Union Impact on High Performance Work Practices

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Carol Gill has specialised in the fields of executive learning and development, human resource management and organisation development, as both an academic and practitioner, for more than 25 years. Carol teaches on the MBA and designs and delivers executive education for Melbourne Business School. A registered psychologist, Carol has worked in key roles within major Australian private and public sector organisations and global enterprises in areas as diverse as leadership and executive development, human resources, workplace performance, employee relations, recruitment and change management.
This paper proposes that unions can add substantial value to the implementation and outcomes of High Performance Work Practices (HPWP) thereby impacting on organisational competitiveness. Whilst some researchers have argued that HPWP negate the need for unions by providing individual mechanisms of employee voice, there is substantial research that shows that collective voice compliments individual voice and contributes unique value to employers and employees. Firstly, union collective voice increases employee involvement, commitment and trust that are antecedents of the introduction of HPWP. Secondly, unions can use their extensive communication networks to assist in the successful implementation of HPWP. Finally, unions, if cooperative industrial relations are in place, ensure that organisations and employees share the mutual gains of implementing HPWP. Organisations that tap in to the value that unions can add have moved from a pluralist model of autocratic management, hostile unions and adversarial industrial relations, beyond a unitarist model that sees no role for unions, to a cooperative partnership between employers and unions that shares the gains of implementing HPWP.

Keywords: New forms of work organisation, Employee relations, Human resource management, Human resource management and organisational performance.

Organisations can choose the low or high road to competitive advantage. On the low road organizations use traditional work systems to achieve limited and replicable competitive advantage through cost minimisation. This system focuses on individual jobs managed through supervisory control. Employees are paid poorly and treated indifferently which leads to work intensification and a disposable work place. On the high road High Performance Work Practices (HPWP) deliver unique competitive advantage based on flexibility and high quality through employees who are considered assets, paid high wages and given progressive treatment. Low road practices of high turnover and temporary or fixed term contracts are linked to poor productivity whilst the high road of HPWP increase the productivity of employees through improving the motivation, commitment, effort and competence of employees (Drago 1996; Godard and Delaney 2001). Despite some methodological issues there is substantial research that link HPWP with organisational competitiveness. In particular, Huselid (1995) found that HPWP diminish employee turnover and increase productivity and corporate financial performance. This paper reviews relevant literature and research to examine the impact that unions have on organisation competitiveness through HPWP. It firstly looks at the outcomes of HPWP for employees and their unions and the response that unions have had to the introduction of HPWP. It then identifies the barriers to the successful implementation of HPWP, before examining
how unions are uniquely placed to overcome these barriers. Finally, this paper shows how cooperative industrial relations can distribute the mutual gains from the introduction of HPWP to both employers and employees.

**HPWP OUTCOMES FOR STAKEHOLDERS**

Research has demonstrated that HPWP can have a significant impact on the competitiveness of organizations and it has generally been assumed that HPWP are also positive for employees because they fulfil the social and psychological needs of workers, increasing their sense of identification and belonging (Kochan and Osterman 1994; Pfeffer 1998; Kochan 2000; Godard and Delaney 2001). In support of this, research indicates that employees report that they prefer to work under HPWP than traditional management, enjoying teamwork and the opportunity to share their ideas (Freeman and Rogers 1999) with MacDuffie, Hunter and Doucet (2002) reporting that 77% of employees preferred teams to the old system in their research. However, some commentators have argued that HPWP have had a negative impact on employees and unions and that the positive effects of HPWP on competitiveness are obtained at the expense of employees through intensification of the work process and management by stress (Turnbull 1988). It is argued that HPWP make employee’s jobs more complex and demanding and that HPWP use workers to control each other through peer pressure, creating a prison with invisible bars for workers (Rinehart, Huxley & Robertson 1997; Godard and Delaney 2001). It has also been proposed that HPWP replace unions and collective bargaining with individual and direct voice mechanisms and that this may be a deliberate strategy (Keenoy 1991; Turnbull 1992). Contrary to the union traditions of pluralism and collective bargaining HPWP are based on individualistic and unitary paradigms which place less emphasis on interest conflicts and more emphasis on mutual gain and direct employee participation. This has caused some concern for unions who have challenged some aspects of HPWP including the elimination of seniority rights and job classifications (Godard and Delaney 2001). Whilst it seems the motivation to adopt HPWP is based on a desire to improve organisation performance in an increasingly competitive global environment, some researchers argue that HPWP may have been used to avoid unionisation and the
distribution of surplus value (Verma and Kochan 1985; Kaufman 1997). This paper will demonstrate that unions can ensure that HPWP can have a positive impact on both employers and employees.

**BARRIERS TO THE IMPLEMENTATION OF HPWP**

Several theorists have argued that there is a lower level of sustained and diffused adoption of HPWP than would be anticipated by research evidence indicating a positive relationship between HPWP and competitiveness. A number of barriers to adoption have been considered. Firstly, managers and others who will lose power through the devolved decision making and flattened hierarchies of HPWP may resist the adoption of HPWP (Kochan, Katz and McKersie 1986). Organisations with unskilled and less educated managers may focus on the low road of work organisation, including longer working hours, work intensification and increased surveillance of workers, whilst better qualified managers seek competitive advantage from the quality of their products and services. In support of this, Erickson and Jacoby’s (2003) research found that managers who educate themselves through participate in industry external networks, such as cross-industry associations and civic organisations, and internal networks of multi unit organisations were more likely to adopt HPWP.

Secondly, the current structure of corporate governance motivates management to operate in a short-term time frame. Investors in organisations demand an immediate return and organisations prefer to distribute profits as dividends rather than invest in long term initiatives like HPWP. Company ownership and corporate governance is geared towards short-term results. In particular, shares are frequently traded on stock markets because they are more diffusely owned and held for a shorter time with the mechanism for holding management accountable being the hostile takeover. Management responds by maximising short-term shareholder returns rather than adding long term value. Managers introducing HPWP must invest in a bundle of reforms that are costly to implement and then wait for results because there is a lagged effect. Because HPWP take time to implement and register results change initiatives can be abandoned after limited implementation fails to deliver measurable results (Appelbaum and Batt 1995).
Thirdly, long histories of labour management conflict and mistrust inhibit the implementation of HPWP. It is argued that the levels and trust and cooperation required by HPWP may be difficult to achieve and maintain. Employees must be willing to learn new skills, offer ideas and suggestions based on their knowledge and commit to quality and productivity and to get this commitment employers must offer a quid pro quo of job security (Clarke and Payne 1997; Osterman 2000). If organisations are forced to restructure and layoff employees it will impact on employee trust and the stability of team membership which are important to the success of HPWP (Osterman 2000).

Finally, Appelbaum and Batt (1995) argue that an institutional framework geared to outmoded management approaches associated with mass production does not adequately support organisations to implement HPWP. Government policies shape not only what employers do but also the nature of the employment relationship and the rights and obligations of all parties involved. In particular, Government has an indirect role in helping to create a business environment that encourages organisations to adopt HPWP (Godard 1999).

In conclusion an adversarial rather than partnership approach with unions is likely to be a barrier to the implementation of HPWP (Appelbaum and Batt 1995). This paper will demonstrate that a co-operative relationship with unions can address many of these barriers.

**UNION IMPACT ON HPWP**

Classic research by Freeman and Medoff (1984) indicates that unions can have both a positive and negative impact on productivity. Unions can have a negative impact by using their monopoly position to drive up wages and to introduce restrictive work practices that inhibit management’s ability to introduce productive work practices such as HPWP. They also argue that unions can encourage management to introduce more productive work practices so they can stay competitive despite higher wages and facilitate the introduction of these practices. Finally, they propose that “unionism per se is neither a plus nor a minus to productivity: what matters is how unions and management interact at the organisation” (p. 179), concluding that productivity depends not on what unions and management do separately but on their relationship with one another. Cooperative Industrial relations promotes the positive aspects of unionism and adversarial industrial relations increase the negative aspects of
unionism (see figure 1). This model fits with the research on the implementation of HPWP and this will be discussed in the following sections.

**The negative impact of unions**

There is some evidence that supports the negative impact of unions. Several researchers have found that unions have a negative impact on productivity and return to capital markets at the organisation level and unemployment and output at the national level (Miller and Mulvey 1993; Denny 1997; Pantuosco, Parker and Stone 2001; Vedder and Gallaway 2002). Regarding the implementation of HPWP Cohen and Pfeffer (1986) assert that the conflict of interest between unions and Human Resource departments mean that HPWP are less likely to exist in organisations with a high percentage of unionised employees and Lincoln and Kalleberg (1990) found that formal employee participation programs such as Quality Circles are less likely in unionised plants. Galang (1999) challenges this research because it does not identify whether unions inhibit the implementation of HPWP or result in low unionisation because the individual voice mechanisms in HPWP negate the need for unions. Further contradictory evidence is provided by Moreton (1999) who examined data from the Organisation Employee Relations Survey on British Private Sector Unionised Companies and found that collective bargaining did not decrease labour productivity. Black and Lynch (2001) using data from the US Educational Quality of the Workforce National Employer Survey found that union presence did not impact on HPWP positive impact on productivity. In fact a unionised plant with HPWP had higher productivity than a non union plant without HPWP. However, there is some indication that the quality of industrial relations may impact with research proposing that HPWP are less likely in organisations characterised by union militancy (Wells 1993).

**The positive impact of unions**

There is a substantial body of research to indicate that union presence is related to the introduction of HPWP. Marginson (1992) found that unionised organisations were more likely to have share ownership and wider arrangements for worker participation. Pil and MacDuffie’s (1996) research indicates widespread adoption of HPWP in heavily unionised sectors, with 50% of the auto
industry having implemented direct forms of employee participation. Sisson (1997) found that flexible working practices\(^1\) were as strongly correlated with independent representation by unions and work councils, as with foreign competition for an organisation’s products. Armstrong, Marginson, Edwards & Purcell (1998) examined 143 British enterprises and found that quality circles were more likely in organisations that recognised unions than in those with no union. Gregg and Machin (1988) found unionised organisations were more likely to have an employee share scheme than non-union organisations. Freeman and Rogers (1999) found that there were more participation schemes in unionised organisations. Wood and O’Creevy’s (2005) study of direct and indirect employee involvement in 25 European multinationals found that the exclusion of unions led to less employee involvement and poorer productivity. Finally, Black and Lynch (2001) found that there was a higher probability of an organisation using good employment practices (such as staff attitude surveys, job rotation, quality circles and organisation consultative committees) when unions were involved in training.

There is also some evidence to indicate that unions facilitate the implementation and impact of HPWP. Voos (1987) found that organisations that have union leaders involved in administering participation programs improve product quality but when union leaders were not involved there was no improvement. Rubinstein (2001) found that unions that don’t support participation efforts can cause them to be less productive or fail. Lloyd (2001) found that when there were weak unions management were unable or unwilling to manage the change process effectively. Given the evidence seems to indicate that indicates impact on the success of HPWP the following sections will consider how unions do this.

**HOW UNIONS IMPACT ON THE SUCCESS OF HPWP**

It has been argued that unions facilitate the implementation of productive work practices through encouraging management to take an organisation wide and long term perspective; using collective employee voice to initiate issues and articulate grievances: using union networks to deliver

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1 Flexible work practices include flattened management systems, greater involvement of lower level employees, team-based working and job rotation
cost effective communication; creating trust and commitment; and increasing job security. In this way unions overcome many of the barriers to implementing HPWP discussed in an earlier section of this paper. These are discussed in more detail in the following sections.

**Unions promote a long term and organisation wide perspective**

Systems of Corporate Governance that impose a short-term time frame are not conducive to the implementation of HPWP which require longer time horizons. It has been argued that unions counter management predisposition towards unilateral, short-term decision making which market pressures promote (Freeman and Medoff 1984). Unions take an organisation wide perspective when contributing to decisions whilst management can make poorer decisions based on their own interests and incentives (Freeman and Rogers 1999). The independence of unions allows them to challenge decisions that are not in the best interest of their membership and challenge the logic of management proposals. Union representatives are able to take a longer-term perspective because their career paths are not tied to the organisation. It has been found that conflict is not detrimental to decision making processes because different perspectives often result in better quality decisions that are more likely to be accepted by employees and subsequently improve the speed of implementation (Rubinstein, Bennett & Kochan 1993).

**Unions enhance collective and individual voice**

It has been argued that HRM provides avenues for direct employee individual voice which negates the need for collective employee voice through unions. However, evidence indicates that individual voice is not a substitute for collective voice that allows employee to initiate issues and articulate grievances. There are distinctive differences between collective and individual employee voice. Individual voice through HRM is direct through management and on line or part of the work process whilst collective voice is indirect through union leadership and off line or not part of the work process\(^2\) (Rubinstein 2001). Direct voice mechanisms that are incorporated into the management

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\(^2\) The mechanisms of collective voice are management-union negotiations, collective negotiations and collective industrial action. Individual voice mechanisms include individual employee negotiations; employee consultation
chain make it difficult for employees to provide genuine input without fearing reprisals (McLoughlin and Gourlay 1992). In particular, it is difficult for individual workers to have an impact on managerial policy or action if it represents a direct challenge to managerial authority (Freeman and Medoff 1984).

Benson (2000) questions whether non-union organisations adopting the HRM paradigm can provide employees with adequate voice and found that union organisations were more likely than non-union organisations to have all voice mechanisms including collective voice, management sponsored voice and individual voice. There is substantial research evidence for this. In Britain Millward, Stevens, Smart and Hawes (1992) found that employees in non-union organisations had few voice mechanisms and the ones they had were direct or incorporated in to the management chain and New Zealand research found that less organised and skilled workers had difficulty in exercising appropriate voice (Haynes, Boxall, Macky 2005).

Research has shown that individual and collective voice can coexist and have a synergistic effect when introducing HPWP. Frohlich and Pekruhl (1996) of the European foundation for the improvement of living and working conditions argue that direct participation does not endanger indirect participation, proposing that direct participation is more likely when a union is present and also more likely to make a positive contribution. Research evidence supports this position. Kessler and Purcell (1995) found that union presence did not suppress the development of individual voice; Sisson (1997) found that direct participation was more effective when a union was present; and Lloyd’s (2001) study of pharmaceutical companies found that consultation with employees only took place when the organisation recognised unions. This research indicates that unions extend voice mechanisms; make direct voice more effective; and provide a collective voice which delivers different outcomes to individual and management sponsored voice.

through quality circles, suggestion schemes, employee surveys; performance appraisals; grievance and disciplinary procedures; committees including joint consultative committees, health and safety committees, task force or ad hoc joint committees; and employee representatives ie. Health and safety and employee board representatives. Some researchers include individual acts of dissent such as absences from work and shirking as mechanisms of individual voice (Kochan & Osterman 1994; Lawler, Mohrman & Ledford 1995).
Union networks provide an effective communication infrastructure

It has been proposed that unions can add value by providing an efficient way of communicating and negotiating with employees. In particular union networks have an infrastructure that facilitates lateral communication and coordination. Negotiations are also less expensive if the organisation only has to deal with union specialists (Cutcher-Gershenfeld, McKersie & Walton 1989; Eaton and Voos 1989; Black and Lynch 2001; Rubinstein (2001). Rubinstein’s (2000) examination of the General Motors-United Autoworkers partnership at Saturn Corporation concluded that the union made a large contribution through its capacity to spread information rapidly through union networks. At Saturn the communication and coordination skills of union advisers led to a substantive capacity to spread information rapidly through union networks which led to a positive impact on performance.

More specifically, there is evidence that union communication infrastructure facilitates the introduction of HPWP. It has been demonstrated that effective communication is required to introduce HPWP because they require the involvement and commitment of employees (Levine and Tyson 1990; Cooke 1990, 1992; Eaton and Voos 1994). For example team based manufacturing systems require employee participation in off-line problem solving. To achieve this the organisation must share information and help employees to understand business decisions. This information is difficult to explain to each individual employee, particularly if the information is sensitive and unions can provide a mechanism for delivering this information to employees (Rubinstein 2000).

Unions increase employee trust and commitment

Rubinstein (2001) proposes that employees trust unions because they are independent and union leaders, unlike appointed managers, are elected to represent the interests of employees. There is evidence that employees see a positive role for unions in protecting their interests when change is introduced (Marshall 1992; Kochan and Osterman 1994; Levine 1995 in Godard and Delaney 2001). However, the strength of unions and the quality of the relationship between unions and management seem to mediate the ability of unions to create employee trust in and commitment to management. Moreton (1999) found that whilst multiple unions bargaining separately had a negative effect on productivity management’s recommendation of union membership boosted productivity. Strong and
competent unions that have a cooperative relationship with management create trust. Deery, Iverson and Erwin (1994) found that commitment to employers occurred in a co-operative industrial relations climate with a hostile climate leading to high commitment to unions and low commitment to management. They also found that a cooperative industrial relations climate was associated with higher employee commitment to the organisation but lower commitment to the union. There is some evidence that no union presence is preferable to ineffective unionism in creating employee trust. Bryson (2001) found that it is better that strong and effective unions that were supported by management had higher or similar levels of trust in management to non-union organisations. However, when unions were weak, ineffective or faced management opposition, employees were less trusting of management than when no union was present. Employee trust in management was higher when there was a balance of power between unions and management which improved both the working lives of employees and the performance of the organisation.

**Unions reduce employee withdrawal**

Research has demonstrated that the collective voice of unionism leads to lower probabilities of quitting, longer job tenure and a lower lay-off rate which reduces the costs of training and recruitment and increases productivity (Freeman and Medoff 1984; Miller and Mulvey 1993; Delery, Gupta, Shaw and Douglas 2000). More specifically, Osterman’s (2000) research found that the presence of a union reduced the probability that HPWP were associated with layoffs. Unions contribute to the effective implementation of HPWP because job tenure contributes to stable team membership which is important to team effectiveness and employees are more prepared to participate in employee involvement programs when they feel the union will protect their employment security (Levine and Tyson 1990; Black and Lynch 2001).

**HPWP AND A MUTUAL GAINS MODEL**

This paper has provided evidence that co-operative rather than adversarial industrial relations facilitate the introduction of HPWP. When management sees a positive role for unions they can ensure effective changes are introduced and facilitate the introduction of change in general and HPWP
in particular. To leverage the positive aspects of unionism management must replace the pluralist perspective that has dominated traditional industrial relations with a partnership approach that places less emphasis on conflict of interests between employers and employees and more emphasis on mutual gain (Godard and Delaney 2001). Deery, Iverson and Erwin’s (1994) research found that a pluralist approach is possible and employees can be simultaneously committed to both the union and the organisation.

Some organisations have recently transitioned from a pluralist model with adversarial industrial relations, to a unitary model that sees no role for unions, to a hybrid model of industrial relations called value-added unionism or partnership. Based on pluralist assumptions, it recognises the importance of both representative systems such as unions and direct forms of employee involvement and participation. Initially employee participation was rejected by unions; however, many unions now accept that the partnership approach involves employees and unions taking on tasks that were once exclusive to management. Employers adopting this model acknowledge that they have an inherently unequal relationship with employees that limits direct voice and accept that unions provide an important independent voice and ensure that employees share in the economic success of their organisations. Partnership focuses on shared interests whilst recognising that employers and employees have other differing interests. Using a mutual gains model the focus is on management and employees working together to ensure gains for both including job security for employees and productivity for employers (Rubinstein 2001). Guest and Peccei (2001) give several successful examples of this approach. Magna Copper Company engaged its nine unions in co-operative labour-management partnership to introduce HPWP. The partnership replaced a bitter adversarial relationship between management who were doggedly autocratic and unions who prided themselves on their militancy and produced important productivity and gain sharing outcomes for the organisation and employees. Similarly, General Motors-United Auto workers partnership at Saturn Corporation found that cooperation between management and unions resulted in leadership in the domestic car consumer ratings based on vehicle quality, reliability and satisfaction.
This paper has examined the literature and research on unions relevant to the successful implementation of HPWP and has demonstrated that unions can play a significant and positive role in enhancing organisation competitiveness through facilitating the implementation of HPWP. In particular, unions can play an important role in removing many of the barriers to the adoption of HPWP. Unions can go some way to removing issues around corporate governance and management attitude by pushing for a long-term investment in change that is positive for the organisation. They can also provide the communication infrastructure that facilitates the introduction of HPWP. Finally, unions can also help create employee trust, cooperation and job security that HPWP need to be introduced effectively. Employee cooperation is critical to the successful introduction of HPWP and where there are poor industrial relations employees and unions can prevent management from introducing HPWP and negatively impact on organisational competitiveness. A cooperative industrial relations climate, where management and unions work together to create and distribute mutual gains, is important to capturing the positive aspects of unionism. This approach also ensures that the implementation of HPWP benefits all stakeholders including employees who are critical to the successful implementation of HPWP.
REFERENCES


Figure 1. The impact of unions on productivity

- **Increased wages**
  - **Negative**
  - **Restrictive work practices inhibit introduction of productive work practices**
  - **Quality of Industrial Relations**
  - **Encourage management to introduce more productive work practices**
  - **Positive**
  - **Facilitates implementation of productive work practices through employees' voice, trust, and commitment**
  - **Collective voice reduces employee withdrawal; quit rates down; turnover up; recruitment/retaining costs down; reduced cost of employee negotiations**