Union impact on management is framed by two dynamic processes: formation of underlying preferences of each party and the interaction between the two parties as each tries to pursue its goals. When unions arrive on the scene by organizing workers, they tend to drive up wages. In the popular mind, union preferences have been understood foremost in terms of obtaining "more" for their members. Empirical evidence confirms that unions use their monopoly power to force employers to pay better wages and benefits (F&M, 1984). However, unions do strive for and achieve other goals that are equally important to them and their members, namely, fair treatment from management. This aspect of unionism is especially important in considering how unions affect management behavior. Demand for fairness leads the union to get into almost every area of day-to-day managerial decision-making at the workplace level. Slichter (1941) called the emergence of labor-management relations in the 1930s a system "industrial jurisprudence" in which the union gains a voice in almost all aspects of management decision-making in the workplace that have consequences for workers.

One possible response of management to a wage increase is to substitute capital for more expensive labor. Even if the firm operates at the same level of overall productivity, i.e., a combination of higher labor productivity and lower capital productivity, the ensuing outcome can be sub-optimal because it would lead to inefficient allocation of resources. This can be called the *price effect* of unions, i.e., the effect of an increase in the price of labor.

The price effect explanation assumes that the workplace was already producing at the efficient frontier before unionization and that no further gains in productivity could be made *ex post*. A second set of explanations has been offered by a number of scholars who have argued that management of its own does not generally operate at maximum efficiency. Notable among economic theorists is Leibenstein who suggested the concept of X-inefficiency as an explanation for why management would operate sub-optimally. This is discussed later in this section. Among industrial relations researchers, the SHL study is widely considered to be the most comprehensive to gather firm-level evidence to document an increase in managerial efficiency in the post-unionization period.

If we assume that management was operating sub-optimally prior to unionization, management can be "shocked" into adopting policies that would extract new efficiencies from the operations. This is the crux of the shock effect argument, and the SHL study offers a substantial body of detailed workplace-level evidence in its support. Although the SHL study is cited frequently to support a positive effect of unions on management, it is important to emphasize, for my purposes, that SHL also documented numerous negative effects of unions on management. For example, they cite a narrowing of the scope of managerial discretion in the post-unionization phase.

For a better understanding of union impact on management, it is important to frame the shock effect within the context of a union's monopoly and voice roles (Freeman and Medoff, 1979). According to SHL, management responds by seeking higher efficiency in response to unionization-induced shock. One way to obtain better efficiency is to make changes in areas over which management has exclusive control. We can call this the "pure" shock effect, i.e., one in which the union is not directly involved in obtaining new efficiencies. For example, SHL cite the development of management by policy in contrast to an *ad hoc* approach and the introduction of changes in management structure (pp. 951–52). These findings point to the standardization and formalization of managerial workplace practice that takes place as result of unionization but without the direct involvement of the union. Such changes are management initiated, e.g., a tightening of quality standards or reduction of waste and may be implemented in many instances without consulting the union. To summarize it in their own words, "The challenge that unions presented to management has, if viewed broadly, created superior and better balanced management, even though some exceptions must be recognized" (SHL, 1960: 951).

However, management's desire to obtain efficiencies is not limited to policies under management's exclusive control. There are other areas where changes could be made for higher efficiency, but because those changes would affect working conditions, management would need to engage the union in this process. Moreover, for unions, giving workers a voice in workplace matters is a primary goal. Therefore, unions are eager to seize every opportunity to question and modify managerial decisions whenever possible. Building on Hirschman's concept of voice (as opposed to "exit"), F&M suggested that union goals include giving their members a voice in workplace decisions. At this juncture, a dialogue between union and management over efforts to increase efficiency can end in a bitter fight settled only by the exercise of their relative power, or it could result in mutual accommodation through constructive give-and-take. Changes brought about by either of these two processes may be called the *voice effect* of unions on management. Descriptions of voice mechanisms that lead to positive union effects can be found in the SHL study. Theoretical explanations for why such voice mechanisms would contribute to higher efficiency in the workplace are in Metcalf (2003) and Hirsch (2004).

The SHL study found that most union-management relationships began with a collective agreement in the form of a brief, simple document. Over time and with successive bargaining rounds, these documents became longer and more complex. SHL interpreted this process as a positive development that yielded "fully developed contracts" (SHL, 1960: 186). These contracts contained "a close meeting of the minds" in key areas such as discipline for wildcat strikes and a general decline in conflict over the interpretation of clauses in the collective agreement. This process of gradual convergence between union and management views of the workplace could have resulted from mutual and gradual accommodation, or it may have involved the use of the union's coercive monopoly power. The SHL study showed that frequent dialogue, both formal and informal, played a major role in bringing about a convergence in union and management views.

Although F&M make a clear conceptual distinction between the union's monopoly and voice roles, it is operationally very difficult to separate the two. Many changes in the SHL study are reported to come out of dialogue and exchange, but it is not clear that the use of coercive monopoly power did not contribute to observed union effects. When union-shocked management goes to workers to obtain additional efficiencies, sometimes management discovers that they can do better by engaging in dialogue, negotiation, and persuasion than by coercion and mistrust. At other times, either or both parties may use their coercive power as well as dialogue to achieve changes in workplace policies. This suggests that monopoly power and voice may not always be independent of each other. For example, a union with greater monopoly power may also enjoy a more effective voice, or alternately, a union with low levels of monopoly power may not be so influential in its voice role. This possible interaction between the two roles makes it hard to empirically separate the pure effect of monopoly power and voice on management (Hirsch, 2004). Thus, the discussion of empirical research that follows in the next section cannot (and does not attempt to) isolate the pure, or sole, application of either monopoly power or voice. Rather, it argues that union effects on management result from the application of both monopoly power and voice.

Theoretical Explanations of a Positive Union Effect. What is less clear from earlier empirical studies, including SHL, is a theoretical explanation for why unions could have a positive effect on workplace practices. If markets were perfectly competitive, firms would be able to arrive at an optimal mix of HRM and workplace policies without any union presence or pressure. Clearly, this theoretical prediction is not consonant with the evidence from SHL, F&M, and some other studies. Unions do appear to force (or persuade) management to adopt efficient practices that management would have ignored otherwise. An explanation can be offered in terms of management failure, or market imperfections, or both. Management failure results, at least partially, from ambiguities in short- versus long-term goals. Depending on how these goals are defined, management may focus on some policies and not on others. A good example would be investment in training which may receive a bigger emphasis in organizations with longer term objectives than in organizations with short-term objectives. Similarly, market imperfections such as limited information, small number of buyers and sellers, and coordination failures can lead to the firm adopting non-optimal use of certain workplace policies. Kaufman (2001: 505–508) uses a similar approach to show why firms would adopt less than the optimal amount of worker participation and representation in the workplace. Similar arguments can be developed about a range of workplace and human resource management policies.

One of the much discussed explanations for a positive union effect can be found in Leibenstein's (1966) concept of X-inefficiency which hypothesizes that firms are prone to produce above minimum costs or above the efficient production frontier. In this view, X-inefficiency results from firms not employing least-cost combinations of labor and capital or from not utilizing the factors of production most efficiently (Hirsch and Addison, 1986: 188). Many factors can lead producers to be X-inefficient: incentives for management, organizational structure, and supervision, among others (Leibenstein, 1978). Once the union makes its appearance, it shocks management into finding efficiencies that were hitherto not fully tapped. Of course, this explanation is not without controversy. Some observers have complained that X-inefficiency is an ambiguous concept (Stigler, 1976). It does not clearly lay out a theory of management motivation in which management would willingly exclude the most efficient methods. However, the X-inefficiency explanation has received support from both economic arguments and organizational evidence.

Altman (2001) developed a theoretical argument for the existence of a positive union effect by building on the concept of X-inefficiency. Altman's principal argument rests on the premise that a range of wages may correspond to the same level of unit cost of production. Although unions push up wages, higher wages may not increase costs (pp. 104–106). With union-induced higher wages, the marginal revenue product (i.e., wages $\times$ marginal product of labor) line shifts outward because both workers and employers adopt practices, sometimes by cooperating together and at other times by forcing the other party to make concessions, to increase the marginal product of labor. As long as wages rise by an amount equal to the *average* (not marginal) product of labor, there should be no negative impact of higher wages on employment. This explanation for observing a positive union effect is consistent with the concept of X-inefficiency.

Econometric evidence consistent with a positive effect of unions on outcomes such as productivity has been well documented by F&M. In addition, some organizational studies provide qualitative evidence supporting the above explanation. Such evidence suggests that it is very hard for management, a hierarchical organization, to develop the most efficient process on its own because of its inherent inability to question hierarchy or the dominant paradigm. The implication is that when unions enter the scene they are able to question management. Such questioning sets up a dialectic, otherwise absent from managerial deliberations, which leads to better, more creative, and, hence, more productive solutions. Rubinstein and Kochan (2001: 36) in their study of the Saturn car plant cite from the notes of a colleague, Bob McKersie, who sat in on many deliberations of labor-management interactions:

> [I]t is clear that the role of the UAW partners is absolutely pivotal for the functioning of Saturn. At the most recent meeting of the SAC [*joint labor-management body*], the only individuals who were willing to take issue and to "tell it like it is" were the UAW representatives. Other participants in the meeting did not speak their minds as freely and tended to back off when the CEO expressed a point of view . . . (emphasis added).

Although this example by itself is not conclusive, it is consonant with a significant theme in industrial relations literature that the union's principal is to question management decisions. A related dynamic of labor-management interaction may be called the *learning effect*, i.e., both sides learn of new arrangements that can be used to govern the workplace and to guide efficient production. Such learning would be less likely to occur in the absence of unions and the dialectic they establish. Clearly, the learning effect, as defined herein, forms a part of the voice effect.

From the foregoing discussion it appears appropriate to conclude that unions have both positive and negative effects on workplace efficiency. In the past, the positive effect of unions on organizational productivity or efficiency has commonly been called the "shock effect." However, effects other than management being shocked may contribute to the positive impact of unions, e.g., the union's voice role. It is also simplistic to attach positive and negative labels to monopoly and voice effects, respectively. As shown above, both monopoly and voice roles of the union contribute to positive and negative effects on efficiency. Some monopolistic behavior of the union can have positive outcomes for the organization just as some voice functions can be inefficient for management. Shock effect can be thought of as the sum total of the positive effects resulting from union shock.

Union Effects over Time. Next, it is necessary to examine the underlying theory of a persistent union effect over time. Do union effects persist or is there a more complex dynamic that may influence the union impact we observe at a given point in time? Union effects may dissipate as innovations diffuse across various industries, firms, and workplaces. Assumptions made about this process will help interpret empirical findings of a union impact.

Union effects may persist in time for various reasons. If social, political, and economic institutions do not change over time they would contribute to persistent union effects over time. In the post-1950 period, union effects such as the union wage premium have persisted for many years. On the other hand, if markets and institutions are more fluid, union effects likely change over time. For example, there is recent evidence of a declining union wage premium (Bratsberg and Ragan, 2002; Fang and Verma, 2002).

One theoretical explanation for ebb and flow in union effects is the theory of diffusion of organizational innovations. In this view, union effects can be viewed as a series of organizational changes that allow better management. These innovations help the union employer pay a wage premium (and other benefits). But as these innovations become better known over time, they are gradually adopted by nonunion employers. For example, initially grievance procedures were found largely in union establishments. However, over time many nonunion employers have adopted similar grievance procedures. As nonunion employers make gains by adopting such innovations, the union wage premium may be less sustainable and may diminish over time. Similarly innovations introduced by nonunion employers, e.g., work teams or quality circles, were gradually adopted by union establishments over time. Thus, union effects on management practices may vary over time depending on the stage of innovation diffusion within individual firms or industries.

Innovations diffuse because they improve management practices. But there may be other factors aiding this diffusion. For example, the threat of unionization may persuade some nonunion firms to adopt innovations from union workplaces. In such cases, it becomes difficult to discern management motives for adopting these practices. Another factor may be management desire to avoid costly litigation that may arise from not adopting certain practices that are becoming common elsewhere. A good example is the adoption of grievance procedures which may be seen by management as insurance against employees claiming to be disciplined or discharged without "cause." Thus, several factors may contribute to the diffusion of innovative workplace practices across union and nonunion firms. The issue is whether these factors can be linked to unions.

Observing the Union Effect. Lastly, we must consider how best to observe the union effect if, indeed, there is an effect. The SHL (1960) study was close enough to the first large-scale, enduring wave of unionization to be able to study management practice *before* and *after* unionization using recall interviews with key informants. This approach may not be feasible in many places today.

A direct way to observe the union effect may be to examine workplace policies and practices *before* and *after* the event. Such an event-study approach can be useful in many situations but it is not particularly well suited to unionization where the full impact becomes discernible only after a few years. Moreover, we have not witnessed any large waves of unionization in the last 25 years in North America; this approach would cover only a small number of workplaces.

Another way to measure union impact is to directly compare union and nonunion workplaces after applying appropriate controls for effects of size, industry, etc. In the United States, declining unionization has reduced research interest in such comparisons. Many studies, e.g., periodic surveys of organizational practices in human resource management by the Centre for Effective Organizations at the University of Southern California (Lawler et al., 2001), do not report their results by union status. In European studies, this differentiation is frequently omitted because collective bargaining coverage can be high even when union density is low. Many European workers and organizations are covered by terms of collective agreements either by law (as in France) or by industry-level understandings among employers (as in Germany). A direct union-nonunion comparison in this context would underestimate the true union-nonunion difference.

III. *Union Impact on Management*

Research evidence on union impact can be divided into three groups. One group of studies points to the lack of flexibility in union systems. For example, union workplaces are associated with wage compression and fixed wages. Nonunion systems, on the other hand, are more likely to adopt various incentive and contingent-pay systems. The second group of studies tends to emphasize the efficiency that comes as a result of union presence, i.e., through formalization and standardization of management policy. For example, union workplaces tend to have more training and other formal systems such as safety policies. A third group finds no significant difference in HR practices, although many of these studies focus primarily on newer, innovative practices such as employee involvement and flexible work arrangements, among other such practices. As suggested earlier, a finding of no differences across the two sectors may indicate diffusion of key innovations from one sector to the other.

The rest of this section reviews empirical evidence from a number of studies that examine the union-nonunion difference descriptively or estimate the union impact analytically on a range of human resource management and related workplace practices. This review is organized by various workplace practices covered by these studies: recruitment and selection, flexible staffing, training, employee voice, teams and job flexibility, job evaluation, promotion and performance appraisal, pay systems, overall human resource strategies, and quit rates as one example of individual and organizational outcomes that is closely watched by all parties.

Recruitment and Selection. Koch and Hundley (1997) examined the impact of unions on recruitment and selection practices using data from a survey originally conducted at Columbia University of executives from 7,765 business units contained in the 1986 Compustat II Industry Segment files. The final sample included useable responses from 495 executives. This study analyzed two subsamples, one covering all industry groups, and another restricted to manufacturing.

The results indicated that in the all-industry sample, union firms were more likely to employ fewer methods of recruitment, such as newspaper, agencies, referrals, and walk-ins, than nonunion entities. The only exception was in the case of government agencies, where both union and nonunion firms were equally likely to use this channel. In addition, with partly unionized firms, the number of recruitment methods significantly declined with the increase in the degree of unionization of the firm. Partly unionized firms were also found to use fewer recruitment methods for union jobs than for nonunion jobs. However, as explained in a later section, union firms showed a higher tendency to use formal employment tests. Although these two effects are seemingly opposite in nature, i.e., one reducing management flexibility whereas the other encouraging adoption of more rigorous testing, both effects are consistent with union need for greater formalization of management decision-making.

In other areas of HRM, Koch and Hundley (1997) found mixed support for how unions affect selection methods, such as skill, aptitude, drug, and physical tests. For example, they found only mild support for the proposition that union firms were more likely to use a larger number of selection methods. This effect was positive and statistically significant for the all-industries sample, and positive but not statistically significant for the manufacturing sample. Furthermore, these researchers found that within a single firm, there appeared to be a similarity of union and nonunion selection methods indicating the strength of the threat effect with respect to selection methods. Essentially, unions appeared to increase the likelihood of the use of only drug tests and physicals and not skills and aptitude tests, but overall, union firms have an increasing tendency to use formal employment tests.

Ng and Maki (1994) performed a comprehensive study of union-nonunion differences in various human resource management practices using survey data from a sample of 356 organizations across various industries including Food, Furniture, Fabricated Metals, and Electrical/Electronic Equipment. Using multivariate analysis to control for a variety of factors, they examined the impact of unions on a total of 37 HRM practices from hiring policies to training to promotion practices. With respect to hiring and recruitment practices, they found that the presence of a union increased the likelihood that a firm would formally post jobs internally for open competition among current employees. In addition, union firms were more likely to impose formal probationary periods on new hires. However, regarding external recruitment practices, such as employee referrals, external job advertisements, and walk-ins, as well as the amount of previous job experience required of new hires, this study reported no significant difference. In a study of the auto parts industry, Kaufman and Kaufman (1987) found that union plants were nearly twice as likely to post jobs internally as their nonunion counterparts.

The evidence shows that unions appear to insist on promotion-from-within and the related use of internal posting-and-bidding. This, in turn, causes management to limit its channels of external recruiting, and to some extent, use only physical tests in selection. These findings are consistent with the internal labor market view of organizations (Doeringer and Piore, 1975).

Flexible Staffing. Gramm and Schnell (2001) investigated the use of flexible staffing arrangements in core jobs and how these arrangements affect job security of regular core employees. The researchers used their own survey[2] to collect data from a random sample of human resource managers in Alabama establishments that in part employed flexible staff arrangements. Due to cost saving associated with using flexible staffing arrangements (FSAs), Gramm and Schnell argued that organizations pursuing low-cost production strategies would be more attracted to flexible staffing. They hypothesized that companies using FSAs to complete core tasks have a greater ability to adjust to temporary decreases in the demand for labor and therefore are less likely to layoff regular core employees. The union's role is important in this analysis. Gramm and Schnell pointed out that on the one hand, unions act as a barrier to the dismissal of workers without just cause which, in turn, increases the employer's desire employer to use FSAs to control labor costs. Theoretically, the lower costs provide job security for regular core workers by insulating them from changes in the labor market.

However, unions often oppose alternative employment arrangements and, through collective bargaining, i.e., the use of monopoly power, insist on limiting the use of FSAs. Their empirical results indicated that increases in percentage of union representation decreased the likelihood of the use of FSAs. These findings support the view that unions reduce management flexibility, even though the reduced flexibility may jeopardize job security for their members in the longer run.

In addition, Gooderham and Nordhaug (2000) reported that firms that perceived their trade unions as being powerful were less likely to implement HR strategies to increase numerical flexibility. Various indicators of numerical flexibility include the use of temporary employees, part-time employees, and subcontracting. In fact, trade union power was found to have a "consistently more powerful effect" on the indicators of numerical flexibility than the level of competition. The researchers' intent was to examine factors affecting a firm's use of staffing and HR strategies to improve their flexibility in responding to the firm's competitive environment.

In their study of the auto parts industry, Kaufman and Kaufman (1987) found several instances of work rules in union plants that prohibited some workers from doing the job of other workers. Between 25–33 percent of the plants reported prohibiting production workers from doing the job of other production workers either "usually" or "occasionally." All the nonunion plants said that they "never" prohibit workers from doing the job of another. Among the union plants, only 43.8 percent of the sample could make the same claim. Since this study was carried out many union workplaces have negotiated newer work rules. Thus these estimates of union-nonunion differences may be somewhat higher than in 2004 at the time of this writing.

Training. Osterman (1995) examined how American firms train their employees and whether the type and amount of training can be explained by a firm's organizational structure. Their purpose[3] was to determine the utilization and distribution of skill levels in a cross-section of U.S. firms and to quantify the amount of training received by their workers.

Osterman estimated the effects of organizational structure on the percentage of core employees who received formal off-the-job training. He argued that unions could be a positive influence on the amount of training received by employees by pressuring establishments to invest in their workers, or conversely act as an obstacle to increased training with an insistent stance toward the protection of traditional job rights (p. 138). The results of the model showed that the presence of a union significantly increased the likelihood of a core worker receiving off-the-job training. From this study, it is hard to infer whether the positive effect on training is the result of voice or monopoly power.

Using the British Household Panel Survey (BHPS) covering the period of 1991–1995 and with an estimated sample of 2,982 men and 3,117 women, Arulampalam and Booth (1998) examined the intersection of work-related training and labor market flexibility using type of contract, part-time employment, and lack of union coverage as a proxy. Using a probit model, the researchers found that nonunion workers as well as workers covered by short-term contracts and part-time workers were less likely to be involved in work-related skills training. In addition, nonunion males were 7 percent less likely to receive training than union-organized males and nonunion females were 10 percent less likely to receive training than their unionized counterparts.

Similar inferences on training can be drawn from a study using data from AWIRS 1989–1990. Kennedy et al. (1994) examined the effect of unions on the extent of formal training provided by employers. The random sample of 2,004 workplaces covered firms with a minimum of 20 employees; interview questionnaires were distributed to management and if applicable, union delegates. Kennedy et al.'s results indicate that the union impact on formally delivered training programs is positive, but only where unions are active. In addition, active unions also appeared to have a positive net effect on the amount of external training received. The researchers attributed this finding to the possibility that active unions "forced" firms to increase the amount of external general training to improve the overall skill development of the employees, or that unions encouraged firms to use general training as a fringe benefit. Further analysis of the results indicated that the connection between tenure and firm-specific training was strengthened in the presence of an active union. Active unions appeared to reduce the association between firm size and in-house training. Kennedy et al. attributed this finding to the belief that unions negatively affect efficiency.

In another study of training practices, Heyes and Stuart (1998) gathered data drawn from two surveys conducted between February and October 1994 and in early 1995.[4] The survey covered: (1) attitudes towards training, (2) experiences of vocational and non-vocational training, (3) awareness of efforts to promote training both nationally and at the workplace.

According to their findings, unions appeared to have a positive effect on promoting workplace training and development. In fact, Heyes and Stuart found that union employees were more likely to reap the benefits derived from training if the union plays an active role in training decisions. Where members indicated they had experienced unequal access to training opportunities, the researchers attributed this to most likely reflect management favoritism. However, when the union was involved with training issues, members were significantly more likely to indicate equity in the training opportunities. Heyes and Stuart suggest that the union played a strong role in mitigating discriminatory practices and enabled a more equitable distribution of training.

Further evidence of union impact on training comes from a study by Hundley (1989) using data from the May 1979 Current Population Survey. Hundley matched CPS data with the fourth edition of the *Dictionary of Occupational Titles* (DOT) and other industry variables drawn from the 1997 Census of Manufacturing and collected job data on industrial, occupational, and workplace characteristics. The sample covered all private, nonmanagerial employees except for those in construction or extractive industries. Analyses were conducted for manufacturing and nonmanufacturing samples.

Their results indicated that for the manufacturing samples, the effect of unions on specific training was positive. This finding supports the argument that unions benefit from increasing the level of specific training of their membership. In jobs where general education was required, the employees were less likely to be unionized. Hundley argued that since the voice effect of unions appears to reduce quit rates, employers may provide union employees with specific training, as they can collect returns on that training over a longer time. Nevertheless, employers may also want to reduce the amount of specific training to decrease "job-based" bargaining power available to the union.

In a Canadian workplace survey of training practices, Betcherman et al. (1994, 1997), found that union status of a workplace was positively associated with higher levels of job-related training. These findings are not unusual and together with other findings about the workings of unionized workplaces suggest that unions do exert a "shock"-like effect on management.

Job Evaluation. Ng and Maki (1994) examined the adoption of job evaluation techniques across union and nonunion firms and found that both types of firms were equally likely to use a classification or point-system method of job evaluation. However, nonunion firms were more likely to employ more subjective evaluation criteria, whereas union firms employed more objective ranking evaluation such as the benchmark method. Although management may find that using subjective criteria suits its purposes, unions insist on objective criteria in order to reduce favoritism and to maintain their ability to question management decisions.

Promotion and Performance Appraisals. In respect of promotion procedures, the Ng and Maki (1994) study also found that union workplaces were more likely to formalize promotion procedures than nonunion firms. This finding fits the pattern of union preferences for management to formalize all procedures in writing. The formalization of procedures is the basis for the union's ability to question management. The seniority rule is a highly formalized rule that may be inefficient for management, but it gives the union considerable power in challenging managerial decisions.

In their study of the auto parts industry, Kaufman and Kaufman (1987) found that seniority, as the sole basis for promotion, was not common among either union or nonunion plants. However, if a worker could do the job, seniority became the decisive factor in many more union plants than in nonunion plants. Ability as the deciding factor in promotions was much more prevalent in nonunion plants than in union plants. The same pattern of differences was reported in the case of layoff decisions but the union-nonunion difference was statistically not significant.

With regard to performance appraisals, Ng and Maki (1994) found that union firms are less likely to employ a formal appraisal system. This finding can be related to the way performance appraisal data are used. Regarding specific use of performance appraisal data, their empirical results indicated that whereas both union and nonunion firms were equally likely to employ the results of an appraisal in disciplinary and training decisions, union firms were again less likely to use appraisal results in salary, promotion, and layoff decisions. For unions, the efficiency effects of performance appraisal systems are not large enough to overcome the costs of loss of solidarity among its ranks. Since unions generally view management-run performance appraisals as subjective processes that serve management purposes at the expense of union goals, unions logically oppose such systems or, at the margin, limit their applicability to decision-making.

Pay, Variable Pay, and Incentives Systems. There is fairly widespread and robust evidence that the presence of a union greatly reduces the likelihood of a variable pay plan (VPP). Betcherman et al. (1994) found that VPPs such as profit sharing, employee stock ownership plans, knowledge pay, merit pay, etc., were more often employed in nonunion firms. The overall incidence of VPPs is close to 50 percent higher in nonunion workplaces. They found that the only VPP implemented by more union firms than nonunion ones was productivity gainsharing, and that figure was only marginally higher than in nonunion plants. For other benefits, the study did not find any significant difference in family-care benefits between union and nonunion firms, except for the incidence of employee assistance programs (EAPs) which were higher in union firms. Nearly 45.7 percent of the union firms offered EAPs, whereas only 28.8 percent of nonunion firms provided them.

Further support for this finding comes from the recent Canadian Workplace and Employee Survey (WES) which since 1999 has surveyed over 6,500 workplaces and 25,000 employees each year. Union workplaces are less likely to use to individual incentive plans compared to nonunion workplaces (Verma and Fang, 2002). This is not true of group incentive plans, which occurred with similar frequency in both union and nonunion establishments.

This survey showed that union firms have a much lower incidence of individual incentive plans than nonunion firms. Only 13.6 percent of union firms used incentive compensation systems such as merit pay, profit-sharing, and straight-piece-rate plans, whereas 28 percent of nonunion firms had implemented a profit-sharing plan. Kaufman and Kaufman (1987) also reported that nonunion plants were nearly nine times as likely to adopt a profit-sharing plan as union plants. From this evidence, together with union policy opposing pay systems that compensate individual workers differentially on the basis of management-assessed performance criteria, it is logical to infer that the difference in pay policies of union firms reflects the unions' desire to adopt uniform pay rather than pay schemes based on variation in individual performance. Interestingly, as pointed out in a following section, there is no significant difference between union and nonunion firms in their adoption of pay based on *group* performance that can be measured and verified directly. This criterion distinguishes profit-sharing plans from gainsharing plans. Profit sharing is much more likely in nonunion workplaces because unions generally oppose profit sharing. The union's main objection appears to be that accounting profits can be volatile over time and only loosely connected to workplace effort and productivity. Gainsharing, on the other hand, is more likely found in union workplaces, because it is generally based on verifiable group performance.

In another study, using interview and survey data collected over a five-year period from 53 large (greater than 100 employees) greenfield sites in Ireland, Gunnigle et al. (1998) examined the implications of performance-related pay (PRP) systems on the collective aspect of the labor relationship. The researchers found that the use of performance pay based on individual performance appraisals was highly negatively related to the presence of a union. Specifically, nonunion companies were significantly more likely to use PRP systems. In fact, 75 percent of the nonunion firms used performance pay systems based on individual performance appraisals. Gunnigle et al. suggested that by allowing managerial discretion over the individual performance appraisal, nonunion firms could employ individualist as opposed to collectivist incremental pay decisions, thus challenging the collectivism of a union environment and collective bargaining.

Some studies suggest union effects even when the union status variable was not directly examined. If unions push for policies such as time-based pay systems and if such pay systems reduce organizational flexibility, we may infer that unions can affect organizational flexibility. In one such study, Long (2001) examined the relationship between a firm's pay system and its ability to achieve structural flexibility in a study of 44 large Canadian manufacturers including forest products, hard goods, high technology, petroleum, pharmaceuticals, and mining. The study examined structural flexibility that includes having (a) informed employees, who have (b) training and knowledge, who are (c) empowered to make decisions, operating under a (d) reward system that creates common goals. The types of pay systems examined included: group pay, such as profit sharing and gainsharing, time-based pay, seniority pay, and individual performance pay.

Results showed a significant and positive relationship between group pay and flexibility and a significant negative relationship between time-based pay and flexibility. In addition, multiple regression results indicated that pay-system-related variables explained a "substantial amount" (approximately 20 percent) of the variance in structural flexibility. Long concluded that the empirical results supported the idea that a firm's pay system may affect its structural flexibility. We know that union firms are more likely to adopt time-based pay. The findings of this study suggested that union firms should have less organizational flexibility.

Although unions generally discourage firms from adopting individual pay incentives, they appear to be less averse to group incentives based on directly measurable and verifiable criteria. In the Ng and Maki (1994) study, both union and nonunion firms were equally likely to adopt group-level incentive pay systems and gainsharing plans. This suggests that even though unions have a different preference pattern in many areas of human resource policies, there are some areas where their preferences coincide with management's. This convergence between HR policies of union and nonunion firms conforms to the notion of innovations diffusing from one sector to another.

Although gainsharing is relatively more popular with unions, some studies have found a mixed picture in terms of the impact of unionization (Kim, 1996). Kim explored the relationship between gainsharing programs and employee involvement and found that unions reduce the effectiveness of gainsharing plans even as they marginally improve their survival. The study[5] focused on the overall effectiveness of compensation schemes that included gainsharing and the factors that increased the likelihood of a successful gainsharing program. Included in the analysis were: a measure of unionization, i.e., union presence in the organization, and union support, i.e., whether the union supported or opposed gainsharing.

With regard to the union variables, empirical results indicated that gainsharing programs in union settings were significantly less successful in influencing organization performance in terms of improved quality, improved labor productivity, cost reduction, and improved production process relative to nonunion establishments. There was no significant difference in bonus payouts. However, results from a reduced sample of only unionized companies indicated that when there was support for gainsharing, the program was significantly more likely to yield positive results of quality, cost reduction, improved production process, and bonus payments.

In another study, Kim (1999) examined the survival of gainsharing programs at 211 different organizations in the United States and Canada using data from a 1992 survey (Kim, 1996). As mentioned earlier, unionization slightly increased the likelihood of a gainsharing program's survival, all else being equal. Organizations using outside consultants to develop and maintain their gainsharing programs were more likely to have their programs fail and disappear. Employee approval, new employee training, customization, financial performance, and capital investments signified successful gainsharing programs. While organizations in the manufacturing industry had significantly less success with their gainsharing programs, unionization did not significantly affect the success of these programs.

Organizational Climate and Workplace Culture. Unions affect organizational climate and workplace culture in various ways. Since this topic is vast in scope, only selected aspects are addressed here. One set of studies point to a more formalized and structured communication between management and employees and a related loss of informality in union workplaces. On the other hand, managements in nonunion environments can build a climate of effective communication and strong identification with organizational goals. In one qualitative study, Cohen-Rosenthal and Burton (1993) found that unions were a barrier to effective communications with management. By opposing the HR manager frequently, the union can often cloud management's intended message. As an intervener, a union can impede and increase the costs of direct communications between management and employees. Many nonunion employers can achieve greater clarity in employee communications because they can communicate with them directly.

Citing an earlier study which employed both surveys and interviews to a sample of 248 workers from three large nonunion and four large unionized U.S.-owned plants in Ireland, Flood and Toner (1997) examined whether any advantage can be derived from nonunion firms following best human resources strategies or by practicing union avoidance strategies. They concluded that a union may decrease a firm's ability to design and adopt human resource policies that can assist in increasing employee motivation and cooperation and in building a strong corporate culture. In addition, the researchers found no evidence that nonunion status increases the firm's overall flexibility; however, the nature of the industry needs to be considered as more traditional industries may have a history of inflexibility.

Taras (2000) examined the level of employee representation in the joint industrial council (JIC) that operates as an enterprise-level employee organization at Imperial Oil's upstream division. Through observing meetings, reviewing corporate minutes, and in-depth interviews from 1995 to 1999,[6] Taras found that Imperial Oil and their JIC employed numerous collaborative and competitive HR techniques that demonstrate the "union threat effect." For example, the primary responsibilities and scope of JICs at various levels cover three areas of workplace policies: "competitive" wages, benefits, and working conditions; strengthening corporate culture through employee affiliation; and providing employee voice through committees and sub-committees. One of the reasons that management continued to work with the JIC, even though they were not legally required to do so, is for the positive contribution of the JIC to the culture and climate of the workplace.

Other ways in which Imperial Oil contributed to the relationship was by allowing hourly employees access to typically confidential information such as competitors' compensation structures and other HR-related information. Although the JIC may have little power to influence wages and benefits structures, the various JIC representatives meet collectively and share information, increasing the employees' sense of corporate affiliation. This sets the tone for a positive climate.

Regarding the creation of an integrative corporate culture, the JIC enabled a work site to vote on any workplace issues, except those involving corporate policy. Other recent union-competitive issues in which the JIC has been involved were downsizing and job elimination. In fact, Imperial Oil states that the JIC operates like a union in providing employee voice as it also oversees discipline and grievance procedures; JIC representatives get involved at the initial stages and remain involved until the final grievance steps.

The Australian Workplace and Industrial Relations Survey (AWIRS) conducted by the Department of Industrial Relations in Australia in 1990 and 1995 is also helpful in understanding the union-nonunion difference in organizational climate (Callus, 1991; Morehead, 1997). Among other findings, the AWIRS indicated that more workplaces had adopted a "modern workplace relations style," implying a decrease in the active role of unions coupled with an increase in a more structured approach by management. Thus, unions tend to decrease management's ability to structure workplace practices, and thus, as the role of unions has been diminishing over time, managements may be more active in structuring workplace climate and culture to their perceived operating needs.

Of the managers surveyed in AWIRS, who indicated they wanted to make changes in pay systems (51 percent), 17 percent stated that union resistance acted as a barrier to implementing those changes. Although the degree of unionization declined over the five-year time frame, AWIRS results indicated that union delegates became more actively involved in negotiating key employment issues such as wage increases, perhaps indicating a more communicative relationship between union delegates and management. A rise in the incidence of grievance procedures and joint consultative committees during this same time period supports this statement. The AWIRS study also found that higher than average numbers of union employees believed that the workplace changes over the last 12 months had negatively affected them and, thus, had made them "worse off." In examining employees' attitudes towards trust and satisfaction, unionized employees were also less likely than nonunion employees to indicate satisfaction with and trust of management. Therefore, although different factors may affect both managers' and employees' level of satisfaction and trust, unions appear to negatively affect the type of management relationship and attitudes in the workplace.[7]

In the area of workplace safety and health, another important contributor to organizational climate, Weil (1991, 1992) found that union workplaces were much more likely to have labor inspections than nonunion workplaces even when the safety and health legislation applied equally to both union and nonunion workplaces. The differential inspection rates are rooted in a climate of safety created by union presence. Clearly, unions play a role in the labor inspection process, which in turn impacts management. In a similar vein, Beaumont and Harris' (1996) study using UK 1990 WIRS data suggested that management motivation for the introduction of HRM practices often arises from dissatisfaction with and a desire to improve the existing labor-management relationship.

Taken together, these findings indicate that unions generally reduce the scope of management prerogatives and discretion. A union makes management's efforts to foster a strong identification with corporate goals and vision among employees more difficult. The evidence confirming this inference is the many nonunion workplaces where managers are willing to offer workers greater voice, better wages, and more generous benefits. Without a union, many managers also develop policies to foster a strong corporate culture to persuade workers that their interests are the same as the organization's.

Employee Voice and Communications. There is a considerable body of indirect evidence that suggests that unions provide a significant amount of voice. As noted earlier, some of the best, though indirect, evidence of union impact on management comes from an examination of management policies in the nonunion sector. In this section, I review a number of studies that report on voice mechanisms in the absence of a union. Although the union threat can be a major factor in adopting employee voice and communications by nonunion firms, this is not the only reason for adopting these practices. Other reasons include a desire to improve efficiency, improve employee satisfaction, and a desire to avoid costly lawsuits that may result from inappropriate employee discipline and discharge in the absence of employee voice.

In a sample of 18 cases from the United Kingdom, Gollan (2000) found that only 11 percent of the workplaces have a representative committee. These nonunion employee representation plans (NERs) discuss potentially threat-effect-induced issues, such as pay, basic work conditions, hours, staffing levels, new technology adoption, and the development of new products and services. However, Gollan's evidence indicated that few committees have negotiation and bargaining rights; thus they are not as effective at affecting policy change. In addition, managers, not NERs, are primarily responsible for resolving grievances and conflict resolution. Thus, NERs have a limited ability to influence wages, policies, and strategic issues, and how and when workplace changes are introduced. Aside from these limitations, NERs in the UK and Australia are good communication mechanisms but are less effective at influencing other substantive HR policies.

The evidence from a Japanese survey[8] also provided similar evidence on possible indirect effect of unions on HR practices in the nonunion sector (Morishima and Tsuru, 2000). A wide range of nonunion representation plans exist in Japan, e.g., some nonunion firms work with employee representatives, whereas other nonunion organizations are more similar to trade unions. In addition, employee associations are also called "friendship societies" or staff councils, perhaps in an attempt to facilitate collaboration or affiliation between the employer and employees. These bodies regularly discuss wages, benefits, health and safety, and other issues over which unions bargain. Thus, effectively, many rights of representation are extended to these nonunion workers in response to the threat of unionization.

Morishima and Tsuru (2000) compared the differences between individual and collective voice mechanisms between union and nonunion firms. In this sample of Japanese firms, significant differences exist between the provision of collective and individual voice between union and nonunion workplaces. Not only have nonunion Japanese firms attempted to match direct union workplace benefits such as compensation structures, but they have also provided indirect benefits, such as a wide range of voice mechanisms, beyond those of union firms. On several indicators of collective voice such as communicating the company's strategy, discussions with management at both senior and middle levels, employee associations, and conducting opinion surveys, nonunion firms lead union firms. Of course, when it comes to formal voice mechanisms, such as joint consultation systems and grievance procedures, many more such programs are found in union workplaces. Union workplaces were also marginally more likely to include (53.8 percent vs. 47 percent) forms of written reports at the individual level. This difference is not that great and is likely a product of greater formalization of practices in the unionized sector.

Several studies have found that unions positively affect employee voice mechanisms. In an Australian study, Benson (2000) found that union workplaces were more likely than nonunion firms to implement employee voice mechanisms. Specifically, union firms were more likely to use collective negotiation, employee surveys and meetings, grievance and equal employment procedures, consultative and safety committees, task forces, and health and safety representatives. Other voice mechanisms typically associated with HRM strategies, such as individual employee negotiations, involvement, and consultation, were evenly distributed across the nonunion and inactive and active union workplaces. Yet, nonunion workplaces were still less likely than union workplaces to use many of the HRM-associated voice mechanisms, specifically, quality circles, employee surveys, supervisor-employee meetings, senior management-employee meetings, and semi/fully autonomous work groups. In addition, quality circles, employee surveys, and supervisor-employee meetings occurred at a significantly higher rate in active union workplaces compared to nonunion firms.

Benson concluded that unions significantly increased the number of voice mechanisms available to union employees compared to nonunion employees. In addition, the more active the union, the greater the number of alternative voice mechanisms. More such evidence can be gleaned from a study by Goll (1991) who found that in union settings progressive decision-making positively influenced the number of participative programs and the number of employees in these programs. These relationships did not exist in the nonunion settings.

Using the 1990 Workplace Industrial Relations Survey (WIRS), Fernie and Metcalf (1995) examined the effects of three forms of employee participation: (1) employee involvement, (2) contingent pay, and (3) forms of representation on workplace outcomes such as productivity levels and employment changes, specifically the labor relations climate, quit rates, and absenteeism rates. Their analysis indicated that compared to a nonunion firm, the union firm experienced lower employment growth and worse labor relations climate. However, a union was also associated with lower quit rates, which Fernie and Metcalf attributed to the union’s provision of a collective voice. Their study also found that a union had no significant effect on the absenteeism rate. Furthermore, joint consultative committees had only a weak or no relationship on these workplace outcomes.

There is a wealth of case studies of individual firms that document voice systems being adopted partially in response to the union threat. Delta Airlines, a major U.S. nonunion carrier, has provided employee voice mechanisms since the company’s establishment in 1924 (Kaufman, 2003). These actions include providing a competitive work environment; employee stock options; a profit-sharing plan; building strong corporate culture; competitive wages and benefits; and the Delta Personnel Board Council, a management-employee forum used as a communications channel between the board of directors and employees (Cone, 2000; Kaufman, 2003). Some of Delta Air Lines' leading competitors, such as United Air Lines, are highly unionized, and the union threat perhaps keeps Delta from discontinuing employee voice forums. But, given the long-standing policy of providing employee voice, Delta is likely motivated by other factors as well.

At Imperial Oil's Cold Lake facility, employees are given voice through a formal employee forum (Boone, 2000). However, the company maintains direct control over employee-related financial factors, such as pension plan design and compensation philosophy. This Imperial Oil facility combats the threat effect by giving employees the opportunity to participate in decision-making, but does not allow for employee input in more financially strategic aspects of the business operations.

Dofasco, an integrated Canadian steel producer, maintains several voice programs for its employees in a highly unionized industry. Harshaw (2000) reported that Dofasco has adopted employee-involvement policies that match or exceed workplace practices within the union sector. For example, profit-sharing and employee-savings plans were established early in Dofasco's history. Voice is provided on these topics through a formal representation forum where employees can provide feedback and input on activities that affect them. Dofasco employs numerous formal and informal employee representation activities, such as employee focus groups to solicit feedback on employment policies and practices, and the availability of their company policy manual regarding the terms and conditions of employment.

Other forms of employee representation include: the company's open-door policy with access to the company president, if necessary, and an emphasis on teamwork as the company has adopted multi-skilled teams that are compensated based on competency pay. The company also attempts to incorporate employee involvement in most corporate activities, such as recreation, training, equipment selection, job design, customer interaction, and quality improvements.

IV. *A Scorecard for Unions*

The empirical findings discussed above are mixed in two ways. First, the evidence suggests that union effects on management objectives can be positive, negative, or neutral, depending on the type and scope of management policy (findings are summarized in Table 1.). Second, it is hard to disentangle the separate contributions of voice and monopoly power because the two often are mutually reinforcing. The overview of empirical research presented above can be used to develop a scorecard for unions. In the following section, I discuss areas in which unions reduce flexibility for management, areas where unions help improve management practices, areas where unions make little or no significant difference, and finally, areas where unions have indirectly affected managerial practices.

Unions Reduce Management Flexibility. Unions may reduce management flexibility in several ways. For example, union representation decreases the likelihood that

(*text continued on page 442*)

Table 1

Unions and Human Resource Management Practices

HR Category	Author(s)	Union Effect on HRM	Summary of Findings
Compensation, Benefits, & Incentives	Betcherman, McMullen, Leckie, and Caron (1994)	1. Decreases likelihood of variable pay plan. 2. Marginally higher use of gainsharing. 3. Increase in use of EAPs.	Studies indicate a decrease in the likelihood of using individual incentive plans.
	Verma and Fang (2002)	Decrease in the use of individual incentive plans only—(not group plans).	Mixed findings regarding the effect of unions on gainsharing plans.
	Gunnigle, Turner, and D'Art (1998)	Decrease in the use of individual performance pay plans.	
	Ng and Maki (1994)	No significant difference in the use of group incentive plans and gainsharing.	
	Kim (1996)	Reduce the effectiveness of gainsharing plans.	
	Kim (1999)	No significant difference in the success of the gainsharing program.	
	Cohen-Rosenthal and Burton (1993)	Unions appear to reduce the probability of using incentives and use of technology.	
Promotion & Performance Appraisals	Ng and Maki (1994)	1. Decrease the use of a formal appraisal system. 2. Less likely to use appraisal results in salary, promotion, and layoff decisions.	Decrease in the use of formal appraisal systems.
Staffing & Hiring	Gramm and Schnell (2001)	Decreases the use of flexible staffing arrangements.	Decrease in the likelihood of using flexible staffing arrangements.
	Gooderham and Nordhaug (2000)	Union firms less likely to use temporary employees, part-time employees, and subcontracting.	

(*continued*)

Table 1 (*continued*)

HR Category	Author(s)	Union Effect on HRM	Summary of Findings
Recruitment & Selection	Koch and Hundley (1997)	1. Union firms were more likely to employ fewer methods of recruitment. 2. Mixed support for the effect of unions on selection methods, such as skill, aptitude, drug, and physical tests. 3. There appeared to be a similarity of union and nonunion selection methods. 4. Increase the likelihood of the use of only drug tests and physicals and not skills and aptitude tests. 5. Overall, union firms have an increasing tendency to use formal employment tests.	Union firms were more likely to employ fewer but more formal methods of recruitment.
	Ng and Maki (1994)	Increased the likelihood that a firm would formally post jobs internally for open competition among current employees. More likely to impose formal probationary periods on new hires.	
Organizational Climate, Culture, & Related HR Policies	Cohen-Rosenthal and Burton (1993)	Unions were found to be a barrier to effective communications with management.	Unions appear to decrease a firm's ability to: • communicate directly with employees. • create strong identification with the firm and adopt flexible HR policies.
	Flood and Toner (1997)	Decrease a firm's ability to design HR policies that assist in increasing employee motivation, cooperation, and building a strong corporate culture.	

	Beaumont and Harris (1996)	Management motivation for the introduction of HRM practices often arises from dissatisfaction with and a desire to improve the existing labor-management relationship.	
	Taras (2000)	Nonunion Imperial Oil uses numerous collaborative and competitive HR techniques that demonstrate the "union threat effect" such as providing competitive wages, benefits and working conditions, strengthening corporate culture, and providing employee voice.	
	Weil (1991, 1992)	More likely to have labor inspections than nonunion workplaces.	
	Ichniowski, Delaney, and Lewin (1989)	No significant difference between the progressiveness of HR policies across union and nonunion firms.	
Training & Development	Osterman (1995)	Significantly increased the likelihood of a core worker receiving off the job training.	Unions appear to increase the likelihood of workers receiving workplace training and development.
	Arulampalam and Booth (1998)	More likely that union workers involved in work-related skills training.	
		Nonunion males were 7 percent less likely to receive training than unionized males and nonunion females were 10 percent less likely to receive training than their union counterparts.	
	Kennedy, Drago, Sloan, and Wooden (1994)	Union impact on formally delivered training programs is positive, but only where unions are active in the workplace.	

(*continued*)

Table 1 (*continued*)

HR Category	Author(s)	Union Effect on HRM	Summary of Findings
Training & Development (*Continued*)		Active unions also appeared to have a positive net effect on the amount of external training received.	
		The connection between tenure and firm-specific training was strengthened in the presence of an active union.	
	Heyes and Stuart (1998)	Unions appeared to have a positive effect on promoting workplace training and development.	
		Union employees were more likely to reap the benefits derived from training if the union plays an active role in training decisions.	
	Hundley (1989)	For the manufacturing samples, the effect of unions on specific training was positive.	
	Betcherman, McMullen, Leckie, and Caron (1994)	Positively associated with higher levels of job-related training.	
	Ng and Maki (1994)	Although a union impacts the likelihood of a training program, the impact varied depending on the type of program deployed.	
		Union firms were less likely to use orientation and external, or off-site training programs.	

Employee Voice	Gollan (2000)	Few Nonunion Employee Representation (NERs) in the United Kingdom have negotiation and bargaining rights; thus they are not as effective at affecting policy change. Aside from some limitations, NERs appear to represent good communication mechanisms but are less effective at influencing other substantive HR policies.	Unions increase the likelihood of offering various methods of employee voice mechanisms. In response to the threat of unionization, nonunion workplaces also attempt to offer similar programs.
	Morishima and Tsuru (2000)	Nonunion Japanese firms attempted to match direct union workplace benefits such as compensation structures, etc., and have also succeeded in providing indirect benefits such as a wide range of voice mechanisms beyond that of union firms.	
	Benson (2000)	More likely than nonunion firms to implement employee voice mechanisms.	
		Significant increase in the number of voice mechanisms available to unionized employees.	
	Cone (2000)	Delta has used various techniques to oppose the threat effect including a competitive work environment, employee stock options, a profit-sharing plan, building strong corporate culture, and competitive wages and benefits.	
	Goll (1991)	Positive influence the number of participative programs and the number of employees in these programs.	

(*continued*)

Table 1 (*continued*)

HR Category	Author(s)	Union Effect on HRM	Summary of Findings
Employee Voice (*Continued*)	Fernie and Metcalf (1991)	Due to the union's provision of a collective voice, unionized firms experienced lower employment growth and worse labor relations climate but also lower quit rates.	
		No significant effect on the rate of absenteeism.	
	Boone (2000)	This Imperial Oil facility combats the threat effect by giving employees the opportunity to participate in decision-making, but does not allow for employee input in more financially strategic aspects of the business operations.	
	Harshaw (2000)	Dofasco has integrated numerous methods to apparently match workplace practices within the union sector.	
		It also provides numerous employee voice mechanisms such as OH&S committees, employee focus groups, the company's open door policy with access to the company president	

Organizational Flexibility and Innovation	Long (2001)	Decrease in organizational flexibility.	Unions may decrease flexibility but they generally increase the probability of adopting workplace practices that contribute to productivity.
	Osterman (1995)	Unions do not affect the likelihood of a firm adopting innovative work practices.	
	Cohen-Rosenthal and Burton (1993)	Union workplaces appear more likely to use teams, provide training, use flexible workplace practices, and formal grievance procedures.	Unions do not appear to reduce (or enhance) the ability to adopt innovations in products or processes.
	Verma and Fang (2002)	Union workplaces more likely to adopt teams, training and grievance procedures.	
	Morehead (1997)	Decrease management's ability to structure workplace practices and over time, management has been able to take a more active role in structuring workplace policies and practices.	

management uses flexible staffing arrangements (Gramm and Schnell, 2001). Unions may also contribute to reduced organizational flexibility by opposing policies that could create flexibility for management (Long, 2001).

More specifically, one may cite union effect on personnel practices such as recruitment and promotions as examples of limiting the full range of management prerogatives. Union firms are more likely to employ fewer *methods of recruitment*, such as newspaper, agencies, referrals, and walk-ins, than nonunion firms (Koch and Hundley, 1997) and are more likely to formalize promotion procedures than nonunion firms (Ng and Maki, 1994). In the compensation area, there is fairly robust evidence that a union greatly reduces the likelihood of a variable pay plan. Studies by Betcherman et al. (1994) and Gunnigle et al. (1998) supported this finding. Since variable pay is important to many managers, unions can reduce management prerogatives regarding compensation and rewards. Unions can limit management prerogatives in other ways as well, e.g., by preventing management from implementing HR policies that could foster a strong corporate culture to facilitate employee motivation and commitment (Flood and Toner, 1997). Moreover, in many situations, unions may also act as a barrier to communication between management and workers (Cohen-Rosenthal and Burton, 1993). These empirical findings support the view that unions reduce management flexibility, even though the reduced flexibility may jeopardize job security for their members in the longer run.

Unions Help Improve Management Practices. Union workplaces appear to enjoy an advantage in a number of areas of workplace policy. For example, there is fairly robust evidence from several countries and over many years that firms are more likely to offer more training to union workers (Arulampalam and Booth, 1998; Heyes and Stuart, 1998; Betcherman et al., 1997; Osterman, 1995; Kennedy et al., 1994; Hundley, 1989).

Some recent evidence also corroborates the finding of greater formalization in recruitment and selection. Union workplaces are more likely to use a formal procedure to post jobs (Ng and Maki, 1994) and to use more objective, rather than subjective, tests in selection (Koch and Hundley, 1997). Presumably, these practices obtain efficiencies that nonunion organizations forgo given their pursuit of other objectives, including their desire to remain nonunion. Lastly, unions appear to increase the quality and quantity of voice forums. Many studies document the positive association between union status and worker voice (Benson, 2000; Goll, 1991), whereas others show that increases in voice reduce the quit rate (Rees, 1991; Fernie and Metcalf, 1995).

The overall picture that emerges from these studies is that union workplaces are more formal in their adoption of certain HR practices that are known to create efficiencies for management. These practices include, but are not limited to, training, selection and recruitment, employee voice, and group-incentive plans, such as gainsharing. Thus, empirical evidence supports a positive score for unions in these areas of managerial practice.

No Significant Difference. In an earlier section, it has been argued that union impact on management policy may not endure over time. If an "innovation" in the union sector begins to diffuse through the industry either because it is an efficient practice or due to union threat, empirical observation may show no differences between the union and nonunion sectors, and we may infer that union effects have dissipated over time.

Several studies find little or no impact of unions on some management policies. For example, Osterman (1994) found that unions do not affect the likelihood of a firm adopting innovative work practices; therefore, neither union nor nonunion firms appear more likely to adopt practices such as teams, job rotation, and TQM, etc. Ichniowski et al. (1989) found no significant difference between the progressiveness of HR policies across union and nonunion firms. However, union firms were less likely to adopt formal performance appraisals and flexible job design programs. Finally, Cohen-Rosenthal and Burton (1993) examined the diffusion of advanced work practices (teams, rotation, TQM, and QC) and found no significant "union effect." In all these cases, union effects that may have existed at one time, had dissipated at the time of these studies. These developments are consistent with a finding of decreasing union wage premium over time in the United States (Bratsberg and Ragan, 2002) and in Canada (Fang and Verma, 2002).

When a previously known union-nonunion difference disappears over time, it could be attributed to the diffusion of workplace practices either due to the innovative nature of the practice or due to union threat. However, in the absence of historical information about a union-nonunion difference, a finding of "no difference" may simply reflect the fact there are no differences between the two sectors. Overall, this is a neutral score for unions, as they appear to have neither a positive nor a negative effect on management.

Indirect Effects of Unions on Managerial Practices. A significant impact of unions on managerial practice can be observed in managerial choice of certain workplace policies in nonunion workplaces that provide employees with union-like benefits, due process, and voice. Research evidence shows that some employers respond to the union "threat" by offering employees many services provided by union workplaces. Extensive voice forums in nonunion firms such as Imperial Oil (Taras, 2000; Boone, 2000; Chiesa and Rhyason, 2000), Dofasco (Harshaw, 2000), and Delta Airlines (Cone, 2000; Kaufman, 2003), to name just three such firms, point to this indirect effect of unions. Thus, these indirect union effects are not as strong as the direct effects discussed earlier, but our observation of the union impact on management would be incomplete if we were to ignore these milder, yet significant, effects.

This indirect effect of unions on managerial behavior can be observed only in the longer run. Cross-sectional snapshots of union-nonunion differences do not adequately capture management's strategic choices (Kochan et al., 1986). If there are union-nonunion differences in managerial practice in the near term, management will likely incorporate such impacts into their long-term decision-making about where to invest in the future. Some studies have documented the tendency of management to invest away from union operations and into greenfield sites that can be run as nonunion shops (Verma, 1985). Since some these workplace practices are adopted in direct response to the unionization threat, it is logical to view such adoption as a managerial response to unionism.

V. *Conclusions: Unions and Managerial Practice*

A scorecard for union impact on management policy can be drawn up in various ways. I first examined union effects by substantive areas of workplace and HRM policy. Next, the same results were summarized according to their impact on management: positive, negative, neutral, or indirect. Almost 45 years after Slichter et al. (1960) published their findings of a positive union effect (including the shock effect) on management, many recent studies continue to find empirical support for contemporary versions of a positive union effect. Confronted by union's independent voice, management tends to develop formal systems and procedures that contribute to efficiency and organizational effectiveness. Some of these responses are unilateral management initiatives (shock effect) while others involve dialogue with unions (voice effect). Subject to more refinements in research methodology used by these studies, these findings interpreted collectively suggest a positive score for unions.

There is evidence that some aspects of union effects erode over time. The principal evidence comes from studies that find no difference between management in union and nonunion operations. The erosion is possibly from both ends: Union firms find it increasingly difficult to provide a union premium in a more competitive market, while nonunion firms continue to catch up to (and in many cases lead) practices in the union firm. From a management perspective, this is a neutral score for unions because unions are inconsequential to workplace outcomes in these areas. From a worker perspective, this is a negative for unions as it reduces a union's appeal to workers. Unions find it increasingly more difficult to recruit members based on the instrumental belief that joining a union will lead to gains in terms and conditions of employment. Some writers have argued that such instrumental beliefs are no longer sufficient to attract new members and hence unions need to turn to other types of appeals (Kochan et al., 2004; Verma et al., 2002).

The evidence also suggests that unions do limit flexibility, at least from the management perspective. Part of this effect can be attributed to unions' need to curb management prerogatives. But, in many other instances the inflexibility originates in union unwillingness (or foot-dragging) to accommodate changes to established practice. Rapidly changing markets or technologies require faster adaptation. Although ideology frequently prevents unions from agreeing to introduce flexible work practices, it is the difficult task of selling such concessions politically within the union that accounts for many instances of observed workplace inflexibility. This is a negative score for unions independent of the underlying reasons. When firms are in financial difficulty, this inability to adapt to the external environment hurts the image of unions in the eyes of not only employers but also employees, the government, and the public opinion.

To the credit of unions, many unions have agreed to introduce changes. Several studies of change and adaptation in the union sector document mutual gains and adoption (Kochan and Osterman, 1994; Applebaum and Batt, 1994; Cohen-Rosenthal and Burton, 1993). This would give unions a positive score except that the small victories are frequently considered by many to be swamped by the large negative score on the pace and magnitude of adaptation to the market and new technologies.

Unions are strongly associated with giving workers a voice in the workplace. This is true in the union sector where practices such as formal grievance procedures are almost ubiquitous. Unions are associated with various voice forms including joint committees and representation at the board of directors or other senior-level forums for policy consideration and deliberation. This counts as a positive score for unions.

Unions can also claim partial credit for improving voice in the nonunion sector. While other factors such as the high cost of litigation (e.g., in the case of unjust dismissals) and proactive adoption of "best practice" may be forcing some nonunion firms to adopt voice systems such as grievance procedures, there is ample case-study evidence that the threat of unionization has also played a role in the diffusion of employee voice systems in nonunion firms (Kaufman and Taras, 2000). This can be interpreted as a mildly positive score for unions.

It appears reasonable to conclude that based on the evidence since the publication of F&M, unions continue to make a significant impact on management and on the workplace. Of the three factors cited by F&M and mentioned in my introduction to this study, I did not address the effect of seniority but found considerable evidence to support the shock- and voice-effect explanations. This conclusion must be tempered with several caveats. First, few of these studies consider whether unions create inefficiencies by distorting prices that result in a misallocation of resources. For example, although unions appear to increase training, the issue to be addressed is whether too many resources are being devoted to training. Second, there is evidence that some union effects are eroding over time. Standard economic theory predicts that in the long run unions would have no real impact in a perfectly competitive market. If globalization of the marketplace keeps making markets more competitive in the coming decades, we would need to revisit many of these studies to see if union impact endures or dissipates over time. Third, the direct effect of unions is often confounded with other effects such as the threat effect or the effect of other environmental factors. To answer the question of union effects on management more precisely, more carefully designed studies are needed that control for the effect of other factors. Until better data and results are available, static differences in workplace practices between union and nonunion sectors will remain indicative if not always definitive of the impact of unions.

NOTES

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[1]The term "shock effect" is not formally defined in the SHL (1960) book, but positive effects of unionization on management practice are reported throughout the study. Neither is the term formally defined in Slichter's (1941) original study of union impact on management. As Kaufman (2004) points out, Slichter (1931:

641–42) mentions union "shock to managerial complacency" suggesting that management of its own is never as efficient as possible. Chamberlain (1958: 287) writes that the term "shock effect" was popular among economists at the time of his writing in the late 1950s. By the early 1980s, most researchers were using the term to describe key findings of the SHL study. Among others, Kochan (1980: 332) is a good example of such association of the term with the SHL study.

[2]These firms were identified using the *Alabama Industrial Directory 1993–1994*. The survey was completed between 1994 and 1996; of the initial 394 managers contacted 112 returned completed surveys.

[3]Osterman analyzed data collected from an original telephone survey completed in 1992, containing 875 records of American establishments. The criteria for inclusion required that the establishment be from a nonagricultural industry and have 50 or more employees. The questions pertained to the type and amount of skill required by the work be done, the type and amount of training provided to workers, hiring practices, and the establishment's organization structure including the presence of unions.

[4]The surveys were distributed to a random sample of the Manufacturing Science and Finance union members covering 27 organizations across seven sectors; they received 1,120 responses (or a response rate of 40 percent) and 792 responses (or 55 percent response rate), respectively.

[5]Data were collected in a survey of U.S. and Canadian firms. Kim contacted gainsharing consultants and researchers, labor unions, and labor education institutions and examined U.S. Department of labor publications to determine what establishments used gainsharing. This search yielded a sample of 622 establishments (269 were usable). Questionnaires were mailed out to the human resource or industrial relations manager at each establishment. The managers where asked to rate the effectiveness of their gainsharing program in terms of improved quality, improved labor productivity, cost reduction, improved production process, and bonus payouts.

[6]Information was collected from seven operating areas—six in Alberta and one in the Northwest Territories in 1995 with ongoing follow-ups until 1999. Over 85 managers and workers across all seven areas and involved in the JIC were interviewed. Taras divided the findings into three categories: (1) the nature of the relationship between employees and managers, (2) advantages and disadvantages associated with JICs, and (3) the adaptability of nonunion plans regarding threats to JIC longevity.

[7]For example, only 39 percent of union employees indicated they were "satisfied" with the way management treated them and other employees, while 52 percent of nonunion employees indicated satisfaction. AWIRS findings with respect to job satisfaction reflect those of general satisfaction and trust in management, as nonunion employees (68 percent) were more likely to indicate higher levels of job satisfaction than unionized employees (58 percent). These findings corroborate the robust findingin the literature that unionized workers are generally less satisfied with their jobs and employment compared to similar nonunion workers.

[8]Data were gathered from responses to written questionnaires by head managers of personnel departments in 1,250 private firms in the Tokyo area with at least 50 employees. The response rate was 41.3 percent.

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