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# Foreign-Owned Operations in the U.S.: The Changing Role of Unions

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# Unions

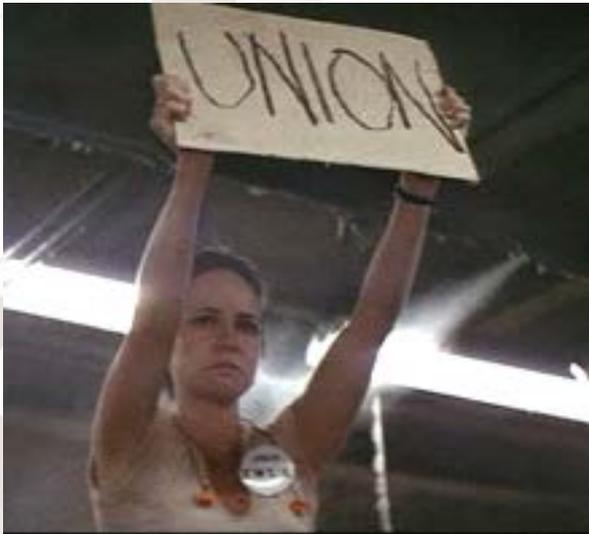
- Guns, Abortion, Religion, Politics, Money, Relationships...
- Of course, this is the interesting stuff

**TABOO**  
*topics*



# Purpose of Unions

- Promote fairness in wages
- Promote safe work environments
- Protect worker rights



Norma Rae: 1979

Budget: \$4.5 million

Box office: \$22,228,000

\$73 million today

Sally Field won Best Actress Oscar

# Did Volkswagen Really Want a Union?

- Chattanooga, Tennessee plant
- Friday, February 14, 2014 – vote
  - 712 against; 626 for
- Plant opened in 2011
- Only VW plant in U.S.
- There are over 20 other auto plants in South from various auto manufacturers
  - 2/3 of total auto plants in U.S.





# Works Council

Classic Labor vs. Capital Struggle

- Factory Council not Workers' Council
- 1920 German law
- Alternative to workers' councils
- Trying to take direct democratic (?) control of plants
  - Thwart militant workers
- Not an easy law to pass
- Hitler outlawed them
- U.S. reinstated them after WWII



# Purpose of Works Council

- Elected by all non-management employees
  - Blue and white collar
- Works council is independent of Union
- However, union usually puts forward slate of candidates
- Purpose: Work in the best interests of both workers and company
  - Find non-conflictual ways to deal with new technologies, reorganization of jobs, and plant closings
  - Negotiate with management



# Works Council or Union?

- Worker representation is split into two parts
  - Works Council – Factory floor issues
  - Union – Wages and benefits
- Conflict exists
- Works councils are more open to leaner production methods than unions have been
  - Management knows this and goes to Works Council first



# GM Works Council Example

Opel plant in Bochum, Germany

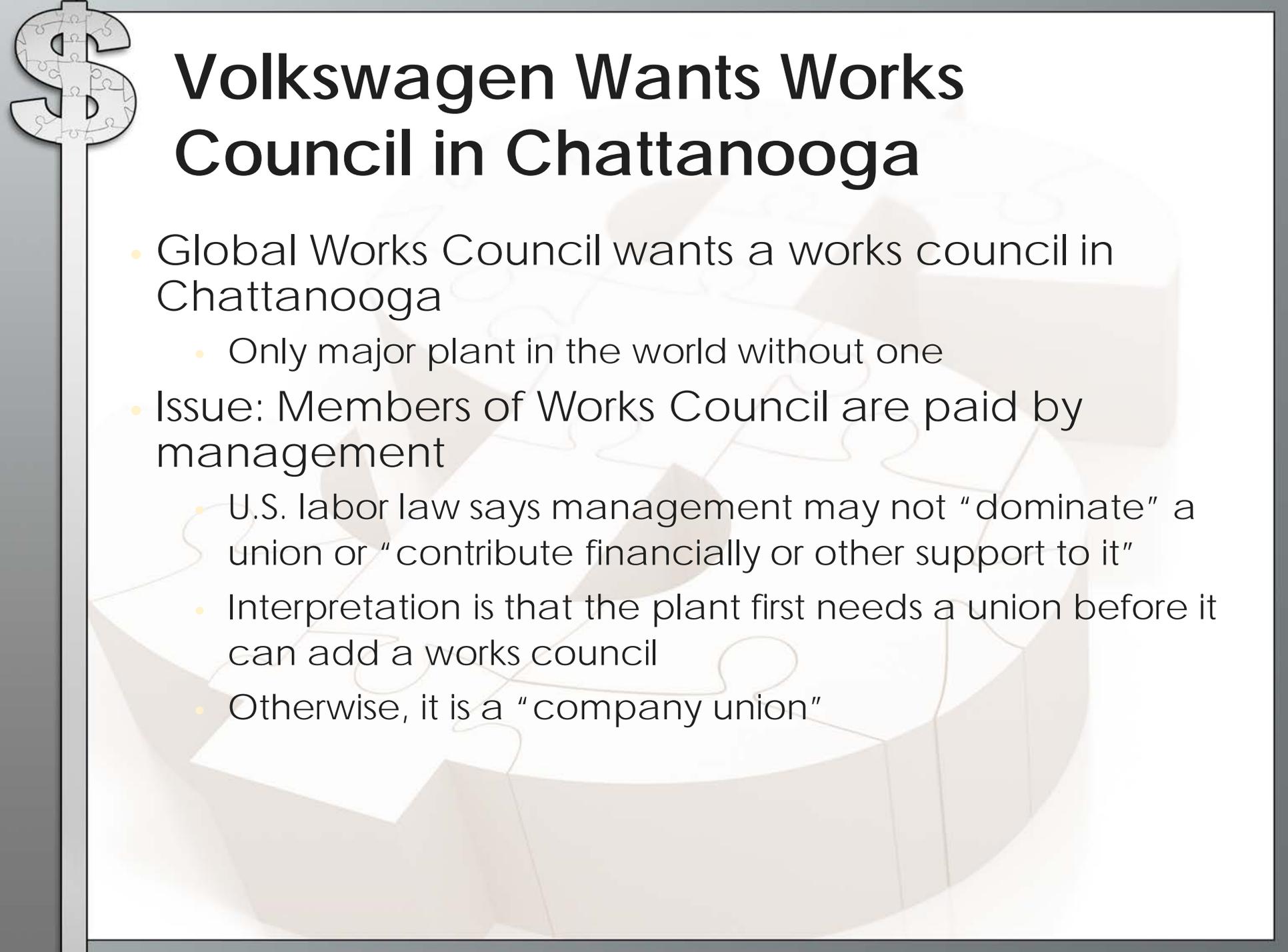
- IG Metall (union) reached an agreement with GM to reduce the work week to 35 hours over the next 11 years
  - By 1995, GM and the Works Council wanted to keep 8 hours a day but have extra days off during the year
  - Opposition members within the Works Council organized a rank-and-file vote
- Result: 7.5 hours a day; 37.5 hours a week; rest in days off
- Union and Management negotiate a policy but the Works Council does the details and implements
  - Democratic

# GM to Close Opel Plant

IG Metall negotiated severance packages

- Announced last week of June 2014
- 635 euros (\$855 million) to close plant
  - About 125,000 euros per worker
  - More than 3,300 workers
- Assistance to younger workers for finding new jobs





# Volkswagen Wants Works Council in Chattanooga

- Global Works Council wants a works council in Chattanooga
  - Only major plant in the world without one
- Issue: Members of Works Council are paid by management
  - U.S. labor law says management may not “dominate” a union or “contribute financially or other support to it”
  - Interpretation is that the plant first needs a union before it can add a works council
  - Otherwise, it is a “company union”



# Are All Works Councils the Same?

- No – depends on the corresponding union
- In Germany, Works Councils have power because of longevity and if there is a strong union (IG Metall)
- In China, state-controlled union
- Most of Europe has some version
- Universal goals:
  - Reduce conflict through communication
  - Adjust national agreements to local circumstances

# Who is #1?

Goal is to be biggest by 2018

Rank ↕	Group ↕	Country ↕	Total ↕	Cars ↕	LCV ↕	HCV ↕	Heavy Bus ↕
1	Toyota	 Japan	10,104,424	8,381,968	1,448,107	268,377	5,972
2	GM	 United States	9,285,425	6,608,567	2,658,612	7,558	10,688
3	Volkswagen	 Germany	9,254,742	8,576,964	486,544	169,064	22,170
4	Hyundai	 South Korea	7,126,413	6,761,074	279,579	70,290	15,470
5	Ford	 United States	5,595,483	3,123,340	2,394,221	77,922	
6	Nissan	 Japan	4,889,379	3,830,954	1,022,974	35,451	
7	Honda	 Japan	4,110,857	4,078,376	32,481		
8	PSA	 France	2,911,764	2,554,059	357,705		
9	Suzuki	 Japan	2,893,602	2,483,721	409,881		
10	Renault	 France	2,676,226	2,302,769	373,457		
11	Chrysler	 United States	2,371,427	656,892	1,702,235	12,300	
12	Daimler AG	 Germany	2,195,152	1,455,650	257,496	450,622	31,384
13	FIAT	 Italy	2,127,295	1,501,979	498,984	85,513	40,819
14	BMW	 Germany	2,065,477	2,065,216	261		
15	SAIC	 China	1,783,548	1,523,398	190,848	67,805	1,497
16	Tata	 India	1,241,239	744,067	314,399	165,171	17,602
17	Mazda	 Japan	1,189,283	1,097,661	91,622		
18	Dongfeng Motor	 China	1,137,950	539,845	245,641	337,545	14,919
19	Mitsubishi	 Japan	1,109,731	980,001	127,435	2,295	
20	Changan	 China	1,063,721	835,334	166,727	59,978	1,682

2012 figures



# Need a mid-sized SUV for U.S.

- Chattanooga plant has capacity
- Puebla, Mexico plant has capacity
  - Largest car plant in the Americas and second-largest VW plant
  - Has a works council
- Who gets to build the SUV?



# So What Is Up With Unions?

2013 data from BLS

- Union membership stands at 11.3% and 14.5 million workers
- Compare to 1980: 20.1% and 17.7 million workers
- For whom:
  - Public-sector workers - 35.3% (7.2 million)
  - Private-sector workers - 6.7% (7.3 million)
- In what industry:
  - Education - 35.3%
  - Protective Services - 35.3%
- Gender:
  - Men - 11.9%
  - Women - 10.5%



# U.S. Union Info, part 2

2013 data from BLS

- Weekly earnings
  - Union workers weekly earnings: \$950
  - Non-union workers weekly earnings: \$750
  - Does not take into account any other variations such as geography or occupation
- Age
  - 16 to 24 years: 4.2%
  - 25 to 34 years: 9.8%
  - 35 to 44 years: 12.5%
  - 45 to 54 years: 14.0%
  - 55 to 64 years: 14.3%
  - 65 and older: 9.6%



# Where Are Unions Strong?

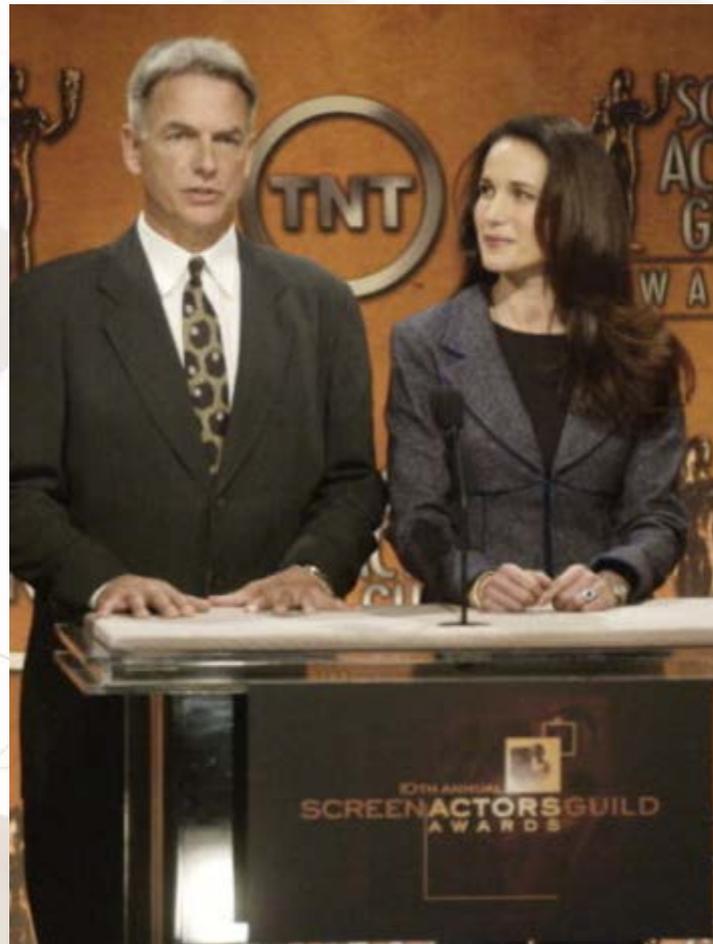
2013 data from BLS

- Geography
  - Highest: New York – 24.4%
  - Lowest: North Carolina – 3.0%
- Over half of all union members live in just seven states even though the states account for 1/3 of total workers
  - California - 2.4 million
  - New York – 2.0 million
  - Illinois – 0.9 million
  - Pennsylvania – 0.7 million
  - Michigan - 0.6 million
  - New Jersey – 0.6 million
  - Ohio – 0.6 million



# Screen Actors Guild

Mark Harmon is a member





# Unions As A Voice

## Positive View of Unions

- Act as a unified group
- Reduce exit and quit rates
  - Higher wages and better working conditions reduce turnover
- Grievance procedure can increase productivity
  - Workers have a voice
- Unions encourage better labor management
  - Better selection process
  - Get rid of bad employee sooner
- Decrease employee discrimination
  - For those in union



# Big Labor View

## Negative View of Unions

- Restrict labor market
  - Act as a monopoly
- Feather bedding
  - Higher five people to do the work of two
- Productivity decreases
  - Wages and job security a function of seniority not productivity
- Misallocation of resources
  - Cannot easily substitute capital for labor
- Seniority issue
  - Hard to discipline senior employees with union protection
- Foreman's power reduced
  - Foreman cannot discipline because union steps in
- Ability to Strike



# Shifts in the Economy

- Consumer demand has shifted to more service
  - Harder to unionize service workers
- Technology advances have increased productivity
  - Lowered the number of workers in industries to unionize
  - Look at the two biggest industries – education and protective services
- Production has shifted
  - To overseas
  - From northeast and midwest to south
  - To high-tech industries
- Small firms are growth areas for employment



# Substitution Effect

Government Has Replaced Some of the Unions' Role

## Summary of the Major Laws of the Department of Labor

The Department of Labor (DOL) administers and enforces more than 180 federal laws. These mandates and the regulations that implement them cover many workplace activities for about 10 million employers and 125 million workers.

### On This Page

- [Wages & Hours](#)
- [Workplace Safety & Health](#)

**Job Safety  
and Health**  
**It's the law!**

**OSHA**  
Occupational Safety  
and Health Administration  
U.S. Department of Labor



# Unions Were Too Successful

- Unions has successfully negotiated higher wages and benefits
- Created space for cheaper imports
- Substitution of cheaper products increased the elasticity of demand for union labor (decreased union power)
- Example:
  - Veteran AUW members in Detroit earn \$26 to \$28 per hour
  - VW employees earn \$19 per hour
  - Detroit new hires earn \$17 per hour
  - Wages are not directly comparable because of experience differences



# Managerial Opposition

- Wagner Act prohibits dismissing workers who are pro-union
- Many employers receive light penalties from government
- Other tactics managers can use
  - Intimidation
  - Threaten to close factory
  - Lockouts – which are on the rise



# Advertising Was Harsh





# Changing Workplace

- Studies show that women are more willing to join a union
  - Greater gains in wages
  - Promotion is due to seniority and not other factors
- Women are usually main caregivers
  - Need flexibility
  - Need to be treated individually
- Women are willing to trade explicit wages for implicit benefits
  - Amarillo examples
    - Firms gets better workers and maybe even “free” labor
    - Informal works council
- Millennials desire different labor-leisure trade-off



# Who Has Monopoly Power?

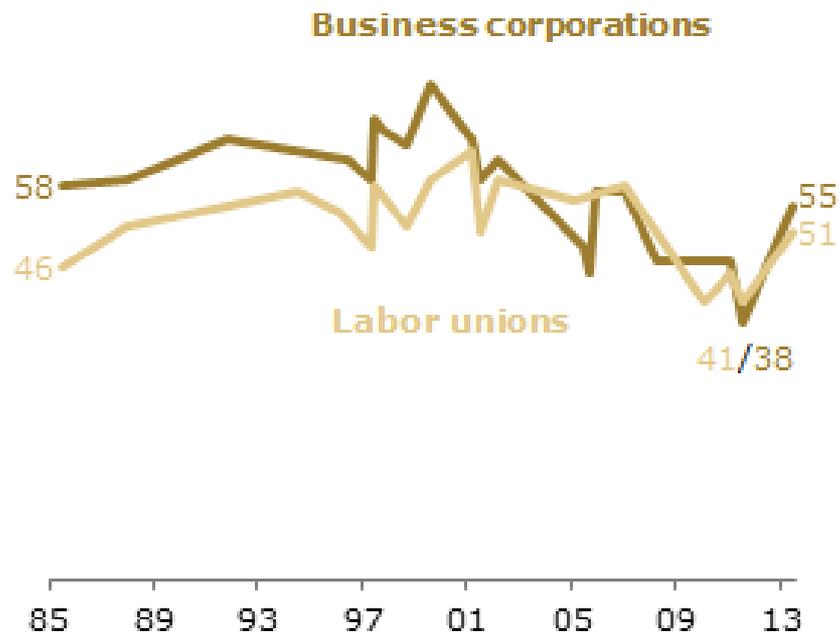
- Many times the employer is the only one in town
  - Only "good" one
  - Monopsony
- Union counters the monopsony as a monopoly
- Ability to move production counters union monopoly on labor
- Ability to work from home (telecommute) counters monopsony
  - Mid to high-skilled service worker

# Opinions of Unions

Positive view of unions at 51%

## Favorable Views of Business and Labor Up Sharply Since 2011

*% with favorable view of ...*



Gay marriage is 54% favorable



# Pew Research, part 2

## Demographics of survey respondents

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### Views of Business and Labor

	Business corporations		Labor unions		Diff in Fav
	Fav	Unfav	Fav	Unfav	
	%	%	%	%	
Total	55	39	51	42	+4
White	54	40	46	47	+8
Black	62	36	69	27	-7
Hispanic	52	37	58	32	-6
Men	56	39	46	45	+10
Women	53	40	55	38	-2
18-29	51	43	61	29	-10
30-49	58	37	50	43	+8
50-64	53	42	49	45	+4
65+	56	35	42	50	+14
College grad+	56	39	48	46	+8
Some college	50	45	53	41	-3
HS or less	57	35	51	40	+6
<i>Family income</i>					
\$75,000 or more	59	37	44	51	+15
\$30,000-\$75,000	56	40	54	39	+2
Less than \$30,000	50	43	56	37	-6



# Pew Research, part 3

## Politics of survey respondents

Republican	69	24	31	64	+38
Conservative	74	20	23	74	+51
Moderate/Liberal	63	33	44	50	+19
Democrat	50	46	73	20	-23
Liberal	37	58	80	14	-43
Moderate/Conservative	56	41	70	23	-14
Independent	51	42	44	47	+7
Lean Republican	60	33	32	61	+28
Lean Democratic	52	44	56	38	-4
<i>Among Rep/lean Rep</i>					
Tea Party	74	20	18	79	+56
Non-Tea Party	59	34	42	51	+17
<i>Union household</i>					
Yes	51	44	73	25	-22
No	55	39	48	44	+7

PEW RESEARCH CENTER June 12-16, 2013.



# Future of Unions?

- Fewer and fewer people have experience with unions
- Need to get the new jobs unionized
- Need to find role in global economy
- Need to find how to unionize Millennials
- Need to change public opinion



# Foreign Ownership

- For Americans, we have to get used to other countries' labor laws
  - German Works Council
  - Toyota Way
- We expect other countries to abide by our rules
  - Discrimination
  - Child labor
- So which laws and customs do we accept or change to be in alignment?



Thank you

