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## From Leadership to Playing Catch-up

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### **Abstract**

*Unions have traditionally led the way toward an improved quality of working life. Historically they have played a major role in securing the forty-hour workweek, the introduction of child labor laws, passage of the minimum wage act, protection from injury, protection from harassment, and the expansion of fringe benefits such as health care, vacations, sick leave and pensions. But in modern times and in terms of workplace advancements necessary for the U.S. to maintain its leadership role in the global economy unions have too frequently lagged behind management, sometime even attempting to thwart the necessary innovations.*

**Key words:** Leadership, unions, global economy, job security



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### **LOSING THAT WHICH GAVE THEM STRENGTH**

Unions have traditionally led the way toward an improved quality of working life. Historically they have played a major role in securing the forty-hour workweek, the introduction of child labor laws, passage of the minimum wage act, protection from injury, protection from harassment, and the expansion of fringe benefits such as health care, vacations, sick leave and pensions. But in modern times and in terms of workplace advancements necessary for the U.S. to maintain its leadership role in the global economy unions have too frequently lagged behind management, sometime even attempting to thwart the necessary innovations.

Several reasons can be cited for the hesitancy and caution of union leaders. One is that though such leaders have much to gain in the long run, they are more at risk than top-level managers. Specifically, CEOs and other senior executives can fake their commitment to employees receiving more say in the decision making process. They can throw around the appropriate buzzwords; they can spend lots of money on training and consultants while at the same time refusing to change their own management style in ways important to the success of the necessary cultural shift.

In essence, CEOs can focus on presenting an “image” of increased employee involvement while avoiding the necessary “content” and get away with it, at least in the short run. Too many of them remain committed to the traditional definition of employee empowerment, “I tell you what to do, then empower you to do it.” The workforce has little leverage, even when top management’s lack of commitment becomes obvious. At the same time, board members and stockholders are too far removed to properly evaluate actions and intentions. The hype and the bottom line are all they see, and the bottom line can be manipulated, as we have witnessed in too many recent scandals.

Union leaders, on the other hand, are directly responsible to and dependent upon those most deeply affected by the work life changes being advocated. They must be sure that worker empowerment is not just another management ploy to reduce the union’s say. At the same time they must deal with the hard and often threatening realization that the dream their movement was built around might actually be coming true.

Unions were formed initially around three basic issues – worker pay, job security, and workplace safety. The underlying purpose from which these issues sprang, the underlying purpose of the demands made by union leaders, of the often bloody strikes used to cut into owners’ profits and to forces them to the bargaining table, was to give employees increased power over their working lives, increased power to improve those lives.

In the modern day workplace the desired transition is, indeed, occurring. Many companies are realizing that winning the global competition no longer depends on who has the most money to invest. The financial world is awash with money. It no longer depends on who has the most advanced technology. Henry Ford’s moving assembly line allowed him an advantage for nearly twenty years; but with the

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advent of reverse-engineering new innovations can now be deciphered and even improved upon in a matter of weeks or months. It no longer depends on who is able to gain access to valuable information and how quickly they can do so. Now the major challenge concerning information is filtering the overload flowing in.

Winning the global competition today depends mainly on who makes the most effective use of employee expertise, on who has developed the best procedures for finding good employees, training them well, facilitating their efforts, rewarding them adequately, and holding onto them. This is currently the key. As a result, progressive companies are beginning to offer more reasonable salary levels, profit sharing plans, good benefits packages that the employees can help shape, innovations such as flextime and telecommuting. Progressive companies are playing down competition between employees and encouraging the team approach as the best way to improve productivity so that everybody benefits.

Of course there are hold-outs, the Walmarts and McDonalds for example, companies that still support the Adam Smith/Frederick Taylor approach, companies that continue to break the production or service delivery process down into its simplest possible parts so that employees don't need much training, so that employees don't need to think as they repeat the same action or calculation over and over. However, while Smith introduced this approach during the 1700s to make unskilled peasant employable so that they could earn a wage and feed their families, while Taylor improved on it in the early 1900s to increase the efficiency of production so that the extra wealth generated could be distributed in an equitable manner, our current holdouts continue to practice the "economic man" philosophy made popular during the early Industrial Revolution. Their desire remains to get the most out of their employees for the least possible reward. If the employees quit, fine, little if anything has been invested and a line of the applicants is waiting at the door.

Another indication of this lingering "economic man" mentality is the tendency of the holdouts to reward themselves as much of the wealth generated as possible so that while low level workers are earning close to minimum wage the earnings of top level executives often amounts to millions annually, no matter how well or how poorly their company fares. In Western European countries, whose citizens are considered to enjoy an overall quality of life superior to that of U.S. citizens, the salary ratio for most firms lies between 1 to 10 and 1 to 20 (lowest to highest) while in the U.S. it has been estimated to be as high as 1 to 500 and is still climbing. The people earning this kind of wage obviously don't need all that money. Rather, it serves mainly as an "impression piece." One might suspect that a competition rages to see who can post the largest number amongst those who constitute the pay-scale elite.

So how do we stop this unfair distribution of the wealth generated? Unions are perhaps the only vehicle in existence today with any chance of changing the situation, with any chance of getting the holdouts under control. But in order to take on the holdouts successfully they first need to reinvent themselves, to rethink their mission.

The major power of early unions rested in the number of people represented, the number of people supporting their efforts. That has traditionally been the foundational strength of unions, much more so that political connections or contributions to campaigns or friends in the media. Depending on the sheer voting power of numbers unions were able to force change. But the percentage of the workforce unionized has shrunk steadily since the mid-1900s. Recent estimations put it at around 10 percent of the workforce.

At least part of the reason for this decline is that unions have become increasingly focused on what we will call "local" issues. When they were first formed in the U.S. during the second half of the 19<sup>th</sup> century they addressed "global" issues that affected all workers, both skilled and unskilled. Shop or office floor issues were also important but the global ones that affected every employee were the glue that held the movement together and made it attractive. Today, however, most of those global issues, largely through the efforts of unions, have been dealt with, or at least models have been generated for dealing with them if companies are willing.

Unions, as a result of this progress, have concentrated increasingly on local issues, on issues that affect union members in individual companies. They have become buried in the details of their particular situation. When regional or national leaders try to start a movement the first question is, "What affect will this have on members of our local?" Though this perspective is understandable, it is about as far away as

we can get from, “What effect will this movement have on all union members nationally and, more important, on our company’s total workforce, on the national workforce as a whole?”

Another problem with this loss of a global perspective is that the union culture has become an “us against them” one, but not us against management so much as us against non-union workers. Union member generally receive 10% to 30% more pay than non-union workers and negotiate for workplace improvement not available to non-union employees. The higher pay and improvements are certainly deserved, but the idea that they are available only to the unionized part of the workforce creates resentment. Say a business needs two skill sets. The part of the workforce with one is unionized; the part of the workforce with the other is not. Though the amount of work required is roughly equivalent, the union employees earn more. Because of this they are forced to spend time defending their advantage against those who think it unfair.

This situation makes no sense at all if the ultimate objective is to gain the clout necessary to continue forcing desired workplace improvements, to have a say in such things as executive compensation. It is like an army with two divisions where the divisions start fighting each other rather than joining forces to attack the enemy.

Another thing aggravating this confrontation is the “right to work” movement. Non-union workers believe they have the right to work in unionized offices and shops without having to join and pay dues. Union member believe such people are taking advantage of the situation, gaining at least some of the benefits union leaders bargain for without having to pay the price of membership. Again, the “right to work” issue is a local battle mired in local politics. It is also a losing cause for the union movement if increasing membership is a first step toward regaining the power necessary to achieve global objectives. Any effort to force people to join a union is a mistake. Unions have to find ways to make them *want* to join.

Our modern day robber barons, of course, are fully cognizant of the union sector’s current dilemma and work to reinforce it, to keep unions on the defensive, to keep them occupied with the struggle to retain the remaining benefits enjoyed by their remaining members so that they do not have time to think about the big picture, to start developing the perspective necessary to rebuild. Quite simply, the robber barons are winning in their effort to wipe out the union movement. If they succeed the results will probably be disastrous. They will again buy off government as they did in the late 1800s and early 1900s. Employees will have no protector, the middle class will continue to shrink, the gap between the very wealthy and the rest of us will continue to widen.

This, of course, cannot be allowed to happen for, as we know, the middle class is the backbone of any healthy economy and unions help protect the middle class. Without it the U.S. will most likely deteriorate into a third world country,

## **BACK TO THE BASICS**

In the realm of marketing theory there are two major strategies, “push” and “pull.” Push is when a store goes out and tries to convince potential customers that what it has to offer is of value to them through advertising and such. Pull includes efforts to draw customers into the store by having reduced price sales, by having two-for-one offers, by making coupons available.

During their prime unions concentrated on “pushing” the desirability of what they had to offer out into the public. This included movement toward reasonable wages, toward job security, toward a safer workplace. Today, however, their emphasis is mainly on a “pull” strategy, “See the benefits you will gain by unionizing your company? Come to us.” But “pull” is obviously not working that well, as the steady decrease in union membership indicates. Too frequently, as has been said, it incites resentment rather than interest.

Unions need to return to their initial “push” approach. They need to focus on global issues that will unify workers from different economic sectors and arouse in them the desire to find effective leadership. One issue that would provide a good starting point in this shift back toward the global, an issue that greatly affects both union and non-union workers, an issue that could give all workers a common goal with the union movement taking the lead as an organizing agent, is our nation’s need for universal healthcare.

The U.S. is the only developed country in the world lacking some form of universal care. Millions of U.S. citizens live without insurance or have inadequate coverage. At the same time, per capita cost for healthcare services in the U.S. is double that of any other nation. At the same time the U.S. is the only country where insurance companies continue to take approximately one-third of every dollar spent on healthcare for "administrative expenses." At the same time, pharmaceuticals in more progressive countries, when they are not free, cost roughly half as much as those in the U.S. The 2000 World Health Organization ranking placed the U.S. 38<sup>th</sup> in terms of overall healthcare provision, even behind several "third world" countries, that position not changing much in more recent years.

Why does this situation continue? It does so because the lobbies for traditional healthcare institutions, for insurers, and for the pharmaceutical industry are amongst the strongest in Washington spending millions of dollars on legislators' campaigns in return for their votes. ObamaCare has made some inroads, but the first thing stripped from the President's bill was the part introducing a universal system. Also, ObamaCare leaves insurance companies as the middleman in every transaction.

So far no organization with real clout has stood up to those who continue to treat the U.S. healthcare system as a "cash cow." The union movement could take on this role; it should take on this role and make the fight for a universal healthcare system one of its global issues, representing all U.S. families, not just those who belong to unions. Such a move would doubtlessly make unions more attractive to currently non-union employees.

Universal healthcare could be a warm-up. But two major "global" issues the union movement should address are the absurd compensation packages top executives in many companies award themselves and the growing threat technology poses to traditional jobs.

Paul Krugman in his "Opinion Pages" editorial entitled "Robots and Robber Barons" (New York Times, December 9, 2011) hit the nail squarely on the head concerning compensation. He said that while corporate profits are rising, little if any of the new wealth is filtering down, salary levels remain stagnant no matter how well educated or trained employees are, no matter how productive they are. The new wealth is being absorbed by the top levels.

This issue would give union and non-union workers another common goal, one they all consider important; one they could work toward together. Unions could provide the necessary platform from which to launch a well-integrated effort to get executive compensation under control. Unions could provide the resources necessary to support an effective public education campaign. Unions could encourage contacts in Congress to introduce the necessary legislation. Unions could make executive compensation an issue during the election cycle. Unions could take the lead in raising the money needed to support such efforts. A battery of union lawyers would be available to help protect those leading the attack as well as employees who draw the ire of bosses.

One possible platform theme, one possible approach around which compensation-controlling legislation can be developed, a theme that would definitely attract attention comes from Europe where in some nations the previously mentioned required ratio between the highest and lowest pay levels is defined by law. No, this is not Communism. Rather, it is common sense. Corporate CEOs, the top-level executives would still be able to make as many million as they desired. The difference is that they would now have to carry everyone else along. If the enforced compensation ratio was 10 to 1, for example, if the CEO made \$300,000 and the lowest paid employee \$30,000, when the CEO wanted to raise his or her compensation level to \$600,000, that person would be encouraged to do so. But that person would also be required to generate enough profits to raise the compensation level of the lowest paid employee to \$60,000 at the same time. If unions took the lead in forcing this change, it would be difficult imagining the rest of the workforce not joining in.

In the same Opinion Page editorial Krugman talked about the effect of computer technology on the job market. Until the 1700s, technology changed very little. The only way to increase productivity was to put in longer hours. With the rediscovery of "scientific method" and the development of the steam engine, however, this situation changed. Machines were invented that allowed continual growth in production levels. Eventually, more sophisticated machines also began replacing workers. While this phenomenon was seen by many as a threat, while jobs as we knew them did disappear, the fact is that each new technology, in terms of the big picture, ended up creating more jobs than it replaced.

That is, until the era of the computer. Yes, computers do create new jobs. But computers can also create new computers that can do most of these new jobs more efficiently than humans, cutting costs when in a competitive market cost is considered the most critical factor. Computers are playing an increasingly important role in our economy. In the U.S.'s early days a majority of its citizens spent most of their time raising food. Now, less than 10% are farmers. Machines plant, fertilize and harvest crops. Cows are fed and milked automatically. Chicken eggs are delivered via conveyor belt.

During the Industrial Revolution most laborers held jobs in primary industry - weaving cloth, mining coal, forging steel, manufacturing cars. Now, most of those jobs have been automated, less than twenty percent of our workforce still earning its pay in this sector. Next came the service industries that currently house a majority of employees. But computers are taking over a growing number of these jobs as well. One alternative is to limit their use. But, then, the U.S. is competing against nations that are already ahead of us in terms of utilizing computers effectively.

There is no doubt that computers are here to stay. We understand now that in order to remain competitive the U.S. must continue seeking new ways to use them to cut costs and to increase productivity. The question this need brings up is, "What to do with people currently in the workforce and those preparing to join the workforce if the number of jobs available continues to shrink?" The question now is how to reorient our economic system, how to reorganize the distribution of wealth so that all people will have continued access to the resources required to develop their potential and to contribute? The question now is how to discover new roles for those who have lost their jobs to technology?

Economists and the government will have to take the lead in meeting the "global" challenge presented by technology. However, the union movement can play an important part in this effort by educating the public as to what lies down the road and by putting pressure on politicians to start paying attention. Unions could also facilitate the development of training programs for those whose jobs are lost.

So, these are three global issues to rally the entire workforce around. If unions remain locked into local issues they will continue to lose their power and their attractiveness. It is time for them to regain the perspective that made them so important to the development of our society. It is time for them, once again, to begin focusing on challenges important to everybody, challenges such as the need for universal healthcare, the need to get executive salaries under control, the need to deal with the loss of jobs to technology.

Unions are still sorely needed and have a much larger role to play in modern society, if they are willing to take it on.