# WHO WANTED COLLECTIVE BARGAINING IN THE FIRST PLACE?*

This paper considers certain international differences in organizational and bargaining expense with the aid of an extended model of industrial relations which is sketched at the outset. In this model the prevailing preferences of a nation's workers vis-a-vis radical alternatives to capitalism, collective bargaining, and nonunion industrial relations constitute a critical determinant of employer recognition (or resistance thereto) and of structure, scope, and economic performance of collective bargaining. It is also suggested that various economic and political developments in the postwar era might have been combining to devalue the social role of traditional collective bargaining and to generate renewal interest in alternative systems of determining labor income.

The decline of trade unionism and collective bargaining in the United States has launched an academic and journalistic growth industry to explain the decline. A considerable variety of plausible explanations has emerged, and that is only to be expected in grappling with a complex historic event. Some of the hypotheses, however, do differ among themselves with respect to their international implications, and their shortcomings are revealed when they are placed in an international context. Explanations that run in terms of economically motivated behavior or of widely experienced changes in the economic environment would suggest that union decline should not be a uniquely American phenomenon, whereas for most of the postwar period it really was. On the other hand, explanations that dwell on international differences in legal and bargaining institutions and political arrangements could treat union decline as an extension of an historic American "exceptionalism"; but developments in recent years suggest that loss of union influence and membership is no longer confined to the United States. Moreover, some of the "exceptional" characteristics of American unions seem even to have created expectations of greater organizational robustness in the U.S.A. than abroad, at least if we are to judge from two questions that have been put by foreign observers. Why, foreign businessmen often wonder, have American businessmen been so hard on the most conservative unions in the free world? And why have so many American workers been indifferent or even downright hostile to unions that have done more things for their members on the job than unions in other countries?

Such considerations illustrate the need to view industrial relations problems more systematically in a comparative and international context and to devise or extend analytic approaches that can accommodate both common and divergent developments in the areas of union recognition by employers, labor ideology and politics, and bargaining structures and performance. What follows are highly preliminary and speculative comments along these lines.

An extended model

We might start out with the economists in assigning to businessmen a consistently dominant aim of maximizing profits, and also in regarding the tastes and preferences of workers as exogenously determined, although these assumptions are less innocent in some times and places than in others. Profit maximization of course would not preclude union recognition; indeed, when the expected costs of resistance and preemption in a union-free environment happen to exceed combined strike and settlement costs under collective bargaining, profit-driven employers would have to opt for the latter. But they might choose collective bargaining even if it costs more than union avoidance but less than the most probable radical alternative on the current political scene. Collective bargaining would be offered if its availability could sufficiently reduce the probability of occurrence of such an event.

Radical political alternatives are not considered in the standard economic calculus, whether because they are absent from the current American scene or because an individual employer could hardly hope to reduce the probability of a political event by offering collective bargaining to his own employees. In fact it would be to every employer's advantage not to do so and to let every other employer bear the cost of this public good. However, it surely would be in what used to be called the enlightened self-interest of employers to further their class interest by collectively proffering collective bargaining to large groups of workers, provided the negative and positive incentives to do so are sufficiently great.

The costs helping to shape the currently dominant employer policies towards unionism and collective bargaining reflect the currently dominant tastes and preferences of workers. These must include their relative preferences for alternative institutional regimes governing the employment relationship as well as for the more familiar economic packages of money, security, and reduced effort. The institutional alternative would range through various forms of nonunionism, collective bargaining, worker participation in management or ownership, and public ownership. They are characterized by varying degrees of "industrial democracy," on the one hand, and of managerial control or private ownership, on the other. The ideological mood of a particular country's working people at any point in time can be reflected in (a) how they tend to rank such institutional alternatives and (b) how willing they are to forego some particular state in favor of a more "conservative" one that happens to be associated with greater economic benefit (at the outset). Let us consider three possible cases that are suggested by diverse historical experience, although they are certainly not to be taken as a satisfactory representation of historic complexity.

Case 1.

Case 1 is characterized by a strongly held preference among workers for socialism over nonunion capitalism, but also by a willingness to compromise on collective bargaining under capitalism should the latter alternative offer a sufficiently promising bundle of economic benefits and industrial democracy. In this case employers may have a collective incentive to offer collective bargaining. Political left-wingers have invariably tended to blame union leaders for selling out their members under such circumstances, but this interpretation fails to explain how the members can be or remain sold. If instead workers are credited with the ability to make up their own minds, it is they who are doing the selling. Case 1 describes a buyout, not a sellout.

Case 1 can caricature some of the central aspects of industrial relations in Germany, the Netherlands, and Scandinavia over a period extending roughly from the latter part of the nineteenth century to after the first World War. In these countries Socialist-affiliated union movements participated in serious challenges to the political and economic order, which sometimes took the form of general strikes as well as parliamentary political activity; but they pursued conventional bargaining objectives as well. Employers offered united and effective resistance; but they also tended to respond by extending bargaining recognition to the unions. In addition social insurance was often regarded as a form of political insurance by the business community. Public insurance schemes sometimes originated by the extension of state subsidies to union funds, and this integrated the unions into important areas of policy-making and administration and helped to establish a corporatist tradition affecting the relations among unions, employers, and the state.

The political considerations that motivated employers in these countries influenced the structure and scope of collective bargaining. Employer class consciousness helped to produce relatively strong employer associations which could offer resistance both to union bargaining demands and to competitive pressure on wages (and hence prices). It could also help to explain the affiliation of large-scale firms (although not all of them) with strong associations, although they typically had less to gain from affiliation than the smaller, weaker, and high-cost firms whose interests were strongly represented within associations. The existence of strong associations, in turn, tended to strengthen centralizing influences on the union side, although the latter did not always prevail against separatist tendencies imparted by diversity of political and religious affiliation, on the one hand, and craft organization, on the other. Finally, in confining collective bargaining to the industry level (or wider), employer associations helped to exclude plant-level working arrangements from the purview of formal collective bargaining and thus to keep the unions out of the plants. After the first World War, left-wing agitation resulted in the establishment of works councils, but these were soon confined by both management and union efforts to largely nonadversary functions.

Case 1 B (as in Britain)

British experience diverged from the Case 1 format of rational recognition in that the establishment of collective bargaining in that country in the second half of the nineteenth century and its subsequent stability came about despite an absence of fear of revolutionary militancy and also despite the existence of a powerful ethos of economic individualism that contrasted with continental corporatism and cartels. But support for trade unions, collective bargaining, and indeed a broad national consensus emanated from a different vein of British conservatism--a sort of richesse oblige that was generated as a reaction against the same harsh excesses of the Industrial Revolution which had prompted much of the militancy and political activism manifested by British unionists. Unlike continental corporatism, this British paternalism was not necessarily consistent with an assumption of long-term profit maximization leading to union recognition but then to strong employer resistance under collective bargaining. In any event, British employer associations lacked the disciplinary authority and self-generated financial resources of some of their continental counterparts. Moreover, they did not embrace as large a proportion of the total area covered by union activity, for unionism, led by militant and autonomous shop stewards, became a feature of plant-level labor relations in Britain. But hope (rooted in some early evidence) persisted that a British variant of corporatism would prevail: that the unionists would return paternalistic favors by exercising their bargaining power with restraint.

Case 2

Case 2 differs from Case 1 in that it is characterized by a dominant worker preference for some radical social order over collective bargaining as well as nonunion capitalism. In this case employers have no incentive to accept or encourage collective bargaining because of the existence of a militant commitment by unions or other groups to direct action in furtherance of an ideology that would preclude their acceptance of collective bargaining as even a temporary stopover on the road to utopia. Whatever the threat to capitalism posed by these high rollers of labor history, it could be countered by state activity and not by bilateral bargaining relationships. Case 2 is suggested by experience in France and Italy where major labor movements have long reflected a strong syndicalist influence

Case 3

Case 3 differs from the first two in that workers for the most part do not prefer a radical social order to an existing capitalist one, with or without collective bargaining. They may well prefer collective bargaining (and its associated features of industrial democracy) to nonunionism; and, if they do, the strength of that preference will help to determine the costs of operating under each of these two regimes. But since profit-oriented employers have no need to buy workers out of radicalism, they will accept collective bargaining in this case only if its strike and settlement costs are expected to lie below the combined costs of preemption and direct resistance to organization.

This case has been suggested by experience in the U.S., where socialism and later communism never attained the major political status that they did abroad (in part due to the stiff competition that various ideological imports had to face from homegrown antimonopoly populism), and where radical influences within unions could be countered by employer resistance in the arena of industrial relations. Some American employers and financiers could agree that the pure and simple unionism represented by the American Federation of Labor (another home grown product) was a big improvement over its assorted radical competitors; but, as long as most American unionists seemed to reach the same conclusion, the employers could regard no unionism as the best buy of all. (This is the answer to the question raised by those contemporary foreign businessmen). Left-wing leaders regarded Gompers and his anti-socialist "lieutenants" as misleaders of labor; but they could not claim as supporting evidence the Type 1 political behavior that their colleagues abroad could point to when levelling the same charge against socialist union leaders in Europe.

Employer associations were formed in the nineteenth century, but often for the purpose of resisting unionization. Large-scale employers did not throw their weight behind industry-wide bargaining or acquiesce in social security schemes, let alone those which helped to integrate the union movement into the socioeconomic structure of society. Instead, they preceded and later accompanied their own preemptive welfare policies with direct resistance to collective bargaining via the strike-breaking route, heavily reinforced by the police, judicial, and legislative institutions of the state. And, unlike the feudalistic paternalism that was conducive to union recognition in Britain, such paternalism as lurked within the bosoms of large-scale American employers ultimately found expression as part of a strategy to forestall unionism by maintaining relatively high wages, employment security, promotional opportunity, a variety of pensions and insurances, and the replacement of the pre-World War I "drive system" of management with an enlightened approach that emphasized "human relations in industry." The combination of relatively high wages, on the one hand, and, on the other, of employment security, promotional opportunity, a variety of pension, insurances, in-kind benefits, and a "human relations" approach to personnel management that characterized such policies could be more logically explained (as it was by Slichter) as an investment in union prevention than (as it was much later) as an investment in specific human capital.

The belated (by foreign standards) establishment of collective bargaining in manufacturing and other sectors employing large numbers of nonskilled workers has also been depicted as a Type 1 sellout rather than a set of narrowly calculated and reluctant Type 3 acceptances. The new casts of villains included corporatist employers, the New Deal Administration, liberal Supreme Court justices, and the leaders of the CIO industrial unions whose shared objective was allegedly to deflect a radicalized--or potentially radical--rank and file from the objective of participatory industrial democracy, as revealed in the sitdown strikes of the thirties. It could be claimed that this type of corporatist hypothesis was consistent with participation by the new industrial unions in collective bargaining arrangements that resembled in content and duration the internal labor markets established earlier by large-scale employers in the absence of unionism, to encourage long-term employment relationships. It could be claimed that the old company-dominated unions, which were intended to keep independent unions out, were simply replaced with grievance procedures, arbitration, and no-strike clauses, which were allegedly intended to keep rank and file militants down. The unions were thus cut in on monopoly capitalism as junior partners and hatchet persons, according to this view from the New Left.

But postwar American patterns of collective bargaining were also viewed more prosaically as evidence of "mature bargaining relationships" among adversaries. In any event they did not qualify for membership in Case 1. The historical occasion for a global tradeoff between collective bargaining and political socialism did not arise. Substantial elements of radicalism were represented by the Communists in several of the original CIO unions, but they were a negligible force in the political arena. Union recognition was extended reluctantly in Case 3 fashion by individual employers for whom costs of resistance and preemption had been raised sharply by the upsurge in grass roots militancy in the Thirties and also by the Wagner Act, which they fought bitterly before and after passage. The prevalent structures of collective bargaining in the U.S. furnished little evidence of Case 1 class activity by employers: the manufacturing sector here has been characterized by more single-employer bargaining than exists abroad. Moreover, industrial democracy was extended to the plant level in the U.S., and, while managerial discretion has been greater under collective bargaining-cum-grievance procedure than it would be in theory under worker participation or than it has been in practice under the dominion of British shop stewards, a wide variety of productivity-determining working arrangements has been subject to bargaining. And mature collective bargaining remained adversarial. Although the bouts of widespread unrest that had occasioned passage, first of the Wagner Act and second, of the Taft-Hartley amendments simmered down, the American strike record remained quite high by European standards. In the 1960's when nonunion wages gained on union levels, the incidence of strikes rose, as did the incidence of contract rejections in membership referenda. In the 1970's unions countered the inflationary aftermath of the first oil price shocks by negotiating pay increases that exceeded nonunion increases despite diminished profitability. Unionized American employers paid Hicksian Danegeld, as union members got significantly higher pay and benefits than unorganized workers with similar qualifications, doing similar work, and, it might be added, within more competitive as well as more concentrated industries.

Meanwhile nonunion employers successfully resumed the basic carrot-and-stick approach of their prewar predecessors. Changes in the mix of methods employed were associated with changes in their cost-effectiveness. Postwar carrots included new versions of enlightened personnel management as well as pay policies that responded to increases in negotiated rates. They were presumably influential both in arresting the advance of organization in the private sector (reflected in the relative decline in union electoral victories and membership that began in the early Fifties) and (as a by-product of generalizing negotiated pay increases) in gaining for the unions a collective reputation as an inflationary force in a predominantly unorganized economy. The subsequent increase in popularity among nonunion employers of get-tough policies, or unvarnished resistance, came in good measure as a reaction to the bargaining gains registered by unions after the first oil price shocks; these gains raised the price of carrots considerably. Now union pay increases became increasingly translated into relative cost increases, and they contributed to shrinkage of the unionized sectors of the economy. And under pressures on profitability exerted by nonunion competition, together with increased foreign competition, deregulation, shifts in consumer demand,and further adverse movements in the terms of trade, unionized employers turned to get-tough bargaining policies and ushered in the present era of give-backs, take-backs, increased recourse to strikebreakers, and broken (or badly bent) bargaining structures.

Yet neither of the methods used to resist unionism in the postwar period could have been as cost-effective as each indeed was had not the resumption of traditional employer patterns of opposition been accompanied by a marked subsidence of both worker militancy and public sympathy towards unions from levels reached in the 1930's. The great Depression constituted a far greater shock to employer profitability than the events of the 1970's and 80's; but it touched off a wave of labor unrest that over-matched employer reluctance to recognize unions. If levels of worker feistiness had been higher in the postwar period, established nonunion employers might have had to raise their wages higher relative to nonunion wages in order to deter organization--even possibly to set premiums over union levels as compensation for the relative lack of industrial democracy in their own establishments. Or potential nonunion entrants would have been confronted with a higher probability of becoming organized themselves, so that the relative cost position of unionized firms would have been less subject to deterioration by negotiated increases--except in the increasingly important case of foreign competition. Multiemployer bargaining structures would have proved more resistant to economic pressures, and strikebreakers harder to come by. Instead, another historic characteristic of American industrial relations reasserted itself. It was described by Slichter, writing in 1939, "the fact that the bargaining power of most unions is greater than their organizing power.

Elimination of this deficit by another wave of organization in the private sector can no more be ruled out nor better foreseen than the last one had been. Dem bones <u>could</u> rise again: it is possible that lowered economic horizons, or greater economic insecurity, and shifting demographics could finally induce the white-pink-and new-collar groups to emulate many of their colleagues abroad and in the public sector at home. And the organizational success registered in the public sector would indicate that worker interest in unionism is far from dead, but it suggests that, for the private sector to emulate the public, an increase in union organizing power would require a decrease in the level of employer resistance. Meanwhile, the Slichterian imbalance may instead be reduced by the ongoing reduction of union bargaining power (as reflected in reduced strike activity and union wage premiums). This should probably tend to arrest organizational decline, although not in industries in which even nonunion firms have been finding it difficult to survive foreign competition.

Postwar Developments Abroad

In postwar Europe the reemergence of other historic patterns has helped to account for different organizational experiences. After having been swamped in some of their original host countries by the great and tragic sequence of depression, fascism, and war, Cases 1 and 2 resurfaced.* Since the late 1970's union membership has fallen relative to employment in France and Italy (the two original Case 2 countries), Britain and the Netherlands, as it had been doing n the United States (and, it might be added, Japan). But membership has not fallen relative to employment in the Scandinavian countries and Canada (where it rose markedly), West Germany, and Austria--all with the partial exception of Canada, Case 1 countries with major social democratic parties and strong and relatively centralized bargaining institutions. The political power exercised by the unions within and through these labor parties has helped to preserve their organizational

*To be sure there were important changes from their original states, but some of them tended to reinforce salient characteristics of the prewar configurations--for example, various structural and legal changes which tended both to circumscribe and centralize collective bargaining in West Germany; and the increased power of the Communist parties in France and Italy, whose opposition to decentralized institutions helped to further weaken or retard the development of collective bargaining in those countries. Italy, however, moved away from a Communist-augmented version of Case 2, as a series of major political economic, and social changes (including the rank-and-file strikes of 1969) favored greater bipartisan acceptance of collective bargaining.

base by continuing to nourish a relatively strong community of interest within the ranks of employers as well as workers. As a result non-union incursion into the jurisdictions of strong employer associations has been deterred, first, by the general expectation that new entrants will be unionized, and ultimately by a good chance that any would-be corporate rate busters would find themselves short of labor (by cooperative union strike action), suppliers, business customers, or finance.

Even in these countries, however, bargaining structures have been subject, since the 1960's, to a succession of decentralizing influences. Large-scale employers have found themselves under pressure to pay wage drift in order to reduce persistent shortages of skilled labor (often resulting from the wage structure negotiated by industrial unions), to increase the loyalty of their employees in periods of higher profitability, or to gain more efficient utilization of their work forces ("rationalization," "flexibility"). These decentralizing influences were paralleled on the labor side by discontent among more highly paid skilled workers and within the ranks of professions, the salariat, and public sector employees, and also by left-wing reactions against centralization and bureaucracy in political life as well as in industrial relations.

Moreover, where structures have remained intact, they may have contributed to a diminution of support for collective bargaining. In these countries, where wage levels have not been subject to serious erosion by domestic nonunion competition, unions have been criticized for having made the general level of money wages too responsive to inflationary shocks and too unresponsive to unemployment--hence with having kept real wages too rigid and too high to permit the adopting of sufficiently expansionist monetary or fiscal policies. Unions in Europe have also been charged with using their combined political and bargaining power to reinforce a battery of restraints on the ability of employers to dismiss workers: this has allegedly had the perverse effect of making firms reluctant to hire new workers, inducing them instead to overinvest in labor-saving equipment and thereby contributing to "structural" unemployment (including high rates of long-term unemployment).

This charge of employment rigidity has been countered by the allegation that job security (for those employed) has been conducive to higher rates of productivity growth, which have enabled these European countries to compete satisfactorily with weakly organized economies. The charge of real wage rigidity has also been called into question. Moreover, while strong centralized bargaining structures permit greater union impact on wage levels, they, together with the political attributes of Case 1 countries, have been conducive to the adoption and effectiveness of policies of direct wage restraint. (Indeed, the latter could theoretically make wages more responsive to downswings in demand than would be the case in unorganized labor markets.) And if we are to believe cross-country studies in which the "misery index" is regressed against various indices of "neocorporatism" (always including measures of centralization), these policies have not been ineffective. But economic and political pressures have sharply limited the scope for granting compensatory tax and social welfare measures in "political exchange" for bargaining restraint, while the levels of social welfare already attained have made the higher levels of unemployment and the deflationary policies associated with them less politically unpalatable than had been anticipated--at least for a while. Furthermore, the difficulty encountered in obtaining sufficient restraint has often generated tension between political leaders of labor parties and their powerful supporters in central union federations and big national unions. It has exacerbated differences between unions in more dynamic sectors and those in sectors (especially the public sectors), where jobs are secure, thereby contributing to the decentralizing tendencies referred to above. Wage restraint has, in at least one country (Sweden), provided the unions with a central role in economic policy-making, but at the same time it has exposed the limitations of collective bargaining as a source of continued economic gain and of job security for union members. Hence unionists, even in some of the countries in which their organizations have thus far remained strong, have been looking for new worlds to conquer, lest they lose their importance as social institutions and their appeal to a new generation of workers. In this sense Swedish unionists find themselves in the same boat with American and British unionists who have been suffering absolute and relative declines in organization.

## More, More, More - Sharing?

The most promising way to go would appear to be further along the historic path of industrial democracy. Union-management agreements would feature sharing by workers and their representatives in wider areas of managerial decision-making, profits, and financial equity, while contractually fixed components of compensation would be deemphasized. Profit-sharing has been advocated as an instrument for achieving that elusive goal of noninflationary full employment through cost flexibility; along with "codetermination," it offers at least as much promise of yielding increased international competitiveness via lower levels of unit labor costs in high-income economies. In this country, however, both forms of sharing have been urged as a nonunion alternative; but in the absence of collective bargaining, profit-sharing would be arguably unstable and even subversive of the efficiency objectives of co-determination. There is reason to believe that in good times worker capitalists would object to dilution of their equity if management sought to increase their firm's work force (and competing employers would have to bid up conventional wages). And in bad times capitalist workers would object to a reduction of their share incomes, just as nonunion wage slaves have historically regarded wage cuts as breach of implicit contract and often reacted by restricting output and productivity (thereby tending to maintain the level of the "efficiency wage").

But sharing arrangements might be regarded more hopefully as complements, rather than alternatives, to collective bargaining--and indeed they have been so regarded abroad. Workers might be more willing to take the bad with the good and enter into long-term commitments to the enterprise, which would yield greater flexibility in work assignments as well as in money costs, if what they got in return was jointly determined and protected under explicit bargaining contracts. What they could get in return would be negotiated profit shares and possibly more job security as the competitiveness (including the international competitiveness) of their firms was improved by lower contractual labor costs. The adversary role of unionism would not be extinguished; rather it would underwrite the effectiveness of cooperative arrangements. Employers might therefore find it profitable to adopt more positive attitudes towards participatory industrial relations. And the unions would find it advisable to do so, especially if they could recall that on past occasions recognition by management had entailed other major changes in the scope and structure of industrial relations (e.g. more centralized bargaining in Europe and long-term complex agreements in the U.S.). But, again as in the past, management's decision will ultimately be a function of worker attitudes. A new generation of workers, confronted by major changes in their work environments, must decide whether paternalism is a tolerable substitute for democracy and, therefore, whether unions will be given the opportunity to play a more valuable and viable role in the community's economic life.

---

*Presidential address to the Industrial Relations Research Association at Thirty-Ninth Annual Meeting, December 29, 1986, New Orleans, LA.