

## Chapter 15: Employee and employer associations

In smaller businesses, if employees have any problems they can **talk directly** to their employer. However, in larger businesses that employs many people, it becomes extremely hard to do so. It is also hard for the Human Resources department to make decisions when they have about 500 employees (e.g. who will get a pay rise?). It becomes much easier if decisions are negotiated with a **trade union**, and employee association that represents them. This saves the management a lot of time because they do not have to see individual employees to discuss problems.

Employees might not be treated fairly at work. They may be **overworked** and **underpaid**. Trade unions has the role of **bargaining** with the HR department for better working conditions, conditions of employment and better pay.

### Trade Unions

Employees with similar interests (higher pay) form a trade union. Trade unions are a form of **pressure group** with has the ability to influence business activity. There are four main types of trade unions:

- **Craft union:** For workers **skilled** at a particular job.
- **General union:** For **unskilled** and **semi-skilled** workers from different industries.
- **Industrial union:** For all types of workers in an **industry**.
- **White-collar union:** For **non-manual** or **office** workers.

#### Why do workers join a trade union?

Unions have a **shop steward**, who is an **unpaid** representative of the union. When someone is new to a job they may ask if they may want to join. If the person joins, they will have to pay an **annual subscription**. This money will be use for employing **union officials** who will represent the views of the employees.

#### Advantages of a union

- **Strength in numbers.**
- Improved **conditions of employment.**
- Improved **working conditions.**
- Improved **sickness benefits, pensions, and retrenchment benefits.**
- Improved **job satisfaction** and encourage **training.**
- **Advice/Financial support** if a worker is **dismissed unfairly/made redundant** or is asked to do something not part of their job.
- Improved **fringe benefits.**
- **Employment** where there is a **closed shop**, which is when all employees in a business must belong to the **same** union.

### **Trade unions need to:**

- Put forward their views in the **media** to influence **government decisions** on pay, employment, etc...
- Improve **communications** between workers and managers.

### **Closed shop**

#### **A closed**

**shop** is when all employees must join one union in order to be employed. It is because its **members** feel that the union is doing nothing when non-members receive the same pay rises as them. They think it is unfair. Trade unions also gain greater strength if all the employees are members of the union. However, many people think that it is unfair since they are **forced** to join – they should be able to make their **own decisions**.

### **Single union agreement**

Some companies have a **single union agreement**, when a business only agrees to deal with a single union. Any employees who want to join a union can join this union. It is becoming more popular nowadays because many employees are becoming **multi-skilled**, and do not know which union to join.

### **Advantages to the employee:**

- **Discussions** are **clearer** if there is only one union to deal with.
- The union has **greater power**.
- **No disagreements** between different unions.
- A better **working relationship** should develop between the union and the management.
- **Disputes** are solved more quickly.

#### **Advantages to the employer:**

- **Discussions** are **clearer**.
- A better **working relationship** should develop, meaning that there would be less **industrial disputes**, benefiting both employees and employers.
- **Disputes** are solved more quickly.
- It is easier to agree to **changes**.

#### **The structure of a trade union**

The structure of different unions vary, but most elect a **President** or **General Secretary** to work **full-time** for and get **paid** by the union. They work at the union's **headquarters**. If the union is large, there will be **union officials** to take care of members in different branches. Each **branch** represents its members in one **work site**, one factory, or one **employer**. Each branch has a **representative**. Unions are usually **democratic** and their union officers are voted up by the members.

#### **Employer associations**

Employers join what are called **employer associations/employer federations/trade associations**. Like trade unions, employer associations are made up of businesses and employers and who all pay annual fees for their benefits.

#### **Advantages of joining an employer association:**

- They **negotiate** with trade unions on behalf of their members.
- They give advice on **employment laws, health and safety, taxation laws** etc...
- Strength in numbers, they want to **influence government decisions**.

- They can **share ideas** and **research facilities**.
- They can organise **bulk buying** for members and get **discounts**.

### **Employer associations and the government.**

Employer associations represent similar wants of businesses, and will try to influence the governments to give better conditions for businesses to prosper:

- They want the government to control things such as **inflation, law and order, health and safety**, and **education** for the workforce.
- Lower **taxes**.
- More **freedom** for **businesses**.
- Fair **competition**.
- Good **transport infrastructure**.
- Access to **overseas markets**.
- Reliable source of **power**.

## **Collective bargaining**

This is when **representatives** of different interest groups negotiate and a **collective agreement** is made. The bargaining can be with **businesses** or with the **government**. **Collective**

**bargaining** in businesses usually means that the representatives of one or more trade unions negotiate with one or more employers or employer associations to come up with a **mutually acceptable agreement** on **conditions of employment**.

Why trade unions want wage increases:

- **Inflation**.
- It is difficult to recruit **qualified workers** (so pay them more!).
- Pay **differentials** need to be maintained (everybody's wages should rise when the minimum wage rises).
- **Changes** in the workplace, e.g. new machinery.

- If there are increased **productivity**, wages should **increase** too. There are **productivity agreements**, when managers and trade unions agree to raise prices for increased productivity.

Often agreements take place and the "**middle path**" is taken. However, this does not always happen and if the workers are unsatisfied with the agreements, they will use **industrial action**.

## Industrial action

There are various forms of industrial action that try to influence the decisions of employers. Here are some of their most common forms.

### Strikes

Strikes are when workers stop working and leave the workplace to protest against things.

- **Token strike:** Stoppage for an hour, a few hours or half a day to show strong feelings.
- **Selective strike:** Only a few workers go on strike. They are chosen by the union to cause as much **disruption** as possible.
- **All out strike:** All union members stop working and wait until a dispute has been settled.

Unions have to pay their members out of **strike funds** as long as the strike has been approved by the union. All members **vote** to see if the strike is favourable or not.

### Picketing

This is when workers **stand outside** the factory holding **signs** to **protest** and **stop any people going in and out** as well as **goods**. This can halt the production process. The strikers gain **publicity** and gives the firm a **bad image**. This puts **pressure** on the firm to settle the dispute.

### Work to rule

This is when workers **stick rigidly** to every **rule** and regulation in the business so that it **slows**

**down** the **production process**. They still get **paid** since they are technically doing nothing wrong, but this still causes a lot of **disruption** in the workplace.

### **Go slow**

All workers deliberately do things very slowly.

### **Non-cooperative**

Workers refuse to work with any **new** rules or follow any new practices they do not approve of.

### **Overtime ban**

Workers refuse to do any **overtime**. This might damage the business if they need to complete some orders quickly.

### **Possible harmful consequences of industrial action:**

- **For employers:**

- Loss of output.
- Loss of profit.
- Loss of customers.
- Poor reputation.
- Bad image.

- **For employees:**

- Loss of wages.
- They might lose their jobs if the company suffers low profits.

- **For customers:**

- They need to find another supplier which might cost more (production is stopped)

- Shortage of products.
- Deliveries not made.
- For other businesses:
  - May lose income.
  - May not have materials to produce goods.
- **For the economy:**
  - Workers have less money to spend.
  - Less tax revenue.
  - Country gain bad reputation for late deliveries.
  - Workers may be made redundant.
  - Exports may be lost and imports increased.

## Employer's powers

However, employers can do something about the situation. Usually, they will sign a **no-strike agreement** with the union which also involves **pay rises**. The pay rises are determined by an **arbitrator**, an independent person who represents both sides and decides on the best decisions possible. Again, he will most likely choose the "**middle path**".

Nevertheless, if strikes do happen, here are some things employers can do:

- **Dismiss all workers:** This leave the company in a very terrible position since they can't produce goods or deliver goods.
- **Lock-out the workers:** Stop workers from coming to work or get paid. Used to counter work to rule and go slow strategies.
- **Institute a pay freeze:** Used if employees are refusing to follow new rules, practices or operate new machinery.

## Worker participation:

The management needs to let everyone feel that they are part of the business. This means that managers will let **workers participate** in business decisions. There are several ways of doing this:

- **Worker directors:** Some workers become directors, but they are not allowed to attend all board meetings.

- **Works councils:** These are where representatives of employees get together and discuss matters that affect employees with managers. Works councils are called European committees in Europe, and are becoming more common there. Multinationals with more than 1000 workers or 100 workers per branch will have to create a works council and will have to always consult it when making decisions affecting employees.
- **Quality circles:** This is often used in Japanese companies, where workers regularly debate on how to improve quality and efficiency.
- **Using a democratic style of leadership:** Workers are delegated tasks and are consulted in business decisions.

### **Advantages of worker participation**

- It increases the flow of **information** and improve **relationships** between the employer and the employee.
- It increases **motivation**.
- It increases **job satisfaction**.
- It benefits the company since it can use **knowledge** from **experienced** workers.

### **Disadvantages of worker participation**

- It is **time consuming**.
- Workers may **lack necessary technical knowledge**.
- If representation is done via **trade unions**, non union members won't be affected.
- There could be **conflict of interests**.