Management and labor unions flashcard

The purpose of this case study is to examine three different industries which are the Automotive, Hotel, and Airline and their relationships between upper management and labor unions. The six companies that were examined are Ford and General Motors, JW Marriot and Hilton Hotels Corporation, and Southwest and Delta Airlines. The history of unions and management will be examined and explained. The study will attempt to explain how three companies have managed to have a successful relationship with their unions, and how the other three have managed to repeatedly failed in their attempt to find a peaceful middle ground.

How are Some Companies able to survive the Demands of Labor Unions and Management… While Others, after Years of Battle Crumble? The recession of late 2007 has affected every aspect of life in America. Over the past three years, the Automotive, Airline, and Hospitality industries have all adversely suffered due negative economic conditions. One common thread that they share is a constant struggle between management and labor unions. Some companies manage to put their differences between executive and union leadership aside in order to work together for the common good of the company.

On the contrary, other companies in the same industries cannot seem to make their relationship work. In order to understand why this phenomenon happens, one must examine the positive actions of some companies, such as Ford Motor Corporation (Ford), JW Marriot, and Southwest Airlines. What measures do these companies take to avoid having to accept government bailouts or declare bankruptcy? In comparison, other companies like General Motors (GM), Hilton Corporation, and Delta have dealt with strikes, multiple declarations of bankruptcy actions, and need of financial assistance through federal bailouts.

How are some companies able to survive the demands of labor unions and management…while others, after years of battle, crumble? The history and comparison of all six companies may provide some insight into how each business has accomplished or failed over the years. Not all businesses function alike. In all three industries, there exist examples of both substantial successes and massive failures in the relationships between senior management and labor unions. For example, a good evaluation of different companies in the Automotive Industry would be a contrast analysis of Ford and GM.

What did Ford do that GM did not? The history between upper managerial and union representatives in both companies may be the answer. The General Motors Corporation was founded September 16, 1908. The company began as a holding company for Buick whose CEO was William Durant. Over the next several years, Mr. Durant managed to acquire Pontiac, Cadillac, Cartercar, Ewing, Reliance Motor Truck Company, and Rapid Motor Vehicle Company; bringing them all under one name, General Motors (GM). GM has had an economically lucrative history.

However, the company has also had its share of financial woes. Over the last several decades, GM management teams made several concessions to its union members to avoid strikes. One such act was the implementation of an additional attachment charge of $1600. 00 per vehicle to help pay for retiree health and pension benefits (Welch, Beucke, Kerwin, Arndt, Hindo, Thornton, Kiley, and Rowley, 2005). Managers initially viewed this action as a temporary solution for an immediate problem. Unfortunately a questionable management decisions, like the $1600. 0 charge per vehicle, caused GM to lose money on a continuous base for the past 40 years. Moreover, the company has not been able to pull itself out of its downward spiral. Presently, GM is at a contractual stand still. Because of its union contracts, they cannot close any plants or lay off workers without enduring strong penalties from the United Auto Workers union, no matter how far its sales or profits fall (Welch et al, 2005). Due to its contractual responsibility, all GM plants have to run continuously at 80% capacity, whether they make money or not (Welch et al, 2005).

For example, if management decides to stop production assembly lines and send workers home, they still would have to pay the worker’s full salary and benefits. At this point, General Motors is trying to out wait the union and their negotiated contract requirements, hoping that eventually the economy will recover and improve. Until the economy changes course and creates better market conditions, GM management will continue to feel the brunt of economy turmoil (Welch et al, 2005). With the inevitability of negative growth on the horizon, General Motors will have to change current strategic managerial practices in order in remain competitive.

One area of internal concern is the interaction between management and union leadership. In fact, within two years, GM will have to contend with the United Autoworkers Union (UAW) in scheduled contract negotiations. General Motors management does not foresee UAW conceding on some of their demands. One sensitive issue is the planning of eliminating health insurance for retired union members. This change is something that the UAW will definitely not agree with and could possibly increase tension between the two parties. UAW may find this to be an issue leading to a strike or other work stoppage measures.

Furthermore, GM management knows that if UAW strikes, they can shut down operations for days, weeks, or months (Welch et al, 2005). The only way that General Motors can overcome similar issues and continue to fiscally survive and prosper, according to upper management, is to persuade the UAW to adjust some of their positions and reconsider different benefit options. The UAW would have to decide to give and not take a little in order to keep the company afloat. GM may have to look how competitors, like Ford, successfully interact with their union counterparts in order to learn how to coexist peacefully with the UAW.

On June 6, 1903, Henry Ford started the Ford Motor Company (Davis, 2003). The small company not only became one of General Motors largest competitors, but also one of the automotive industry's key leading pioneers through solid execution of better strategic management practices and principle beliefs. With the creation of technical innovations, such as the " Model T" automobile, Ford quickly ascended the ranks of the automotive world. History credits Ford Motor Company with the establishment of the first automotive assembly line.

The company also became the first to offer profit sharing to its employees for meeting high production goals (Davis, 2003). However, the achievement of high goals came at a grave cost to the Ford Motor Company. Ford suffered from a high rate of employee turnover. Although increased productivity at the factory meant increased profits, the additional cost of hiring and training new assembly line workers negative offset the reported gains. In order to counter the effects of the employee turnover, Ford implemented a solution for this problem by doubling employee pay.

The company also initiated the practice of rewarding its best workers through bonus incentives. Through these practices, the level of employee turnover dropped and Ford continued to grow and prosper. In January 2010, the Ford Motor Corporation announced the plan of adding 1200 new jobs, as well as the agreement of hiring these new workers at reduced union negotiated wages (Dolan, 2010). This agreement is a huge compromise for the United Auto Workers union because they allowed Ford to cut salaries in half in order to make them competitive with foreign automakers (Dolan, 2010).

The contract that allowed this change was signed in 2007. The new agreement also limited the number of lower wageworkers to 20% of the company's total workforce. This action represented an extreme act of good faith, considering Ford was struggling along with the rest of automotive world. The UAW also insisted that Ford inquire about the status of recent laid-off workers. The union persuaded Ford Motor Corporation offer the laid-off workers the option of applying for jobs at their Chicago factory. This meant that about 1600 dislocated workers would remain on the payroll, and be first in line for new jobs in Chicago (Dolan, 2010).

In contrast, General Motors has no plans to follow Ford's lead. In addition, Ford also expanded their work force by adding 27% more union positions at all of the company's U. S. factories than originally planned. The automakers based this rationale on UAW's historic decision to put into practice more flexible labor contracts that reduced the cost of employing union members (Clothier, 2010). The company later agreed to add 1, 975 jobs. The addition created over 400 more position opportunities than the two entities had previously negotiated. Ford expects to complete the new expansion plan by 2012 (Clothier, 2010).

Ford had previously outsourced the work performed by the new hires. Because of the new agreement between the UAW and Ford, the new compromise allowed Ford to hire from within the company. Ford's President of the Americas stated, " It's all about having an open and honest discussion around competitiveness. When you can combine open discussion and open minds and competitiveness, you can do wonderful things and bring jobs back into Ford and back into the U. S. " (Clothier, 2010). Ford and the UAW are now working together to save their company by any means necessary. The success or failure of the Automotive Industry can affect the entire U. S. conomy, as evidence by the federal bailouts that have transpired since late 2007. Because union members of both GM and Ford were not federal insured or controlled entities, the members had the option to strike whenever they felt that management had treated them unfairly. The union exercised this option many times in the past. For instance, in 1936, the UAW used sit down strikes to disrupt operations and get management's attention (Shogun, 2006, p. 37). Sit-downers (when workers refuse to do their assigned job on the assembly line and sit down) came into play when the fast pace and pressure of the assembly line became unbearable to employees.

Moreover, the Federal Government began doing everything in their power to keep the United Autoworkers Union under control (Shogun, 2006, 38). Situations, such as this one, created ideal settings for unions to come in and fight for the workers they represented. The UAW sponsored many sit-downers at General Motors and made the protest action work to their advantage. Sit-downers made it possible for a small number of employees to shut down the entire operation of whole factories. This crude method of disruption empowered UAW, which allowed the union to gain control of General Motors.

UAW utilized this option to gain and maintain control for over 40 years. The union ensured its growing membership by making sure old employees kept its membership and new employees became members (Levenstein, 1950, p. 594). However, the UAW also input an escape clause in the membership for new employees to leave after a year if they so choose. Furthermore, the union did not force old employees to join the union. This movement of membership control gave the union a new level of power that they used in key contract negotiation with the top three automotive industry leaders.

The contract negotiations between the UAW and the Big Three (General Motors, Chrysler LLC, and the Ford Motor Corporation) were viewed historic in that all three automotive companies were trying to attain their mutual goals with contracts that satisfied both the union and senior management (Lucas and Furdek, 2010, p. 9). Since the GM and Chrysler signed the contracts, auto sales plummeted to an all-time low causing both companies to accepted federal bailout loans for 62 billion dollars. Unfortunately, both GM and Chrysler eventually filed for Chapter 11 Bankruptcy Protection (Lucas and Furdek, 2010, p. 2). After the dust settled, General Motors lost approximately 60% of its company to the U. S. Government and Union Health Care trust fund whom in turn will own 17. 5% of the new GM Corporation (Lucas and Furdek, 2010, p. 12). On the contrary, many considered Ford Motor Corporation as the weakest of the three companies. However, Ford managed to come out of the negotiations in the best condition. They received no bailout money, but they did request a loan from the U. S. Department of Energy for future endeavors.

The compromised agreements for all three companies included the reduction of “ legacy cost” of the labor and benefits paid to union members established over years. GM and Chrysler established the Voluntary Employee Benefits Association for retirees to manage the cost of health care to be determined by the courts (Lucas and Furdek, 2010, p. 9). As direct response to many poor decisions and bad business practices of management, General Motors closed several plants and dealerships throughout the country. It remains to be seen if these transactions will mark the end of GM.

In contrast, Ford has managed to come out on top by continually posting company growth and profits. The UAW has agreed not to strike until 2015, so if there are any broken promises, the union will have to accept the circumstances under the revised labor agreement (Lucas and Furdek, 2010, p. 12). The strength of the union not only affected the automotive industry, but the hospitality industry as well. Since the early 1930’s, unionism has been involved in the hospitality industry and the major union involved was the Hotel, Restaurant, and Bartenders International Union (HRBI) (Scherer, 1956, p. 14). In the hotel industry, union officials could raise wages without fear of outside competition. Unions controlled this option because they represented all of the major chains in cities with high proportionate of hotels. This scenario is different in many manufacturing industries because they did not have to worry about price differences of non-union products from non-union sectors (Sherer, 1956, p. 214). Because of the uniqueness of the hospitality industry, it is impossible to estimate the effects of unionization on hotels.

The recession that began in 2007 has hit the hospitality and transportation industries hard, causing people to not travel as much as they have in the past. These economic changes have cost both industries billions in loss profits. However, this has not stopped the unions from fighting for higher wages. The second industry we will examine is the hotel and hospitality industry. J. Willard and Alice S. Marriott began their empire in 1927 with a sandwich stand. This small company quickly grew into a restaurant chain named “ The Hot Shoppe” that offered affordable food inside of a family atmosphere.

From the establishment of the restaurants, the couple branched out from the food service market into lodging and hotel management. By the year 1964, J. W. retired from the business and turned control over to his son, William “ Bill” Marriott, Jr. Bill Marriott took the company to new heights, surpassing the competition in only six years. By 1971, the Marriot Corporation had become one of the most diversified companies in the world. The Marriot brand remained a family owned entity, which kept a tight leash on spending control. The company accomplished this by keeping labor unions out of their operation. Moreover, both J.

W. and Bill Jr. felt their company maintained more flexibility and could offer better pay and benefits without union interference. Furthermore, Marriott would be successful for several years by using a state-of-the-art “ union avoidance” personnel strategy (Bacon, 1998). Marriott became one of the first private companies to begin large-scale hiring of “ workfare” employees. Workfare is a social welfare program that helps recipients acquire and maintain employment, in order to keep their welfare benefits. These employees stood to lose their welfare benefits if they caused problems with hotel management (Bacon, 1998).

At Marriott’s San Francisco Hotel, management placed a peer review system into action, in which a worker could appeal termination action or receiving adverse written warning to a panel members consisting of three co-workers and two supervisors. Since the implementation of this appeal review, the panels have reversed management decisions in most of the cases that have been heard (Bacon, 1998). The sentiments of this program were derived to convince workers that they do not need union interference and that their employer would furnish the positive tools to handle their grievances.

The Las Vegas Marriott opted to use neutrality agreements to gain contracts with the union. Fortunately, the utilization of neutrality agreements worked well for the workers, but placed management in precarious positions (Bacon, 1998). The Marriott Corporation successfully kept unions outside of their company. Unfortunately, this strategy is the exception to the rule instead of the norm. The Hilton Hotel provides an example of a brand that was not too successful in practicing this strategy. Conrad Nicholas Hilton brought his first hotel, named “ The Mobley” in 1919.

The hotel was located in Cisco, Texas, where he and his partner bought the hotel with support from a group of investors. Conrad Hilton and his partner, L. M. Drown, slept in their offices in the hotel in order to maximize every available space for hotel guest. Such action created the hotel’s trademark slogan message for the Hilton brand, “ to put the guest first. ” After several defaulted loans and lawsuits, Conrad Hilton managed to emerge out of “ The Great Depression” unscathed. Today, the Hilton Corporation owns casinos, luxury resorts, extended stay hotels, vacation ownership resorts, and hotels all over the world.

Within the last several years, the Hilton brand had begun experiencing problems between management and union representatives. In October 2010, the Chicago Tribune reported that the Hilton Chicago hotel workers went on strike when they became angry about how the company utilized the federal bailout money funds (Wernau, 2010). Management decided to purchase millions of dollars in debt from the Federal Reserve at a steep discount (Wernau, 2010). The deal upset workers, who had been heavily involved with contract negotiations for over a year. They felt that the Hilton management made bad investments with their tax dollars.

In response, they joined other “ Unite Here” union members in Honolulu and San Francisco in work stoppages (Werner, 2010). Union officials were trying to send a firm message to management that they were very frustrated with the pace of the negotiations. Hilton officials declared that the hotels would stay open and operate at a normal capacity. Management strongly felt that they offered competitive wages and benefits. However, union officials believed management attempted to push them into signing a contract that may potentially injure workers with higher room quotas for housekeeping personnel (Wernau, 2010).

Unionized Hilton Hawaiian Village workers in Honolulu, Hawaii went on a five-day strike on October 14, 2010 (Yonan and Gima, 2010). The workers began the strike because of frustrations with management over contract negotiations. The Hilton Hawaiian Village is one of Hilton's largest hotels with most of the unionized members working as housekeepers, bellmen, front desk, valet, and food service workers (Yonan and Gima, 2010). Management posted signs in the lobby stating, " Bargaining in good faith," and that they would use non-permanent replacement workers so that business could continue as usual (Yonan and Gima, 2010).

Union officials thought Hilton officials are trying to, " lock workers into a permanent recession"(Yonan and Gima 2010). Meanwhile, management continued to feel, along with their counterparts in Chicago, that they are offering competitive benefits and wages. Moreover, they viewed the union's counter-proposal as completely unrealistic (Yonan and Gima). Along with the automotive industry, the hospitality type companies shared similar union concerns with airline management teams. The third and final industry analysis is the airline industry.

Delta Airlines began from meager beginnings as the “ Huff Daland Dusters”. Owners B. R. Coad and Collette E. Woolman began this company in order to find a solution for boll weevil infestation. Woolman traveled to Peru and gained valuable experience as a crop duster, and on September 13, 1928, he raised enough capital to buy Huff Daland Dusters. Years later, he renamed the company “ Delta Airlines” (Fundinguniverse. com/Delta). From the early beginnings, Delta Airlines transcended from a mail service carrier into a full service passenger carrier.

Delta Airlines later acquired several other major airlines, including Pan American Airlines, which made Delta the largest transatlantic carrier in the world (new. delta. com). In 2004, Delta began its almost endless fight to avoid bankruptcy. During January 2005, Delta announced that it was closing one of its busiest hubs in Dallas-Fort Worth. Moreover, Delta airline pilots agreed to a 32. 5% hourly pay rate cut in order for the airline to avoid bankruptcy (Fundinguniverse. com/Delta). September of 2005, Delta launched its reorganizational plan to help get the airline out of bankruptcy proceedings.

This plan included the willingness from non-union workers, executive officers, and the CEO to accept pay cuts. Furthermore, in December 2005, the Delta pilots agreed to an additional pay cuts in salary. To further cut cost, Delta laid off approximately 7, 000 to 9, 000 of its 52, 000 employees (News. Delta. com, 2010). Since the beginning of the Recession, Delta has fought off hostile takeovers and several bankruptcy scares. The company finally emerged out of bankruptcy protect in April of 2007 (news. delta. com, 2010). Fortunately, a few companies, like Southwest Airlines, did better than Delta during this period.

Rollin King and Herb Kelleher found Southwest Airline on June 18, 1971. Mr. Kelleher had a unique way of doing business he chose beautiful long legged model type flight attendants. Their uniforms were hot pants and go-go boots (Southwest Airlines, 2010). Southwest endured severe financial losses in the early years. Five airlines sued Southwest in attempt to keep them grounded. The case went all the way to the Supreme Court with Southwest prevailing (Southwest. com). During these financially difficult times, Southwest sold some of their planes and created new and innovated techniques to keep the company afloat.

For example they used fuel cost containment measures, and jet engine pressure washers (by cleaning the engines while planes parked at the gate cuts down on fuel consumption), and they were one of the first airlines to have their own websites for scheduling and reservations (Southwest. com). In order to keep its title as one of the top airlines in the world, Southwest created a positive work environment by keeping the lines of communication open amongst employees and management. Southwest orchestrated strategic policies based upon teamwork. These efforts resulted in fewer flight delays and lowered customer complaints (Southwest. om). Southwest's Human Resource managers encouraged team-building activities strongly supporting employee work and life balance concepts. Employees are also encouraged to have strong ties to their communities (Southwest. com). Although Southwest operates as a low fare carrier, their pilots, mechanics, and customer service agents are proud members of the Aircraft Mechanics

Fraternal Association (AMFA)(Southwest. com). Moreover, the Transport Workers Union (TWU) represents the company's flight dispatchers, flight attendants, ramp agents, and operations agents (Southwest. com).

Southwest is and will remain a heavily unionized airline company. Southwest airline has demonstrated the importance of a positive relationship between management and labor (Gittell, Von Nordenflycht, and Kochan, 2004, p. 171). Southwest continuously outshines every other airline in the industry in every aspect of performance. They have managed to maintain a good relationship with its labor force by including profit-sharing, upper and frontline supervisor involvement, selective recruitment for teamwork skills, flexible work rules, and the use of cross-functional performance measures (Gittell, et al, 2004, p. 71). By incorporating these practices into their operations, Southwest has fostered a high level of trust and cooperation between management and labor. The long-term effect of these practices is higher aircraft productivity, and happy employees. What do unions do to improve the workplace? Anvil Verma analyzed this question in her Journal of Labor Research article " What Do Unions Do to the Workplace? Union Effects on Management and HRM Policies" (Verma 2005). Unions can affect every aspect of life, but their main role is to engage with management and try to untangle their differences.

The impact that unions have on management is shown in two processes: formation of underlying preferences of each party and the interactions between the two parties as each tries to pursue its goals (Verma, 2005). When a union gets involved with a company, there main objective is to secure higher wages, better benefits, and better work conditions. Because unions are important to employee benefits, they are also important to day-to-day managerial decision making in the workplace (Verma, 2005).

Citing the study by Slichter, Healy, and Livernash showed that the union voice is not always positive for productivity or efficiency (Slichter, S. H. , Healy, J. J. , and Livernash, E. R. , 1960). Unions tend to be a monopoly in an organization and sometimes this power can be restraining as well as enhancing; although it is generally associated with negative outcomes for management (Verma, 2005, p. 416). The relationship between management and unions continues to be a complex one. In order to understand why the relationship between management and unions is so complex, one must exam the balance between the two counterparts.

The Irish Airport Authority and its union seemed to have developed an unusual partnership initiative which involves management and unions in the decision making process for the organization as shown by the research conducted by Roche and Geary (Roche and Geary, 2002). Mr. Roche and Mr. Geary conducted their research over a four-year period, and it concluded that union participation benefited both workers and management. However, the activity created new challenges, such as the unequivocal support of management, which in turn formed obstacles for the partnership to continue (Roche and Geary, 2002).

In looking at the airline industry in the United States, could this same research be done? The airline industry in the United States is a business that has to be reliable; which makes it far more important to the Federal government in terms of management and union negotiations. Labor negotiations for airlines fall under the Railway Labor Act (RLA), which was enacted to help with industrial relations in the rail industry so that transportation in the United States would not come to a complete stop (Albrecht, 2004, p. 103). The RLA states: “ The labor contracts can never expire, they can only be mended” (Albrecht, 2004, p. 103). For example, if the two parties cannot come to an agreement, they can enter into mediation and can request a mediator from the National Mediator Board (NMB) (Albrecht, 2004, p. 103). The negotiations can even go all the way to arbitration. If at this point there is still no resolution, the union can be released to strike. For management, this means the right to utilize all of their proposals that were on the negotiating table, which means that if the union could strike, management could hire replacement workers.

The research article by Albrecht touched on the importance of the airline industry is to the world. So in essence, if management and union representatives do not get along, the entire free world’s travel options could come to a halt. This became evident in the mid- eighties when Trans World Airlines (TWA) flight attendants decided that they did not like the concessionary contract package that they had been offered by management (Albrecht, 2004, p. 101). TWA mistakenly underestimated the Flight Attendants Union (FAU) supporters and lost 96% of their labor force (Albrecht, 2004, p. 01). TWA began to hire permanent replacements for the striking workers, which in the end would mean the permanent loss of jobs for over 5000 workers (Albrecht, 2004, p. 101). It took the replaced workers three years to get their jobs back (Albrecht, 2004). The breakdown in communication between management and union representatives caused thousands to lose their livelihood. However, the union stayed united and kept focus on their goal, which obtained a solid contract for its union flight attendants (Albrecht, 2004).