

Employment Relations

Labor unions – Good or bad?

Prepared by Dr. Nourhan Sayed

HRM 624

2nd Lecture

Lecture (2)





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Four Schools of Thought

The Neoliberal School.

The Human Resource Management School.

The Industrial Relations School.

The Critical Industrial Relations School.

1st school: The Neoliberal School

The Neoliberal School

Focuses on the economic activity of self-interested agents.

Efficiency, equity, and voice achieved through free-market competition.

Idealized, perfect competition results in the optimal allocation and pricing of resources.

The Neoliberal School

The conditions of the labor problem are not seen as exploitation

Rather, employees are paid their economic value.

Employees are free to quit if they feel they are being exploited.

The Neoliberal School

Solution to the labor problem?

Ensure competition.

Macroeconomic stimuli to reduce unemployment.

Remove unnecessary government regulation.

The best protection an employee has against his or her current employer are other employers.

As long as there is (perfect) competition, employment outcomes are not seen as a problem.

The Neoliberal School

View of labor unions in the neoliberal school of thought

- **Unions are seen as labor market monopolies that interfere with the invisible hand of free market competition; distort efficient outcomes.**
- Strike threat is used to raise wages above their competitive levels.
- Restrictive work rules interfere with the discipline of the market by protecting lazy workers.



The Neoliberal School

To those who believe in perfect competition

- Labor unions are bad.

2nd school: Human Resource Management School



Human Resource Management School

Believes that the labor problem stems from poor management

- Poor selection, motivation, training, supervision.

Solution to the labor problem?

- Better management.

Human Resource Management School

Solution to the labor problem?

- Better management.





Human resource management philosophy

Align the interests of workers and the firm via better management.

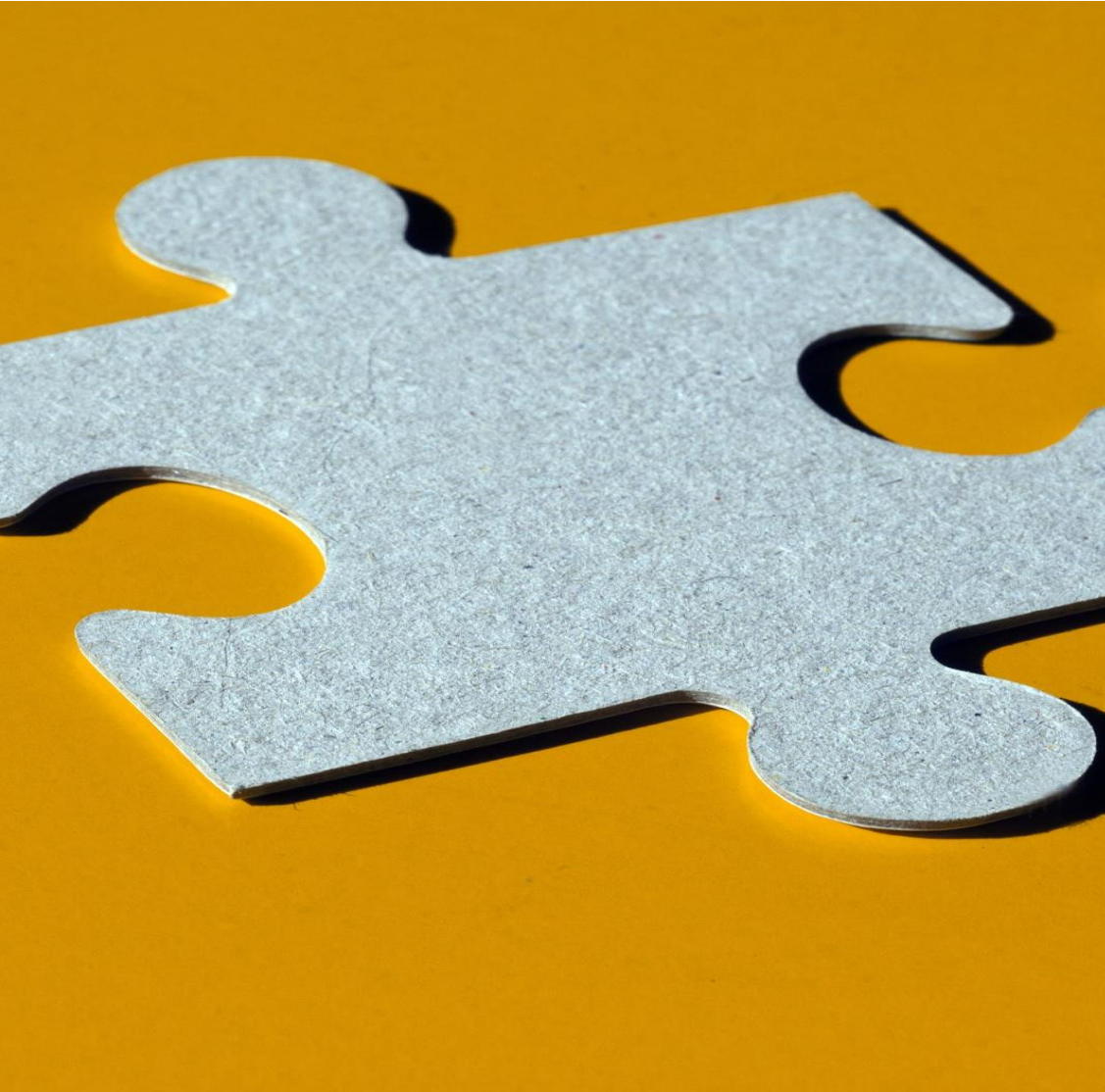
- Create motivated and efficient workers.
- Firms should design and implement better supervisory methods.
- Selection procedures.
- Training methods.
- Compensation systems.
- Evaluation and promotion mechanisms.

Human Resource Management School

View of unions in this school of thought

Unions are unnecessary “outside, third parties”.

- If a company has well-designed HR practices, workers will be satisfied and will not support a union.
- Independent labor unions are also seen as adversarial, a barrier to cooperation.



Human Resource Management School

But companies get the union they deserve.

- If a company is practicing bad management, workers will seek unionization to combat these poor practices.



3rd School: The Industrial Relations School



The Industrial Relations School

- Key belief: The labor problem stems from unequal bargaining power between corporations and individual workers

The Industrial Relations School

The IR school accepts corporations as efficient, valuable organizations

So not opposed in principle to markets or corporations.

But sees labor markets as destructively competitive.

- Need institutional checks and balances to achieve equity and voice.

The Industrial Relations School

Institutional labor economists believed that there were many labor market imperfections

- Persistent unemployment.
- Company towns dominated by a single employer.
- Lack of worker savings and other safety nets.



The Industrial Relations School



Compared to the other schools of thought, the causes of the labor problem are different



So the solutions are different.

Labor unions and other government policies (for example, minimum wage laws) to help increase worker power to better balance employer power.

The Industrial Relations School

View of unions in this school of thought

Unions are important as a way to better balance corporate power in the labor market.

Can provide meaningful voice to employees by being independent rather than controlled by companies.

- Independent labor unions can elect their own leaders, collect and spend their own dues money, establish their organizational objectives and strategies, and strike.



The Industrial Relations School

So based on the assumptions and beliefs of the IR school, unions are important for striking a balance between efficiency, equity, and voice

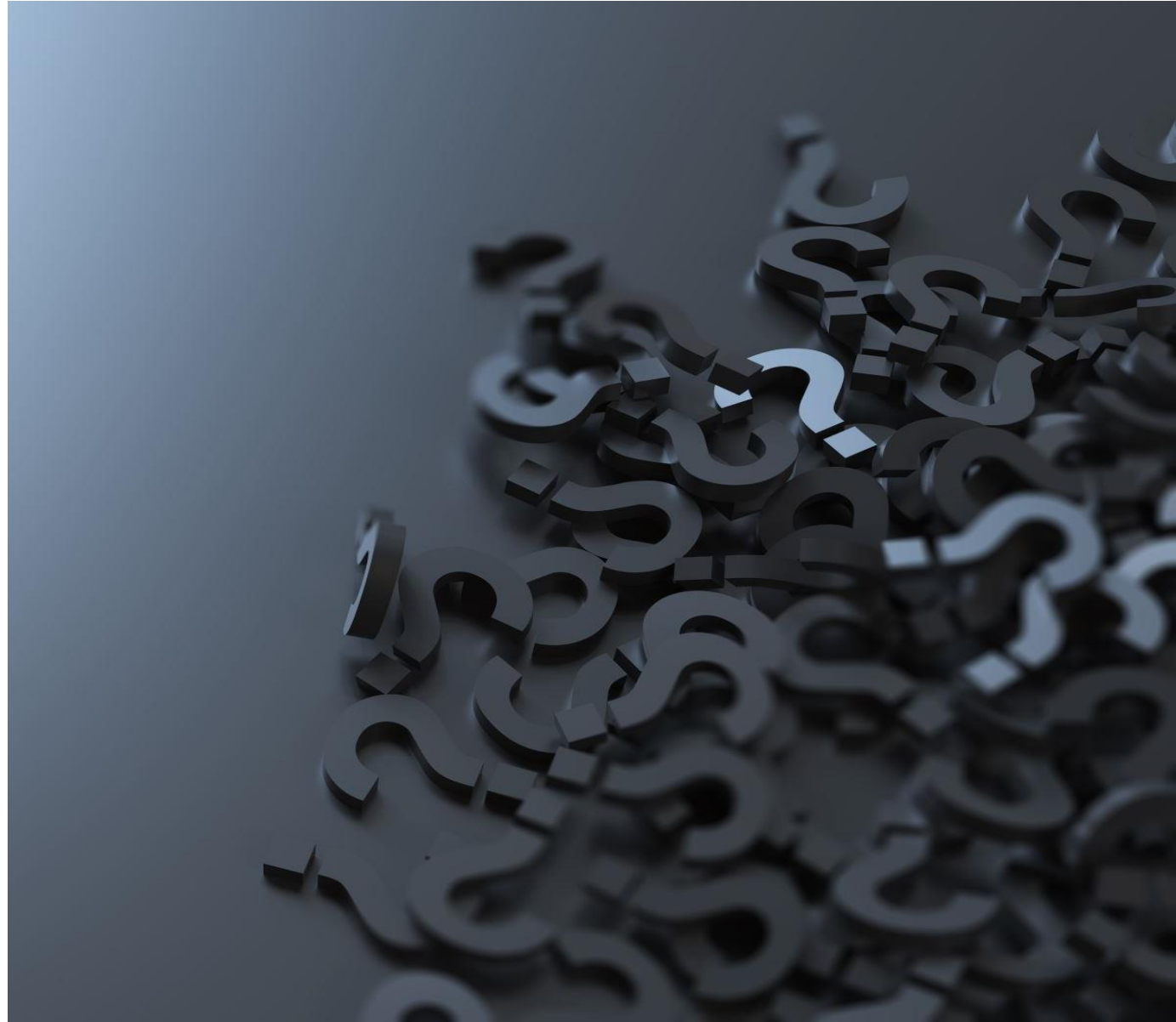
- This school of thought provides the intellectual foundations for United States labor law and supporters of labor unions.

4th School: The Critical Industrial Relations School

The Critical Industrial Relations School

Grows out of earlier “Marxist industrial relations” school, and also referred to as a radical perspective

- The “critical” label comes from being critical of existing societal institutions and social orderings.



The Critical Industrial Relations School



The critical school



Emphasizes that capitalist institutions do not simply exist but are created by society.



Focuses on how dominant groups design and control institutions to serve their own interests.

The Critical Industrial Relations School

The causes of labor problem

Employers' dominant power in the workplace, and reinforced by significant influence over other societal institutions (for example, legal system and law enforcement).



The Critical Industrial Relations School

The solutions to the labor problem
Restructuring the nature of
capitalism.

- For some: replacing capitalism with socialism.
- For others: significant changes in power structures and influence.

The Critical Industrial Relations School

View of unions in this school of thought

Strong, militant unions can benefit workers.

- Fighting for improved compensation, better working conditions, and greater control over workplace decision making.
- Mobilizing and raising working class consciousness.

The Critical Industrial Relations School

Emphasis is on aggressive, labor movement activism that links workers across industries, occupations, and regions.

- Adherents to this school of thought are critical of the pragmatic, collective-bargaining focus of many United States unions.
 - Believe that they do enough to challenge capital's power in the workplace and society.

Four Schools of Thought

The schools reflect alternative perspectives on the fundamental assumptions of human resources and industrial relations

- Is labor just a commodity?
- Are employers and employees equals in competitive labor markets?
- What is the nature of conflict between employers and employees?

Essential for understanding views of labor unions (plus views of HRM and other work-related institutions)

Importance of Views on Empl. Rel. Conflict

Importance of Views on Empl. Rel. Conflict

Unitarism (HR School)

- Employees and employers have a unity of interests so effective management policies can align these interests for the benefit of all.
- Conflict is not an inherent or a permanent feature of the employment relationship (rather, it's a manifestation of poor HR policies or specific interpersonal clashes).

Importance of Views on Empl. Rel. Conflict

Pluralism (IR School)

- Employees and employers have some inherent conflicts of interests and some mutual interests.
- All interests are legitimate (similar to a pluralist political system) so cannot always prioritize employer or employee interests.

Importance of Views on Empl. Rel. Conflict

Class-based (Critical IR School)

Emphasizes inherent and antagonistic conflicts of interest between employers and employees.

But not limited to clashes over terms and conditions of employment (pluralism).

- More of a social conflict of unequal power relations in many aspects of society.

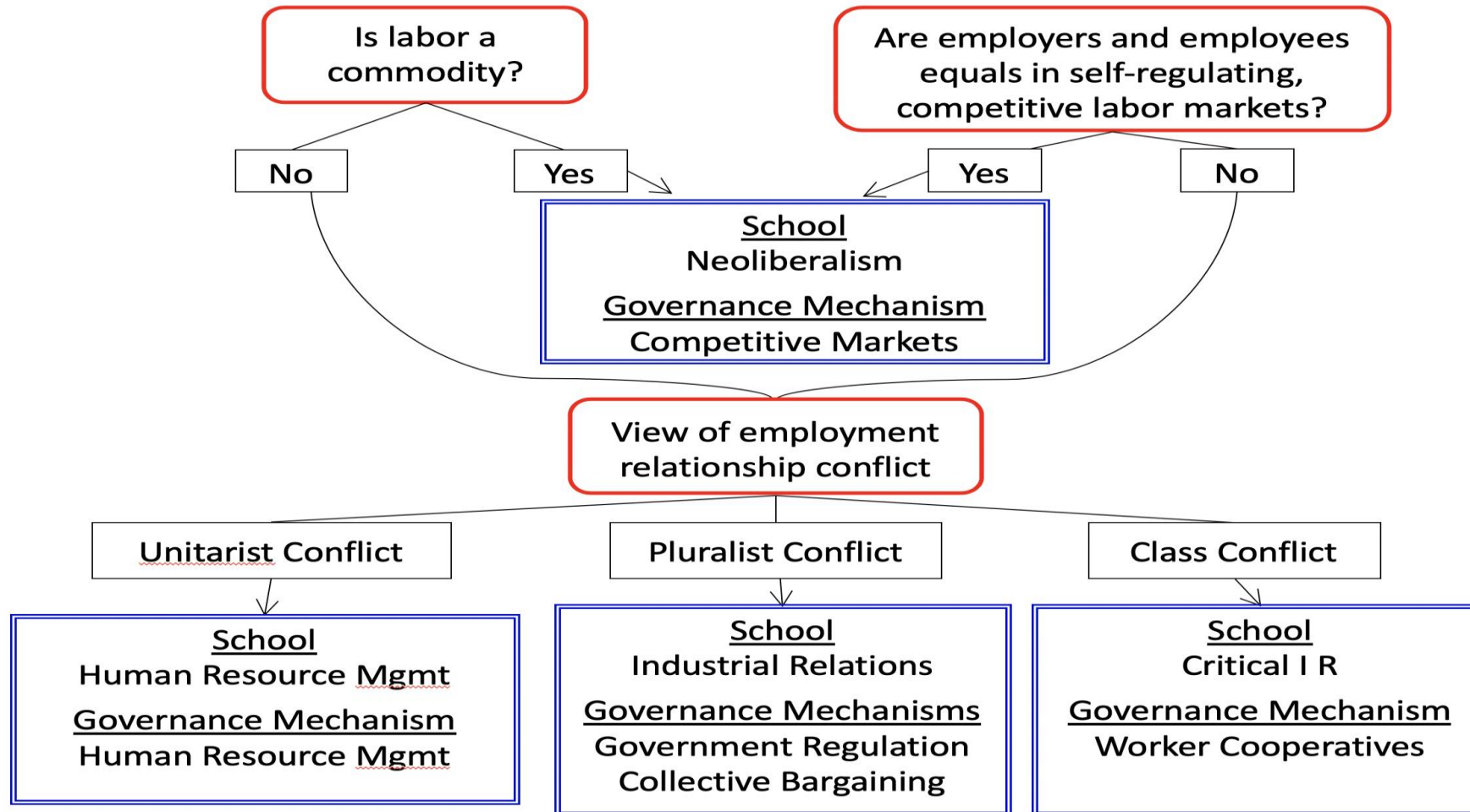
Competing Views of Labor Unions

In Each School of Thought...	Labor Unions are...
Neoliberalism	Bad: monopolies that benefit a few at the expense of everyone else.
Human Resource Management	Unnecessary: effective management policies are best. Also, unions add unproductive conflict.
Industrial Relations	Important: necessary to counter corporate bargaining power and to balance efficiency, equity, and voice in democratic, capitalist societies.
Critical (Marxist) Industrial Relations	Important but inadequate: An important mechanism for the struggle against capitalists and for protecting workers, but with systemic imbalances, need greater socio-political changes for true reform.

Competing Views of Labor Unions

To understand labor unions and labor relations it is imperative to understand the beliefs of the different schools of thought

More generally, these four schools of thought continue to be the key frameworks for analyzing all aspects of the employment relationship in the 21st century and for thinking about how to improve employment issues



What Do Unions Do?

What Do Unions Do?

So...are unions good or bad?

Approach 1: Conceptual

Approach 2: Empirical

Evaluate the research evidence on what unions tend to do.

- On balance, are these things beneficial or harmful, and to whom?
- **But requires using one of the schools as a frame of reference to evaluate!**
 - For example, is the union wage premium good or bad?

More Broadly, What Do Unions Do?

A labor movement is a social movement

- Workers and unions from multiple workplaces join together to pursue common interests.
- Unions are not purely workplace institutions.

More Broadly, What Do Unions Do?

Extending the I R view

A democratic society is seen as a pluralist society in which numerous groups have common and conflicting interests.

The labor movement represents workers in the political.

- Unions are seen as balancing the economic power of employers in the workplace, and as balancing the political power of employers in the political arena.

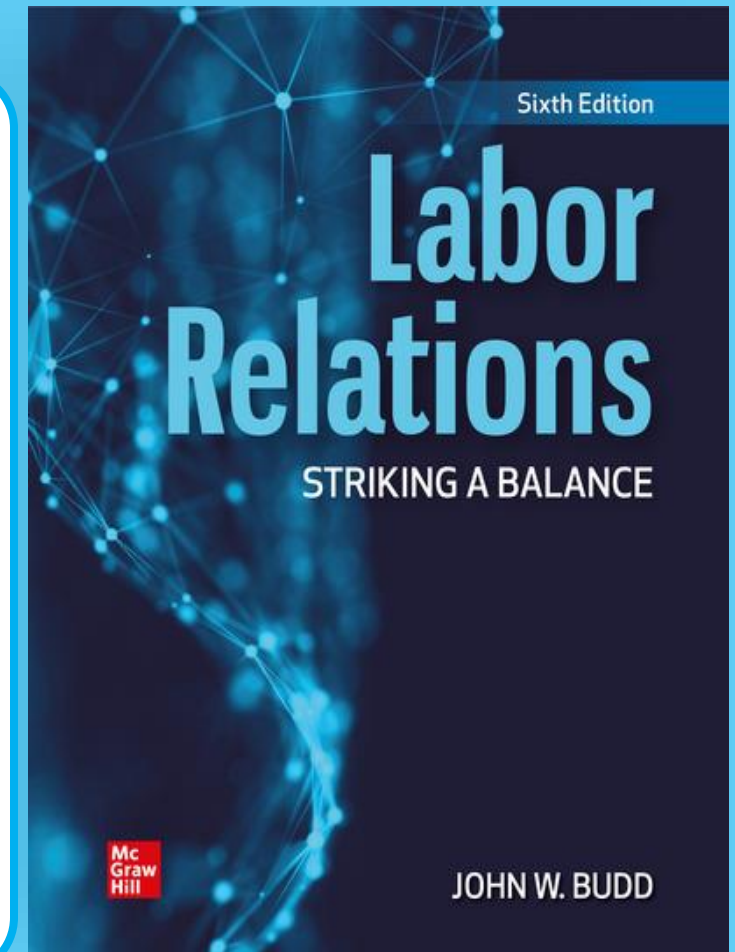
Labor unions can also be important organizations in civil society where individuals gather to socialize, discuss issues, pursue charitable goals, and form a sense of community.

- Often with a much greater diversity of individuals than when people gather with friends and others outside of the workplace.

List of references

Textbook:

John W. Budd , Labor relations textbook , MC Graw-Hill , 6th edition .





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Thank You

