Employer strategies towards non-union collective voice

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Associate Professor
Dr. Paul J. Gollan
Director of Research
Department of Business
Overview

- Little known about the effectiveness of non-union collective voice (NCV), their independence from managerial influence, and their ‘representativeness’.
- Minimal role in many Anglo industrial relations systems, with few formal processes or legal requirements
- Declining levels of trade union density
- Explores management strategies towards and the development of NCV
- Tracks the development of dual channel NCV and union voice arrangements
- Key Question - Why do employers implement NCV arrangements?
Definition

- First, only employees in the organisation can be members of the representative body.
- Second, there is no or only limited formal linkage to outside trade unions or external employee representative bodies.
- Third, a degree of resources is supplied by the organisation in which the employee representative body is based.
- Fourth, there is a representation of employees’ interests or agency function, as opposed to more direct forms of individual participation and involvement.
- Official terminology varies.
- Taras and Copping (1998) - in general NCV arrangements are rountinised forums in which non-union employees meet with management to discuss issues at either the plant or enterprise level.
NCV in Perspective

- Capacity to assist unionism in workplaces where they are given many responsibilities and especially when enforced through statutory rights.
- Others have suggested that the question is not whether NCV structures will weaken unions, but rather whether unions will be prevented from developing a strong presence where there is an existing NCV arrangement.
- ‘Consolidated a more recent shift to non-unionism’ (Kelly, 1996)
- Cannot be effective in providing a true voice for employees’ issues and concerns because they institutionalise worker co-operation - ‘cosmetic’ devices
- Industrial relations laws are structured is premised on the belief that there will be a conflict of interests between the employee and employer
NCV in Perspective

- Research would suggest that NCV arrangements are driven by three principal factors – viable union threat, a means to increase the flow of information and communication, and to provide a more harmonious and consensual workplace culture.
- Main aim of NCV is to increase the flow of information and communication, rather than negotiation.
- Increasing company productivity and efficiency, and promoting an understanding of company policy rather than as an effective forum of collective representation for the interests of employees.
- Whether NCV arrangements provide advantages to employees over no representation.
Management strategies towards NCV

- NCV voice arrangements can also be perceived as organs aligning common interests of employees and employers, while unions can be perceived as more independent entities.
- As such unions can be seen as operating in separate domains, in pursuit of agendas that sometimes conflict with those of employers.
- NCV arrangements are complementary to unions although through co-existence may develop interdependences with union arrangements.
- Willman, Bryson and Gomez (2003) see NCV in the context of institutional economics with the emergence of different voice arrangements based on a contracting problem – ‘make or buy decision on the part of the employer’
Management strategies towards NCV

• Applying transaction costs economics to employment, the decision to make (own voice) or buy (contract voice) is based on a number of factors.

• These include the specificity of the asset (the type of employee), frequency of the interaction (voice exchange through consultation and bargaining), its uncertainty (permanent or temporary employee and the need for a voice arrangement), and its governance structures (voice effectiveness and value).

• Making voice would require an employer to create a non-union voice arrangement which would be perceived as legitimate by employees. Buying voice would mean subcontracting out to a trade union all aspects of voice provision.

• Hybrid or hedge (or dual channel) forms of voice arrangements with a mixture of union and non-union voice structures could be established based on the nature of the transaction process.
Management strategies towards NCV

Table 9.1 Voice regime—effectiveness, risk, direct cost, and switching cost

<table>
<thead>
<tr>
<th>Channel</th>
<th>Buy (union)</th>
<th>Hedge (dual)</th>
<th>Make (NCV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct cost</td>
<td>low</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>Switching cost</td>
<td>high</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>Risk/Opportunism</td>
<td>high</td>
<td>med</td>
<td>low</td>
</tr>
<tr>
<td>Effectiveness in meeting firm's</td>
<td>med</td>
<td>med</td>
<td>high</td>
</tr>
<tr>
<td>objectives</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Adapted from Willman, Bryson and Gomez, 2003: 28.*
Management strategies towards NCV

- Freeman and Medoff (1984) highlight these integrative and distributive functions –
- Impact on both the distribution and the size of the surplus.
- It is argued that these two activities can interfere with each other, in that the information shared in raising productivity can be used strategically to increase the share of the surplus.
- Freeman and Lazear (1995) argue that both firms and employees are interested in the size of the surplus earned by the firm (R), and their relative shares (S).
- Thus works council decision power effects. It raises ‘R’, the total surplus earned by the firm, as works council input leads to better decisions. However, over time its power is too great for management to make effective decisions (so R then declines).
- Moreover, the works council is also used to bargain over shares of the surplus earned by the firm. According to their model ‘R’ reaches a maximum when the works council is given power level X(o), which is the socially optimal level of power for the works council.
Management strategies towards NCV

\[ R(x): \text{Total surplus generated by firm} \]

\[ R(0) \]

\[ S: \text{Shares of employer & workers} \]

\[ P: \text{Firm's profit after council costs} \]

(Adapted from Freeman and Lazear (1995: 30))
Management strategies towards NCV

• Three implications can be highlighted.
• One, the parties might bargain towards the social optimum (especially if R(o) is greater than running costs).
• Two, the size of the gap between X(f) and X(w) can be reduced by taking distributive bargaining out of the picture. This can be useful because it minimises the role of distribution of rents at the firm level, and makes the workplace institution concentrate on work conditions and increasing the size of the surplus, rather than the distribution of the surplus. Thus workplace representatives can increase the rewards for their constituents only by increasing the size of the pie.
• Three, works councils should be mandatory because employers will not give them enough power voluntarily to provide their voice function for fear it will be used to bargain a greater share of the surplus earned by the firm.
Discussion

- US/UK/Australia case studies provide five principal reasons why managers established NCV arrangements.
- First, they were a means to improve information flows and communication between employees and managers in organisations.
- Second, such arrangements may act as a ‘safety valve’ especially in the absence of an active union presence.
- Third, an NCV arrangements may help to facilitate the process of organisational and workplace change.
- Fourth, NCV could potentially increase organisational performance in terms of productivity and quality by providing a forum for new ideas and employee input.
- Finally, NCV arrangements may be used as an alternative for negotiations in situations where there is little active union or collective bargaining or as an attempt to undermine the union’s position.
Discussion

- It could be argued that these results reinforce Willman, Bryson and Gomez’s (2003) thesis, which provides a rationale for an employer’s demand for non-voice in terms of a transaction costs economics in terms of the beneficial effects on firm performance.
- In this approach the decision to make (own voice by establishing NCV) or buy (contract voice by recognising a union) is based on the type of employee, the amount of consultation and bargaining, the level of permanency of the need for voice, and its value and effectiveness in providing organisational outcomes.
- Support to Flood and Toner’s (1997) research, which suggested that non-union status may reduce an adversarial climate associated with unions and enable management to gain greater cooperation from employees in making unpopular changes and economies without the threat of industrial action, demarcation or other forms of retribution.
- Example – recent economic downturn in the reduction of hours, overtime and layoffs.
Concluding Comments

- Management may decide to ‘hedge’ by recognising a union and establishing an additional voice arrangement creating two voice channels as a means to address employee expectations and mediate union demands.
- Importantly the research suggests that the old dichotomy of a union versus non-union channels of voice is likely to prove inadequate in shaping future representation arrangements.
- Instead the focus could be more fruitfully directed towards the quality of employee representation and resultant climate of employment relations, manifested in a mosaic of substance and process.
Concluding Comments

• Pivotal to this is the effectiveness and power of NCV and union arrangements. Processes that underpin the representation of employees’ interests and rights are at the core of effectiveness of such bodies.

• Voice, the right to be heard and having influence over workplace issues and at times an acknowledgement of differing interests may be essential conditions for a more effective decision-making process.

• Findings suggest that incorporating a degree of collective bargaining as a complement to or as part of an NCV process could provide more productive outcomes for employers and more just outcomes for employees.