

# Collective Bargaining Agreements & Their Outcomes

# Examples of Typical Contract Components

- Pay and incentives
- Working conditions (e.g., health, safety, comfort)
- Work assignments and classifications
- Promotions, layoffs, transfers, training
- Hours of work and overtime assignments
- Performance of work by management or non-union members
- Speed of production
- Work rules
- Subcontracting and outsourcing
- Past practices
- Workplace Discipline
- Benefits
- Management rights
- Discrimination

# Consequences of Union Effects on Wages

*Stage 1*  
PRIMARY  
UNION  
EFFECTS

*Stage 2*  
MANAGEMENT  
ADJUSTMENTS

*Stage 3*  
SECONDARY  
UNION  
EFFECTS

Union power → Wages →

Technological change  
Change in employment level  
Personnel administration

Job security  
Work rules  
Health and safety  
Training

(Adapted from Katz & Kochan, 2004)

# Primary Union Effects

- The primary union effects are on the compensation received by their members
- If unions do not raise wages, they may have difficulty attracting and keeping members

# Management Adjustments

- Motivation is to recover costs associated with union-negotiated improvements in wages through productivity increases
  - Management adjustments may include:
    - Reduction in employment
    - Increase in product price
    - Substitution of capital for labor

## Secondary Union Effects

- The union may react to management adjustments
  - May seek more elaborate job security language
  - Seek stricter seniority rules in subsequent contract negotiations

(Adapted from Katz & Kochan, 2004)

# Union Effects on Wage Administration

- Union Contracts tend to link worker wages to specific jobs and not worker characteristics
  - While seniority is a guiding principle for worker transfers and other rights, it does not typically directly influence worker wages in the U.S.
- Collective bargaining has brought innovations such as:
  - Cost of living adjustments (not that common currently)
  - Deferred wage increases
  - Red circle wage rates
  - Wage reopener provisions

# Union Effects on Fringe Benefits

- In general, unionized workers receive wider variety and higher level of fringe benefits than nonunion workers
- In 1948 Inland Steel case, NLRB ruled pension and retirement issues belonged on mandatory list of subjects
- By the late 1950s, the Board added:
  - Health insurance
  - Sick leave
  - Supplemental unemployment benefits
  - Vacations
  - Holidays



# Union Effects on Quit Rates

- Unionized business have lower quit rates than nonunion companies
  - Unionized site provides ability for employees to redress problems
  - Unions provide voice mechanism for workers to gain higher compensation than in similar nonunion job
- Even after controlling wages, union establishments have lower quit rates

(Adapted from Katz & Kochan, 2004)

# Union Effects on Work Rules

- Protection from Arbitrary Treatment
  - Protections from arbitrary discipline, discharge, or denial of benefits
  - Unions developed grievance procedures ending in arbitration
  - Although nonunion grievance procedures have grown in recent years, few end in arbitration
- Seniority
  - Seniority plays an important role in collective bargaining
  - Seniority is pivotal in personnel decisions, such as promotions, job assignments, and layoffs

# Management's Response to Work Rules

- Many provisions of CBA limit management's discretion
- In response, management takes steps to expand control of work rules
- Management Rights Clauses
  - Some clauses are simple, such as “the supervision, management, and control of the company's business, operations, and plants are exclusively the function of this company”
  - Others are more specific

# Example of a Management Rights Clause

“The company retains the exclusive rights to manage the business and to direct the working forces. The rights to manage the business and to direct the working forces include but are not limited to the right to hire, sub-contract, schedule shifts, hours to be worked, promote, demote, transfer, and lay off employees, suspend and discharge employees for proper cause or for the violation of established and posted factory rules or other provisions of this Agreement, and the assignment of work. These rights are vested exclusively in the Company.”

Source: Article 4, Section 1, Agreement between Corning Asahi Video Products Company, State College, PA and American Flint Glass Workers Union, including Local Union No. 1027, 2002 - 2006

# Productivity Bargaining

- Can take one of two forms:
  - One-time buyout of outmoded practices
  - Long-term, joint union-management program for adjusting to change
    - The Pacific Maritime Association signed a mechanization and modernization agreement with the International Longshoremen and Warehousemen's Union in 1960 that provided a \$5million productivity fund, wage and employment guarantees, and incentives for early retirement in return for changing work rules
    - In 1974, typographers in New York City entered a productivity agreement regarding computerization

(Adapted from Katz & Kochan, 2004)

# Safety and Health

- Unions use three strategies to improve safety and health:
  - Support governmental regulation
  - Negotiate safety provisions
  - Encourage formation of joint union-management safety and health committees
- Unions were driving force behind passage of OSHA in 1970
- Union demands for higher compensation also affect plant safety
  - Safety and health committees rose from 31% in 1970 to 52% in 1995 at union firms

(Adapted from Katz & Kochan, 2004)