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Bargaining
and
Industrial
Relations

Second Edition

Thomas A. Kochan Harry C. Katz

Collective Bargaining and Industrial Relations

From Theory to Policy and Practice

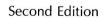
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1988 **IRWIN** Homewood, Illinois 60430 To Kathy, Andrew, Sarah, Samuel, Jacob, and Benjamin Kochan and to Jan and Ariel Katz

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Preface

he first edition of this book was designed to serve as a graduate level text on collective bargaining and industrial relations. A collateral objective was to integrate economic, behavioral, and institutional research to develop a model of collective bargaining and industrial relations. That objective seemed appropriate for the time because an analytical framework was needed to organize and summarize the emerging work in the field.

In the eight short years since the publication of the first edition in 1980, the world of industrial relations has changed in fundamental ways, requiring substantial changes in the approach, scope, and content of this second edition. Again, our approach is to draw on recent research to provide the conceptual and empirical foundations for introducing students to contemporary practice. But this time we have superimposed on the previous model the three-tier model of strategic choice that we have been developing with our colleagues over the past several years in our studies of the changes taking place in U.S. industrial relations.

Our approach builds on the growing realization that collective bargaining cannot be isolated from decisions made well *above* the bargaining table, at the level of top management and labor strategy making, nor from developments *below* the bargaining table, at the workplace where individual workers interact with one another and their supervisors and adjust to changes in technology, markets, and the organization of work. This new model retains the basic assumptions and much of the analytical content of the framework used in the first edition, but it goes on to focus more directly on how the strategic choices of management, labor, and government decision makers influence the process and results of bargaining. Human resource management practices in the nonunion sector also are more prominent in this edi-

tion than in the first because they are becoming increasingly important in stimulating change in the established collective bargaining practices.

Our goal in this edition is to use recent research to introduce both graduate and undergraduate students to the changing nature of contemporary collective bargaining and industrial relations. We use a variety of examples throughout the book to illustrate how these changes are being played out in key bargaining relationships. Thus, in contrast to the first edition, our emphasis here is less on presenting new findings or on stimulating further research and more on translating recent research into appropriate teaching materials. To further aid in this effort, we use italics each time a key concept is introduced or defined.

A book like this owes a deep debt of gratitude to all the members of the industrial relations research community who have provided the raw materials for us to draw upon. We especially want to thank our colleague Robert B. McKersie for his leadership, inspiration, and contributions to our collaborative work. We also wish to thank the following people who provided research assistance along the way: Jeffrey Arthur, John Chalykoff, Joel Cutcher-Gershenfeld, Jeffrey Keefe, Adam Lerner, Kirsten R. Wever, and Louise Waldstein. Michelle Kamin and Jackie Dodge handled the task of processing innumerable drafts and revised drafts into final form.

We received very helpful comments on selected chapters from Trevor Bain and James Dworkin. Peter Feuille diligently read the entire manuscript and made what seemed like an endless number of suggestions for improvement. The only thing that saved our friendship with Pete is that all of his comments and suggestions were right on the mark. We appreciate the care and effort put into all those reviews.

Finally, a very special word of appreciation is due Wendy L. Campbell. Wendy not only served as our editor throughout all stages of this project but also provided many of the ideas for how to organize and communicate our abstract material to our intended audience. She brought to this project a rare combination of substantive expertise in industrial relations, professional editing skills, and a real concern for the student's needs and interests. Her willingness to take on these tasks made this project possible.

We dedicate this book to the members of our families. They have had to cope with seemingly endless hours of watching us stare at words on a screen and accept on faith that someday a book would emerge. We thank them for their patience and support thoughout it all.

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CHAPTER 1

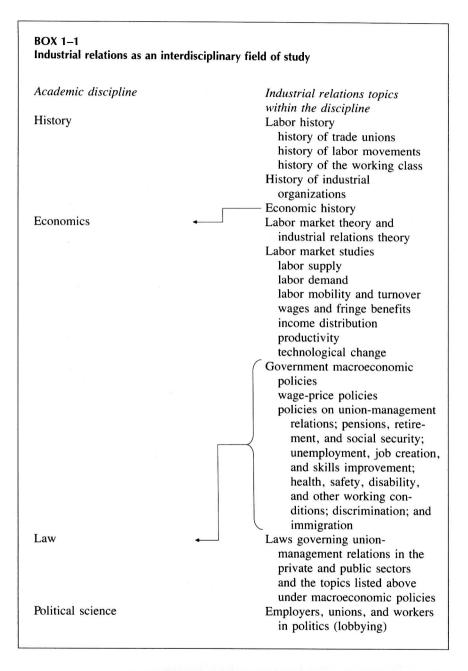
A Model of Collective Bargaining and Industrial Relations

Industrial relations is a broad, interdisciplinary field of study and practice that encompasses all aspects of the employment relationship. The field includes the study of individual workers, groups of workers and their unions and associations, employer and union organizations, and the environment in which these parties interact. Within this broad field industrial relations professionals have historically given special attention to relations between labor and management. In the United States this focus further translates into a special interest in collective bargaining as a system for governing labor-management relations. This is because U.S. public policy has identified bargaining as the preferred process for setting the terms and conditions of employment and for structuring interactions between labor and management at the workplace.

To analyze collective bargaining, industrial relations researchers draw on a wide variety of theories and data from economics, history, law, political science, international studies, and the behavioral sciences. Box 1–1 outlines how our field has drawn on these diverse disciplines to address specific topics in industrial relations. We will follow this tradition in this book by making liberal use of theories and evidence from a variety of disciplines. To make effective use of this material, however, we need to develop a more specific model of collective bargaining and industrial relations activities. The purpose of this chapter is to introduce the model we will use throughout the book.

A MODEL OF COLLECTIVE BARGAINING

Like other models of industrial relations ours emphasizes the relations among three key *actors*—management, labor, and government. We use



the term *management* to refer to those individuals or groups responsible for promoting the goals of employers and their organizations. In fact this term encompasses at least three groups: (1) owners and shareholders of an

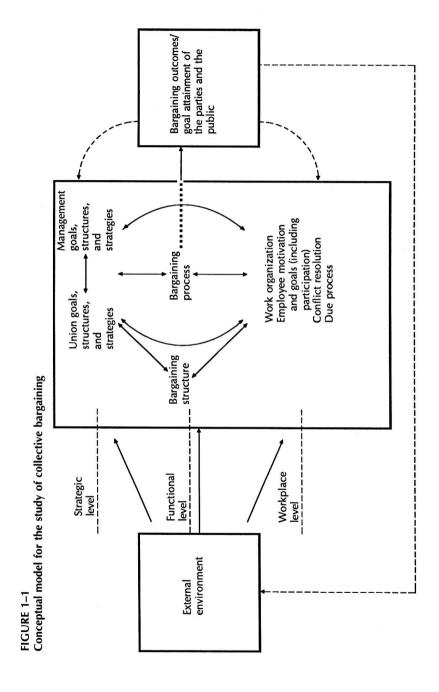
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Note: The brackets and arrows above indicate topics that are also a part of the next discipline listed.

organization, (2) top executives and line managers, and (3) industrial relations and human resource staff professionals who specialize in managing relations with employees and unions. The term *labor* is equally broad and encompasses (1) employees and (2) the unions that represent the employees. Finally *government* is meant to encompass (1) the local, state, and federal political processes, (2) the government agencies responsible for passing and enforcing public policies that affect industrial relations, and (3) the government as a representative of the public interest. Government leaders also play an important role by setting the political climate for labor-management relations. Presidents Kennedy and Johnson, for example, took an active interest in labor-management relations, and union leaders had considerable influence over labor policy during their administrations. By contrast, union leaders have been granted little influence and labor policy has played a more limited role in the Reagan administration.

Figure 1–1 lays out the structure of the model we will use throughout this book. The model is driven by the *goals and expectations* the three actors have for collective bargaining. How the parties go about achieving their goals is described by what we will refer to in the model as the *institutional structures and processes* of collective bargaining. It is through these structures and processes that the parties interact and make choices that, together with forces in their environment, determine the extent to which their goals are met.

Our framework departs somewhat from most previous approaches to analyzing this subject. The study of collective bargaining has traditionally focused on the process and outcomes of negotiations and the administration of the bargaining agreement. In explaining variations in these aspects of bargaining, scholars have paid closest attention to (1) the structural characteristics of bargaining (for example, whether the agreement covers a single plant or a whole industry); (2) the organizational characteristics of unions and employers (for instance, whether the union represents workers with different skills, needs, and interests, or workers who are fairly homogeneous; whether the company is geographically concentrated or spread out; and whether its operations are limited to one product line or vertically integrated); and (3) the general features of the external environment (such as the state of the overall economy, the extent of foreign competition, or the pace of technological change). In recent years, however, changes in collective bargaining practices have led both researchers and practitioners to argue that this traditional approach is too narrow and no longer describes the basic forces driving and shaping union and management behavior. The framework we have developed is therefore broader and more dynamic in its depiction of collective bargaining activities. In particular, it emphasizes the range of options management, labor, and government policymakers have in responding to environmental changes (such as increased competition or changes in technology), rather than treating technology or competitive pressures as overriding constraints.



The model depicted in Figure 1-1 starts, as do most traditional treatments of this subject, with consideration of the environmental context of collective bargaining. It then turns to the internal features of the bargaining system. Here we draw on much of our recent work by adopting a three-tier approach to depict the institutional structure of industrial relations within a firm. 2 The top tier, the strategic, comprises the strategies, values, structures, and other organizational features that influence collective bargaining and industrial relations. Here we ask questions such as how business strategy affects industrial relations; for example, we might compare a business strategy that emphasizes product differentiation and innovation against one that seeks to minimize labor costs. The middle tier, the functional or collective bargaining level, represents the actual process and results of contract negotiations. Discussions of strikes, bargaining power, and wage determination feature prominently here. The bottom tier, the workplace, illustrates the activities in which workers, their supervisors, and their union representatives engage in administering the labor contract and adjusting to changing circumstances and new problems on a daily basis. A typical question we ask at this level, for example, is how the introduction of employee participation programs has changed the day-to-day life of workers and supervisors.

It is through the joint effects of the environment and the actions of the parties within this three-tier institutional structure that collective bargaining either meets the goals of the parties and the public or comes up short. Since the ultimate question in any study of the collective bargaining system is whether it is effective—that is, the extent to which it meets the goals of the parties and the public—we start our discussion of the framework with an overview of these goals. Before doing so, however, let us set forth the basic assumptions guiding our approach.

BASIC ASSUMPTIONS OF INDUSTRIAL RELATIONS

The primary thread running through industrial relations research and policy prescriptions is that labor is more than a commodity, to be exchanged in the open competitive market like other, nonhuman market goods, and more than a set of human resources, to be allocated to serve the goals of the firm. Instead, because workers bring their own goals, expectations, and aspirations to the workplace, industrial relations must also be concerned with how the policies governing employment relations, and the work itself, affect workers and their interests, as well as the interests of the firm and the larger society. Thus, we take a *multiple interest* perspective on the study of collective bargaining and industrial relations.

This perspective requires that we be explicit about the relationships between the goals of workers and the goals of employers. A critical assumption underlying industrial relations research is that there is an *inherent conflict of interest* between employees and employers. That conflict arises out of the clash of economic interests between workers seeking job and income security and employers looking to promote efficiency and organiza-