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# CRITICISM ON THE MONOPOLY VIEW OF TRADE UNIONISM

by

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## **Abstract**

This study examines the theoretical and empirical relationship between trade unions and productivity. It challenges the tenets of the existing debate by stressing the contingent nature of this relationship. In particular this study pinpoints inadequacies of the monopoly view of trade unionism in relation to its ambiguous and unrealistic theoretical foundations and its weak empirical evidence.

## **Key Words**

Trade Unions, Industrial Relations, Productivity, The Monopoly View, The Collective-voice View, Work Rule Intervention, Industrial Action, Investment, Climate of Industrial Relations, Econometric Evidence.

## **1. Introduction**

The innate unbalanced bargaining power between employees and employers in industrial society gave birth to labour organisations, to improve wages and working conditions collectively. As trade unions have become one of the major components of modern societies with the growth of the labouring class, employers have sought to resist those worker aspirations that are liable to increase labour costs. Many businessmen, scholars and politicians have been involved in examining, questioning and influencing the function of such unions

and their social effects. Unfortunately, far from the debate over exact influence of trade union's on productivity being settled, it has become increasingly controversial.

Like other issues, the impact of trade unions on productivity is still a keenly debated subject, and attracts much public interest, because of the importance of productivity to our economic well being and to the survival of individual organisations. Productivity, the ratio of output to input, is the measure of how well an operations system functions.

There are two main positions regarding the impact of trade unions on Productivity; what I shall call the negative and positive views of trade unionism. [1] The former view argues that the persence of unions is associated with lower productivity. In contrast, the latter view claims that there are beneficial affects of trade unionism on improving productivity.

Metcalf (1990) summarised the following four reasons why unions may decrease labour productivity. [2] Firstly, unions may induce restrictive work rules and limit managerial decision making flexibility through collective bargaining. Secondly, industrial disputes by unions may have an adverse impact by causing uncertainty about output levels, imparing the credibility of a company, constraining capacity and consuming management time. Thirdly, unions may reduce the will of businessmen to invest in capital equipment and research and development by lowing the rate of return on investment. Finally, union presence may lead to adverse industrial relations climate by eroding both trust and cooperation between employees and employers.

The positive view has been most congenly put forward by a Harvard group of labour economists. Freeman and Medoff (1984) have claimed the following five favourable affects of trade unionism upon productivity. [3] Firstly, trade unions may increase worker morale and motivation at work by obtaining greater material rewards, ensuring that workers grievances are heard and fairly addressed, and by protecting workers against arbitrary decisions. Secondly, unions may decrease worker turnover rate, and thus increase the efficiency of orgainsed establishments by lowering the costs of turnover in the form of hiring and training costs. Thirdly, unions may enhance productivity through collective bargaining that opens communication channels between workers and management. Such channels enable management to obtain information concerning workers preferences toward compensation and personnel policies, and provides a means for workers to volunteer ideas. Fourthly, unions may force management to adopt 'seniority rules', which would weakens the feeling of rivalry among workers, and increase the amount of

informal training and assistance between employees in the areas of promotion, transfers and benefits. Finally, the higher wages or costs which are caused by unions "shock" management to be less lethargic.

This study will discuss the negative view of unionism in detail, and then introduce the criticisms of this view in order to evaluate its relationship to the real economy. Some part of this study drawn from fieldwork conducted in the South Korean (henceforth Korean) auto and cement industry from September 1989 to April in 1990. The Korean manufacturing companies were selected (5 in the auto and 6 in the cement industry) because they underwent a major transformation in industrial relations through one political event in 1987, the 6. 29 Declaration which removed most of the restrictions on trade union activities. Korean unions can now carry out true collective bargaining and can use industrial action more easily. So the Korean case would be suitable for revealing the ways of union influences on productivity through the opinion surveys intended for workers, management and union leaders who can provide a comparison data. [4]

## **2. Criticisms on The Monopoly View of Unionism**

### **2.1. Theoretical Validity of the neo-classical Economic Theory**

In order to reveal the weakness of the negative view of unionism, we need to consider the theoretical validity of the neo-classical economic theory of the labour market. Unfortunately, neo-classical theory does not fit the reality of employment relations and management behaviour in the real world economy. Firstly, the model assumes that labour market processes are the result of interactions of individual workers and employers. The soundness of this principle, however, could be seriously questioned by the presence of labour market organisations. In fact, labour markets are alike not auction markets but institutionalised markets, since wages are administered either by employers or by employers and trade unions in a collective bargaining process. [5]

Secondly, the perfectly competitive labour market which contains perfect and costless information, perfect competition in all other markets, and instantaneous and costless adjustments does not exist in the actual labour market. The reality of decision making means it is not possible to be entirely rational because it is impossible to create all the alternative scenarios. In fact, decision makers cannot have complete information as well as perfect

knowledge for decision making. Hence, he or she must select from the perceived alternatives. Moreover, emotional or behavioural consequences may lead the decision makers to comprise or adopt a nonoptimal solution. Decision makers cannot have complete information for problem solving or decision making, because, they usually do not have enough time, resources and/or knowledge to obtain perfect information. In addition, decision makers typically have to take decisions in the absence of certainty about future events. Thus, they cannot analyse a one-to-one relationship between alternatives courses of action and outcomes. On the basis of the above arguments, therefore, the second assumption has great difficulty in being defended.

Thirdly, the neo-classical school assumes that the labour market contains large number of jobs in different firms requiring similar skills and aptitudes which can be provided by local labour markets. In the modern economic society, there is a common trend for jobs to become more specialised in terms of required technology and knowledge. Moreover, occupational and internal labour markets rather than local ones have become increasingly dominant. [6] Since these markets, by comparison with the competitive labour markets of economic theory, offer quite different transaction arrangements, the third assumption could be treated as an unrealistic one.

The fourth postulate is that firms act as a transmission mechanisms between markets. As many studies show, employers frequently bear much of the cost of training, and thus they try to make their own internal labour markets. [7] Consequently, we can argue that firms prefer to be actors with detention mechanisms rather than a transmission between markets.

The final assumption that 'technology' is the key determination of the factor combinations between which firms may choose, could be true in some industries but not all. Firms, however, often take account of the availability of finance, government policy towards unemployment, and even trade union actions in introducing new technology. [8]

The expected relationship between trade unions and productivity which is formulated on the base of neo-classical economic theory, therefore, would hardly be true.

## **2.2. Work Rule Intervention**

Through collective bargaining, trade unions can participate in the managerial decision making processes. Union participation, however, can be seen as both a sign of intervention and a possible source of cooperation. An interven-

tion, because unions induce restrictive work practices and limit managerial flexibility, hence they supposedly lead to organisational inefficiencies. Cooperation, because management can hear workers' opinions and ideas which may enhance the quality of management decisions. The negative view of unionism takes the former position and claims that a limitation of management's flexibility in decision making lead to impaired labour productivity.

Examples of negative practices on productivity, which have appeared prominently in many discussions of unionism, include: limits on the load handled by workers, job demarcations, requirements that work be done twice or that unnecessary work be done, opposition to incentive systems and piece-rates, enforcement of loose production standards or limits on work pace, and interference with technical change sought by management.

While setting restrictive work rules may reduce labour efficiency, not all the work rules that are introduced by unions should be treated as restrictive. It is widely accepted that workers and unions have the right to refuse or alter management orders which may cause either physical or mental damage to them. Furthermore, the assumption that management should be allowed to work their employees as hard as they can is not very persuasive. Union induced work rules, therefore, have to be examined fully before they are treated as restrictive.

Further, the power of unions to intervene in managerial decision-making, remains limited. In reality, union participation in the regulation of working conditions is basically defensive, as it occurs within an environment determined by policies that employers have already set up, in terms of the scale of production, employed technology, manpower levels, safety and welfare. [9] In fact, the Korean case supports this argument through the employer opinion survey. [10] While nine companies provided information, four of them had had experiences where their union did not allow the implementation of certain management policies. That is, two of the union interventions were related to the application of personnel evaluation in both the promotion process and/or reward system. The other two cases involved policies that contained possible job losses. Moreover, this opinion survey revealed that only two unions had forced management to adopt any restrictive work rules. They had had the right of involvement in the assignment overtime work. Thus, Korean unions appear not to have induced any restrictive work practices, rather they have protected members from unfavourable management policies and practices which may lead to possible job losses or adverse involvement of management opinion in the promotion process or reward

systems.

Similarly, Freeman and Medoff (1982) emphasised that the flexibility of operations in modern industry, where production lines are machine run, will not be important, and thus the restrictive work rules have only modest effects on productivity. [11]

In the other spectrum, union participation in managerial decision making process can be seen as a source of cooperation. The case of Japanese unions would make clear this argument. Enterprise-based unionism may provide a consciousness of a community bound together by a common fate to management as well as workers. Thus, it can be expected that unions may initiated a certain kind of productivity elevation activities themselves for the prosperity of the company in which they are based. In Japan, where the majority of unions are enterprised-based, around 86 per cent of unions cooperate with management for the improvement of labour productivity, 43.9 per cent of union assist in sales promotion. [12]

In 1962, the Toyota Motor union and management adopted the following announcement ; (1) developing the motor industry for national prosperity ; (2) industrial relations is going to be based on mutual trust ; and (3) improving the productivity for company prosperity and better working conditions. [13] Actually, the Toyota Motor union has never obstructed the management in introducing any kinds of business policies. [14]

In the Korean case, the Ssangyong Motor union promoted a campaign, the so called "S. TU 90 Movement", in 1989, the basic purpose of which was improvement in workers' lives through the growth of company profits. [15]

The very nature of trade unions may have a negative impact on productivity from the narrow point of view. However, trade unions may act as a good companion. Moreover, while how hard an employee should work as well as workers' and management's rights in assinging work, are not defined in detail, the extent of unfavourable union effects through this channel, cannot be estimated decisively.

### **2. 3. Industrial Action**

A strike can be defined as "a temporary stoppage of work by a group of employees in order to express grivances or enfoce a demand" [16] On the basis of this definition, trade unions as representatives of employees may lead strikes whenever their members have grivances, and/or when they are having to confront unreasonable demands from employers. Consequently, trade unions

are thought of by those who hold a negative view of unionism to reduce output because industrial action eats into production time. The 'logical' conclusion is, therefore, if strikes were eliminated or if trade unions were not present, then output would increase.

However, we need to consider the question, of whether the whole responsibility for strike action should rest with unions alone? Presumably, neo-classical economists would answer this question affirmatively. This may partly be true, since strikes are generally called by unions, though of course, ordinary workers lead them in some cases. [17] However, for a strike to occur there has also to be an employer. In other words, it appears within a relationship between two parties. It is, therefore, hard to believe that unions are always unreasonable, putting forward unreasonable restrictive work rules and resisting any kind of management proposals without sound reasons, while management try to do their best to take care of not only the company but their workers. The following examples may clarify this argument.

The case of the Ford strike in 1969 shows to management the fact that man is not a machine. Beynon (1973) revealed Ford's workers' feelings for their jobs [18] : "I cannot get satisfaction", "It is the most boring job in the world", "If you work at Ford's, on the line, you let your mind go blank and look forward to pay day and the weekend". According to the statements, workers, indeed, feel no moral involvement with the firm or any identification with the job. Actually one of the major causes of strikes came from the management side, because they neglected their workers' humanity.

British Leyland (BL) had one of the worst strike histories in the U.K. during the 1970's. At that time, many researchers, politicians, journalists, and the wider society suggested that the unions' industrial action, had pushed the company into deeper trouble. Edwards (1983) who was the Chairman of BL, however, expressed a different opinion in his book of '*Back From The Brink*'. [19] He asserted that : "The real blame lay with management, for they failed in their duty to manage. 'management' is not an automatic right, it has to be earned". [20] He also pointed out several management mistakes such as : serious design defects ; over-manning of huge proportions : an inadequate management structure ; and severe excess production capacity. [21] In this case, if someone says that employees should stay in their work places and just wait until the company makes a profit, it does not seem to be a convincing argument.

Smith, Child and Rowlinson (1990), in '*Reshaping Work : the Cadbury Experience*', indicated how the recruitment of a new personnel manager caused



a number of long strikes in the Bournville factory in the 1970's. [22] The traditional style of industrial relations management at Bournville was 'democratic agreement' through slow persuasion and very mild coercion, and, in fact, industrial relations were quite stable. [23] However, as a new manager tried to launch new personnel policies hastily by ignoring the culture of the factory, the nature of industrial relations became unstable, and eventually strikes occurred. [24] The fact that his successor implemented such policies successfully without the haste, and with more caution, would firmly support the argument that the responsibility for strikes in the Cadbury factory should lie more with management than with unions or workers.

The Korean case may clarify this argument that the whole responsibility of strike action should not rest with unions alone. That is, the responsibility had to be attributed not only to the unions, but shared amongst all the participants, like unions, management and the government. Korea has suffered a massive industrial dispute from 1987 to 1989. Actually, 7,238 strikes were occurred during this period. [25]

Since, particularly during the period before the 6.29 Declaration which removed most of the restrictions on trade union activities, workers have never been fairly compensated economically, and had been forced to work in some of the worlds poorest working conditions, under the tacit approval of the government, employees never believed in management and the government. Korean workers have reputation as 'hard workers'. They worked well over 50 hours per week, equivalent to working 30 per cent more hours per week than Western counterparts. [26] The workplace environment was also one of the main sources of worker's grivance. The situation can be illustrated by Korea's work place safety record, which was for worse than any other Western country. [27] The rate of industrial accidents was nearly three time higher than those experienced in France, for example. [28] Moreover, in 1980-81 the increase in real wages legged behind productivity increases by about 36 per cent. [29] From 1982-86 the gap was about 16 per cent. [30] More importantly, these extremely poor working conditions had been overlooked by the government. In reality, the government allowed management to exploit workers by supressing the labour movement. Consequently, workers hardly believed that higher performance would lead to improved working conditions. [31]

Further, the traditional Korean manegement styles, like , top-down decision making, a strict vertical hierarchy of authority and control and family management, also impaired the industrial relations climate. In fact Korean managers

had hardly ever been provided with information on their own company, such as, business performance, financial data, future development plans, and were required only to provide absolute obedience to management orders. [32] On top of this, there were no communication channels that could effectively carry workers' opinions or complaints to top management, while for those that existed, few managers took them seriously. [33] These circumstances brought about low level of cooperation between workers and management, and a severe confrontation in collective bargaining for obtaining more share of the company profit. Obviously, this became one of the major causes of the long and wild strikes.

Both management and union leaders were unfamiliar with the collective bargaining system. While the bargaining procedures were introduced more than twenty years ago in Korean industrial society, the unions have never had power equal to that of management in these procedures. In fact, union leaders were not given enough power to put forward their opinions, and had to ask favours of management to improve working conditions. As union leaders have gained equal power in the bargaining process, in the period after the declaration, they have tended to use that power to the maximum, whilst management has attempted to maintain their traditional prerogatives. Following the declaration, collective bargaining has been remarkably slow, normally taking several months because of the lack of bargaining skills and communication channels. The long duration of collective bargaining may be a source of industrial strikes, as workers' frustration with delays spills over into action.

The weak leadership of union leaders may also lead to industrial strikes. In many of Korean unions, the leadership had been challenged by a no-confidence vote. Consequently, leaders could not bargain confidently with management on behalf of workers. This fact could lead to two undesirable results. The first, is that there will be a greater possibility of the results of bargaining being rejected by the workers. The second, is that union leaders may take a hard line in order to get support from workers. These two results certainly would cause industrial action.

During the late 1980's Korean housing costs have risen sharply : by several hundred per cent. One weekly magazine commented on housing costs as follows ; "In some urban areas, housing costs rose nearly 50 per cent in the past four months alone". [34] As a result of this, many workers argued that even though their wages had increased by around one hundred per cent between 1987 to 1989, their actual living conditions had worsened. [35] The skyrocketing costs of housing, therefore, would be one of the major causes of the

Korean industrial strikes.

Finally, workers themselves had a problem in attempting better working conditions. That is, they tried to achieve their wants and wishes instantly rather than gradually. Because of the impossibility of forwarding grievances before 1987, there was an enormous back log of complaints to be pursued following the declaration. In some cases, more than one hundred items relating to improvements in working conditions were claimed together, through collective bargaining, especially after 1987. This impatient attitude may be one of the main sources of the long and bitter industrial strikes. However, it should also be pointed out, that this may result from a frequently changing labour policy. That is, workers may be in a hurry to obtain better working conditions while the favourable circumstances exist, because there is an expectation that such a situation is only temporary, get as much as you can, as greatly as you can seems to be the natural response to a volatile political climate.

The above explanations appear to support the argument that the responsibility for the industrial strikes in Korea from 1987 to 1989 should be shared by management, unions, the government and even workers. Further, it can be claimed that the greater part of the responsibility for the poor industrial relations and strikes should lie with both management and the government rather than the unions and workers.

The argument that strikes have no discernible effect on industry output, is also supported by Neumann and Reder (1984) through analysing the relationship between strike activity and output in three digit SIC manufacturing industries over the period 1955-77. [36] They categorised three types of relationships: (1) no relationship (38 industries); (2) positive and just significant (6 industries); and (3) negative and significant (19 industries). They, however, firmly conclude that the effect of strike activity on aggregate industry output is small. [37]

Knight (1989) revealed, in his study of 52 production industries in 1968, that the effect of strike activity on labour productivity is neutral by a very small amount ( $-0.61$  per cent on average). [38] Moreover, he also pointed out the favourable impact of strikes as follows; "strikes appear, in part, to have played a therapeutic role as a vent for frustration, or as a mechanism for resolving otherwise unresolvable conflicts in the majority of manufacturing industries in the sample". [39]

From the above analysis it could be sensibly suggested that empirical studies have to determine whether industrial strikes occur with respect to the

actors of either managers or unions and workers, before we can formulated the relationship between unions and productivity, while costs of industrial strikes may not be sufficiently great to support the view that strike activity by unions is a major cause of lowering labour productivity.

## 2. 4. Investment

The presence of unions may decrease the will of businessmen to invest in capital equipment and research and development. [40] If unions keep invested capital idle, and cause low rates of return on investments, shareholders and management may tend to invest less than would otherwise be the case. However, the contradictory view argued that the presence of unions may stimulate employers to invest in new or more effective production systems by closing off certain routes to profitability, such as, sweating and low wages. [41] Thus, this argument requires empirical confirmation.

In Korea, as Table 1 shows, there was no obvious adverse union impact on the trend of investment. In fact, at least five of the companies invested more in physical plant and equipment, while three decreased and three maintained the same level.

Table. 1 The Trend of Investment in Physical Plant and Equipment in The Korean Manufacturing Industry

Unit = Million Won				
Company	1985	1986	1987	1988
Auto Industry				
One	10,734	18,854	24,478	31,885
Two	183,949	510,149	485,338	528,579
Three	84,904	231,888	138,137	125,427
Four	203,969	211,684	152,933	106,176
Five	5,252	14,014	46,951	29,192
Cement Industry				
One	21,898	21,556	8,427	11,857
Two	45,417	4,954	10,868	5,625
Three	54,117	31,279	21,778	53,969
Four	52,980	52,982	132,472	147,643
Five	1,906	5,300	15,957	4,339
Six	19,842	11,110	9,153	14,416

Source : Korea Investors Service, inc., *Financial Report of Korean Companies*, 1989.

Since, there was not direct relationship between unionism and trend of in-

vestment, the neo-classical view cannot be accepted in the Korean case, rather the Korean evidence confirmed Machin and Wadhwani's (1989) findings suggested somewhat different idea in their empirical study that; "In terms of raw correlations, unionised plants invested more than their non-union counterparts. However, once we control for the fact that union firms experienced greater organisational change, and for industry and regional effects, there is no significant effect of unionism on investment. Importantly, there is no evidence here for the union rent-seeking view which postulates that unions reduce investment". [42]

In fact, investment patterns would be more closely related to the life of cycle of the industry or consumer market behaviour than to the presence of unionism. That is, if a company is in its "twilight" stage and/or the predicted future product demand was downward, employers would tend to reduce investment. Conversely, if a firm is in its "growth" stage and/or management are confident of the future demand, employers would increase investment. While, the relationship between unions and the trend for investment may not be generalised for all cases, the scale of union impact on investment would be quite small in either direction, positive or negative.

## **2. 5. Climate of Industrial Relations**

Another negative source of union influence on productivity has presented by Metcalf (1988) : "Union presence may result in an adverse style of industrial relations, lowering both trust and co-operation. If both parties strive for their own selfish ends they may both end up worse off-in terms of labour productivity and real earnings-than if they co-operated". [43]

The impact of trade unionism on the industrial relations climate is still a topic open to debate, because it is highly dependent on circumstances, such as, union policies, worker attitudes, and management responses. Hence, whether the presence of unions creates a harmonious industrial climate or leads to greater adversary in industrial relations, cannot be generalised for all work places.

The industrial relations climate, however, has been treated as the most important factor in the relationship between unions and productivity. Most researchers admit that unions positively affect productivity in several ways, but if industrial relations are poor, unions may lower labour productivity. [44] Thus, climate is an essential factor to be analysed in any empirical study. In the Korean case, the climate of industrial relations was rated in

cooperativeness between workers and management.

The cooperativeness between workers and management were asked in Table 2. It can be clearly seen that the presence of a union has led to more harmonious industrial relations in terms of 'cooperativeness'. Unionisation increased its mean score by more than 1 point within the cement companies. And the auto industry had the same phenomenon, while the mean score was lower than that of the cement industry.

Table 2. The mood of industrial relations in Korean case

C	S	Auto Industry				Cement Industry			
		Union		6. 29		Union		6. 29	
		Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	5	5	9	7	7	0	2	71	10
B	4	41	126	77	103	4	24	32	49
C	3	107	138	177	214	25	40	59	56
D	2	169	124	196	164	21	9	21	8
F	1	138	63	79	48	26	1	6	2
N		460	460	536	536	76	76	125	125
Mean Scores		2. 14	2. 77	2. 51	2. 73	2. 09	3. 22	3. 10	3. 46
S. D.		. 912	. 850	. 896	. 841	. 832	. 741	. 888	1. 00

- Note : 1) Union : Unionisation, thus the category of union includes workers who had their unions from the year of 1987
- 2) 6. 29 : The 6. 29 declaration, thus the category of 6. 29 covers workers who were in unions since 1960's or 1970's
- 3) Bef : Before
- 4) Aft : after
- 5) \* : Frequency
- 6) C : Category
- 7) S : Score, The weighted scores are given under the assumption that the interval between the categories is equal.
- 8) Mean score of each category is calculated as follow : Frequency X Score/Frequency
- 9) S. D. = Standard Deviation
- 10) Question : "How do you consider the mood of industrial relations in your company?"
- 11) Categories are : A = Very cooperative, B = Cooperative  
C = Neither cooperative nor uncooperative  
D = Uncooperative, E = Very uncooperative

The workers were questioned whether they believed firmly the direct relationship between higher company profits and better working conditions in

Table 3. If yes, there would be a high possibility that workers may generate more effort to create a bigger "pie". In the period after unionisation and the declaration, raised workers confidence in the relationship by 0.51 and 0.80 points, in the auto or cement industry, respectively.

Table 3. The relationship between higher company profit and better working conditions in Korean case.

C	S	Auto Industry				Cement Industry			
		Union		6.29		Union		6.29	
		Bef	Aft	Bef	Aft	Bef	Aft	Bef	Aft
A	3	27	118	48	86	0	14	23	48
B	2	129	235	159	274	18	49	59	58
C	1	278	95	297	137	55	11	42	17
D	0	26	12	33	39	3	2	11	2
N		460	460	536	536	76	76	125	125
Mean Scores		1.42	2.05	1.51	1.90	1.25	2.04	1.85	2.25
S.D.		.540	.735	.598	.494	.373	.363	.573	.583

Note: 1) Union, 6.29, Bef, Aft, C, S, and S.D. are the same initials as used in table 2 and 3.

2) Question: "If your company makes higher profits, do you think that your pay and working conditions will be improved as a result?"

3) Categories are: A = Definitely, B = Probably  
C = Does not make any difference  
D = Do not know

The above findings, therefore, support that Korean trade union have a positive impact on the climate of industrial relations through increasing cooperation between workers and management.

So far, we criticised the monopoly view of unionism, in relations with its theoretical foundations. In the following section, econometric analysis, which supported the argument that union presence is associated with lower labour productivity, will be presented and discussed critically.

### 3. Econometric Evidence for The Monopoly View

The econometric evidence by monopoly view of trade unionism is collected in the Table 4. In the first study, Pencavel's (1977) investigated whether the output level of unionised coalfields was higher than that of non-unionised ones over the four regions over time, in British coalmining, 1990-13. [45]

The upshot of Pencavel's test procedure is that coal output was reduced by between 2.3 and 3.1 per cent by an increase in the fraction of unionisation from 0.66 (in 1900) to 0.80 (in 1913). Translated into output terms, almost 9 million more tons of coal would have been produced in 1913 and the fraction of miners unionised remained at its 1900 level. Extrapolating beyond the range of his sample observations, Pencavel estimated that a totally non-unionised coalfield would produce some 22 per cent more output than a completely unionised coalfield. [46] However, while he argued that the unions brought about less industrious work practices, working day lost through industrial disputes and restrictive work rules, he never justified why workers should work as hard as management wanted, why the whole blame for industrial disputes should lie entirely with the unions, and why workers' wishes should be excluded in assigning work. Moreover no empirical evidence, supporting his argument, was presented in this study.

Table 4. The Results of Econometric Analysis

Study	Sample	estimated Union impact on productivity
(1) Pencavel (1977)	Coalmining	-2.3 to -3.1 *
(2) Wilson (1987)	Engineering Firms	-20 to 4
(3) Machin (1987)	Engineering Firms	-30 to 10

Note : \* = Union impacts by an increase in the fraction unionised from 0.66 to 0.80.

Sources : (1) Pencavel, John H. (1977), "The Distributional and Efficiency Effects of Trade Unions in Britain", *British Journal of Industrial Relations*, Vol. 15, No. 2, pp. 137-156. (2) Wilson, Nicholas (1987), "Unionisation, Wages and productivity: some British Evidence", Occasional Paper, No. 8703, University of Bradford, March. (3) Machin, S.J. (1987), "Union Productivity Effects in British Engineering", Mimeo, University of Warwick, December.

Wilson (1987) examined the impact of unionisation on labour productivity in 52 British engineering firms, between 1978-1982. [47] He found that the effect of unions on labour productivity depended on the union density : (1) in the companies where workers were unionised in the range 0-50 percent, the union effect was negative and significant (-20%); (2) in the firms where the range of union density was 50-80 percent, the impact of unions was positive and significant (+4%); (3) in the plants where the union density was in excess of 80 percent, unionisation led to a negative impact on productivity and significant (-16%). [48] He interpreted the negative impact of unions in the third category, by proposing that in cases where over 80 percent of workers



were organised, unions became strong, in terms of the strength of union bargaining power, and this may lead to an adversarial style of industrial relations, lowering trust and cooperation. [49] Surprisingly, he never provided practical evidence which could confirm the fact that the effect of unions was a deterioration in industrial relations through lowering trust and cooperation. For this, he would be required to estimate the climate of industrial relations, in terms of trust and cooperation, in both non-unionised and unionised companies, and compare the difference between them. [50] This study, also suffered from a limitation in its econometric analysis, since he did not attempt to adjust the value added by the appropriate industrial price indexes, and to minimise the influence of a heterogeneous product on output.

Machin (1987) analysed the union effect in relation to size of firm, using the same data set as Wilson. [51] The worst example of negative union impact on productivity in his findings, was that of a firm with over one thousand employees, along with the existence of closed shop; here labour productivity is put at 30 percent below that of a similar firm without a closed shop. By contrast, the union presence in firms with less than one thousand employees increased labour productivity by 10 percent. While this study showed only statistical evidence of the variety of the union effect on productivity, across a relatively homogenous group of firms, it ignored one important factor, the investigation of union functions which may explain the econometrical results.

None of the above studies revealed any channels of union impact on productivity through the nature of empirical evidence. While, it has been widely accepted that the relationship between trade unions and productivity is not constant, rather dependent on the specific industrial relations settings, this simple statistical correlation between trade unions and productivity alone, would not be helpful either for formulating the relationship, or for providing ways of improving labour productivity through focus on industrial relations. Thus, what is needed is a more sophisticated analysis which can provide not only statistical results but also specific union functions, that may influence productivity. Further, as long as this topic is highly dependent on empirical supports, every argument in each study, should be proved through practical evidence.

#### **4. Conclusion**

The monopoly view of trade unionism claims that trade unions are not

purely economic institutions, since they have several methods of achieving their objectives which cannot be embraced within the context of a purely economic perspective. Thus it is different to explain or rationalise aspects of their behaviour. This view points out the following reasons to support the negative relationship between unions and productivity. Firstly, employee participation in the managerial decision making could cause output losses and/or decreased labour productivity. Unions may induce restrictive work practices and limit managerial decision making flexibility through collective bargaining. Secondly, industrial action may have an favourable impact on productivity by causing uncertainty about output levels which may reduce effectiveness in the areas of marketing and inventory management, and by leading to capacity-straining attempts to amass inventories and consuming management time. Finally, the presence of unions may decrease the willingness of businessmen to invest, and lead to an adversary nature of industrial relations.

However, unfavourable influences on productivity through the first two factors should be adjusted downwards, because not all work rules which are induced by unions, can be treated as restrictive ones, and since industrial disputes occur within the context of the relationship between workers and management, it should be determined whether the responsibility for strikes lie with either management or workers. On top of this, the other sources of negative union effect on productivity, like, discouraging employers to invest and hampering the nature of industrial relations, are entirely open to empirical questioning. In other words, they may not exist in every case. Moreover, in some cases, trade union may actually encourage the willingness of businessmen to invest and improve the climate of industrial relations.

An industrial relations perspective of the relationship between union and productivity have to start with a consideration of the external environment and characteristics of all participants in industrial relations, since the employer-employee relationship is a mirror of such environmental factors. In order to reveal the mechanisms of a possible interface with productivity, we have to draw out union's objective, behaviour, the extent of bargaining power and organisational form, management's managerial styles and policies towards industrial relations and the role of the government in the context of employee-employer relationships. Indeed, a 'real' relationship between union presence and productivity can only be determined through these considerations.

In conclusion, while this study criticised the monopoly view of trade unionism in relation to its weak empirical evidence and its ambiguous and un-

realistic theoretical foundations, it does not deny the possibility that unions may decrease labour productivity, because the relationship between trade unions and productivity is an empirical matter. Therefore, since the topic is highly dependent on empirical supports, every argument should be proved through practical evidence.

## Notes And References

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