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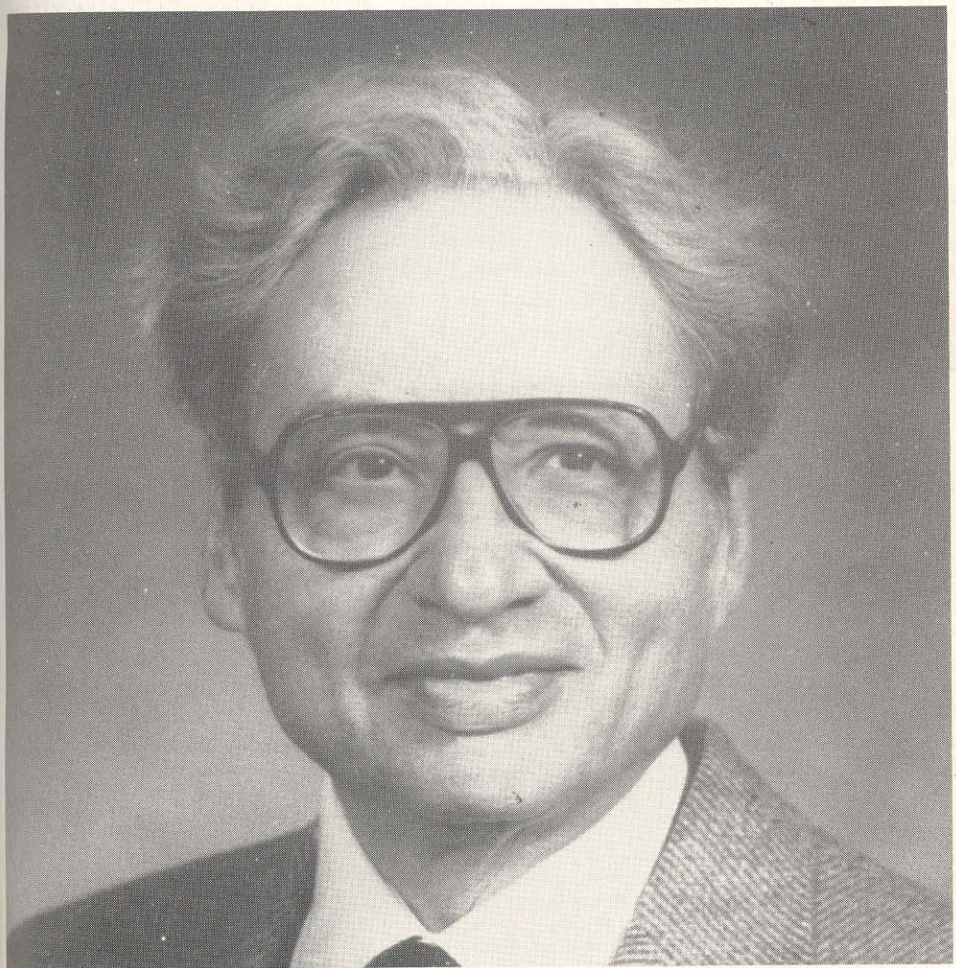
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EVERETT M. KASSALOW

President, Industrial Relations Research Association

who's what in labor

The following have been appointed to the President's Advisory Committee on Mediation and Conciliation, chaired by Federal Mediation and Conciliation Service Director **Kay McMurray**; **Norman Benjamin**, Vice President of Human Relations for the Lockheed Corporation; **Owen Bieber**, President of the United Automobile Workers; **Merlin Breaux**, Vice President of Industrial Relations for the Gulf Oil Company; **Fred Hardin**, International President of the United Transportation Union; **John Joyce**, President of the International Union of Bricklayers and Allied Craftsmen; **Peter Pestillo**, Vice President of Employee Relations for the Ford Motor Company; **John Sarge**, Vice President of Industrial Relations for the Southern Pacific Transportation Company; **John Sweeny**, President of the Service Employees International Union; **David Trezise**, Vice President of Industrial Relations for the Westinghouse Electric Corporation; **Raymond Earl Williams**, Corporate Vice President of Labor Relations for AT&T; **William Wynn**, International President of the United Food and Commercial Workers Union.

The American Arbitration Association reelected the following officers: Chairman of the Board, **Richard Lombard**, Vice President and General Counsel of the Exxon Corporation; Chairman of the Executive Committee, **Norman Hinerfeld**, Chairman of the Executive Committee of the Kayser-Roth Corporation; President, **Robert Coulson**; Secretary, **Edward Dippold**; General Counsel, **Michael Hoellering**. **William Burke**, a Partner in Ernst & Whinney, was elected Treasurer, succeeding **Henry Loeb** of Loeb Partners. **Earl Baderschneider** has been appointed Vice President of Publications and **Jan Williamson Wagner** has been appointed Vice President of Membership.

Michael Walsh was named Chairman of the Employee Compensation Appeals Board, U.S. Department of Labor. He was formerly a trial attorney in Portland, Oregon, and served as legal counsel to the Reagan-Bush campaign.

Eugene Burroughs was appointed as a Member of the Advisory Committee to the Pension Benefit Guaranty Corporation. He is currently Director of the Investment Department of the Teamsters Union.

Marion Bowden was named head of the Planning and Coordination Unit at the U.S. Civil Rights Commission. She was formerly Deputy Staff Director at the Commission.

John Wall has been nominated to be a Member of the Occupational Safety and Health Review Commission for the remainder of the term expiring April 27, 1987. He will succeed Robert A. Rowland. Prior to his retirement in 1982, Mr. Wall was Vice President of Labor Relations for Republic Steel Corporation.

Industrial Relations Research Association Spring Meeting

April 18-19, 1985

Detroit, Michigan

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PREFACE
1985 Spring Meeting
Industrial Relations Research Association

Many changes and innovations are being introduced in the workplace and into the relationships between unions and managements as they respond to new technologies and economic pressures—changes in the dimensions of collective bargaining contracts and in the process itself as well as in day-to-day negotiations, innovations in the training and retraining of workers and in the role of universities in industrial relations training. These topics emerged as the underlying theme of most of the sessions at the Spring Meeting of the Industrial Relations Research Association April 18-19 in Detroit.

Some of the speakers looked at changes in other areas and from a historical perspective—American labor law over a 50-year period, the growth and development of labor federation from the founding of the CIO 50 years ago to the present, and what has happened to the welfare state over the past few decades.

Those attending the meeting also had the privilege of hearing Douglas Fraser's "Reflections on Politics and Contract Negotiations" at the Friday luncheon. Fraser, President Emeritus of the UAW, is presently drawing on his long experience with the union in his new role as University Professor of Labor Studies at Wayne State University.

The Detroit Chapter put together an informative and thought-provoking program, if the subsequent comments and discussion of those attending are accurate measures. The Association is grateful to Mark Kahn, Lou Ferman, Mike Nowakowski, and others from the Detroit Chapter for hosting the meeting and arranging the program. And we are also grateful to the LABOR LAW JOURNAL for again publishing the Proceedings of our Spring Meeting.

BARBARA D. DENNIS
Editor, IRRA

Promethean Industrial Relations: Labor, ESOPs, and the Boardroom

By Warner Woodworth

Brigham Young University

The conventional delineation between the roles of labor and management has simply been that workers do the work while managers manage the business. This historical pattern has, until recently, been agreed to by both parties as the modus operandi for running the modern corporation. A quote from a typical business text illustrates the management view: "The manager . . . attempts to merge people and technology into a smoothly functioning system by structuring and restructuring organizational units and the jobs which made up these units—the process of *organization and job design*. On an ongoing basis, he uses *selection and training* devices to find and hire people . . . he uses *appraisal and development* mechanisms . . . he builds linkages . . . through *communications and control* systems. Finally, he uses a *reward system*."¹

For its part, labor has focused on operating the union, working through the grievance system, negotiating collective bargaining contracts, and dealing with political issues. When labor has involved itself with corporate governance, it has usually been a post facto response to unilateral actions by executives. While there have been exceptions to this generic description, the overall pattern of the past seems valid.

Currently, however, a shift is occurring that is rather distinctive. On the one hand, many companies are moving toward a more humane, democratic managerial style, as evidenced in recent best

sellers such as *In Search of Excellence*.² The turbulence of global economics, recessions, and foreign competition has heightened the need for better quality and improved productivity. Hence, managers are emphasizing control of workers less and attempting to create structures that generate new values such as commitment and participation.³

Labor too is evolving along similar lines. Rather than simply operating from the traditional labor relations agenda, unions are rejecting the assumption that managers possess divine-like qualities to administer organizations. Labor is beginning to challenge the upper echelon model of managerial rationality, a bias that ignores the fact that workers have brains and skills that could improve corporate functioning. Indeed, a just-released report of the AFL-CIO's Committee on the Evolution of Work, entitled *The Changing Situation of Workers and Their Unions*, declares: "It's not enough merely to search for more effective ways of doing what we always have done . . . We must expand our notions of what it is workers can do through their unions."

More concretely, the report recommends that labor experiment with new forms of collective bargaining, address the need for greater participation in workplace decisions, and explore various methods to better represent workers. It is in the spirit of this search for alternative strategies for labor that this article focuses on two important developments: (1) new institutional arrangements involving labor in stock ownership and (2) boardroom governance.

A New Paradigm of Corporate Governance

There are numerous signals that industrial relations is moving toward a redefinition of labor's struggle. In hundreds of cases, contracts have been negotiated by trading wages for new avenues to economic power. Critics point out that in some instances, concessions have led to too much bludgeoning and not enough bargaining.

However, of growing importance is the issue of parity, i.e. that new collective bargaining agreements be characterized by mutual interests and a tradeoff.⁴ The result has been that unions have obtained new rights to corporate information, job

security, and participation in decision making. When overall trends are examined, the evidence suggests a growing tendency toward industrial democracy in America, a parallel to what the Europeans call co-determination. This emerging paradigm is characterized by underlying values which emphasize cooperation rather than adversarial relationships. It is premised on the assumption that business decisions are too important to be left in the hands of managers alone. The table captures the participation of labor during the past several years in corporate actions previously reserved exclusively for the managerial domain. [See Table]

¹ Raymond E. Miles, *Theories of Management* (New York: McGraw-Hill, 1975).

² Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence* (New York: Harper and Row, 1983).

³ Richard Walton, "From Control to Commitment in the Workplace," *Harvard Business Review* (March-April 1985), pp. 77-84.

⁴ Andrey Freedman and William E. Fulmer, "Last Rites for Pattern Bargaining," *Harvard Business Review* (March-April 1982), pp. 30-48.

TRENDS TOWARD U.S. CO-DETERMINATION BARGAINING ISSUE

EXAMPLE

<i>Stock Ownership:</i>	
Majority Control	Weirton Steel and Independent Steelworkers; Hyatt Clark and UAW
Minority Stockholder	UPI and the Newspaper Guild; UAW and Chrysler; various airlines, and IAM; trucking firms and the Teamsters
<i>Formal Board-Level Representation:</i>	
Labor representation on the Pan Am and Pilot's Association; board of directors	Western Airlines and its unions
In-plant labor/management U.S. Steel and USWA; UAW and committees	Dana Corp.
<i>Agreements on Strategic Corporate Decisions:</i>	
Advance notice on plant shutdowns	Firestone and URW; GE; Westinghouse
Lifetime employment experiments	Ford and UAW
Moratorium on plant closings UAW and General Motors and restricted outsourcing	
<i>Investment Decisions:</i>	
Pension fund representation	AIW; ICWU
New ventures funds	Ford and UAW
<i>Consultation Regarding New Technology:</i>	
Technology change committees	AT&T and electrical workers
Capital improvements in plant UFCW and John Morrell Company equipment	
<i>Access to Corporate Information:</i>	
Opening of the books	Western Union and telegraph union, Eastern Airlines and IAM
Annual appearance of the Uniroyal and URW union at a board of directors meeting	

The broad array of new levels of labor power suggests impressive consequences. Some of these have led to the blocking of plant shutdowns, saving thousands of

jobs, and altering the distribution of corporate power. Labor has influenced the implementation of robotics and other new technologies in a number of industries as

well as obtained advanced information to help shape investment decisions. In some instances, unions now have the right to audit corporate books; while in other cases, not only is information shared, but millions of dollars have been provided in new equity or profit-sharing agreements.

The table suggests that there are three levels or degrees of organizational power. Some maneuvers in this changing labor relations scene can be categorized as obtaining *informational* power, while others consist of a higher order in that they involve joint union/management *consultation*. Perhaps the most significant level of labor's new power is that which requires *shared decision making* in the form of board level co-determination and/or worker ownership. These two themes will be further analyzed below inasmuch as they are growing at such a significant rate in the United States.

Stock Ownership: A Broadening Labor Agenda

Workers' participation in company stock ownership has increased dramatically, mushrooming from 500 companies in the 1970's to over 6,000 today. The forces leading to this new development are numerous—stock as part of a company's benefit program, stock exchanged for wage concessions during the recent recession, and worker buyouts of troubled firms which threaten to shut-down. Employee stock ownership plans (ESOPs) have accelerated with the tax incentives that now accrue to worker-owned firms and lending institutions which finance such programs.

The proliferation of worker involvement in stock plans is substantial. Most predictions of the future suggest that if present trends continue, there will be more workers owning a significant block of stock in their company than there will be members of unions by the end of this

century. Since the 1940s, plywood workers in a dozen firms in the Northwest have owned their own mills, outproducing industry competitors by 25 to 30 percent. Although the idea of worker ownership is not new, the rapid growth is. Since 1980, labor has led the move to stock ownership in steel, auto, rubber, and glass industries. In the past 30 months, workers in six trucking firms and five airlines have obtained a sizeable portion of company stock, usually in exchange for some degree of wage concessions.

Indeed, trading dollars for power has been the name of the game ever since the United Auto Workers agreed in 1979 to forego \$203 million in wages and benefits in exchange for stock and a seat on the Chrysler board of directors. Recently created ESOPs have been impressive financial transactions, with Parsons, a huge construction company in Southern California, perhaps being the largest at nearly \$560 million. While in the Chrysler case, workers only received a minority share of stock, in other instances they have obtained 100 percent ownership. In two companies, at Weirton Steel in West Virginia and Hyatt Clark Industries in New Jersey, union members are now participating in important experiments with industrial democracy.

A serious flaw in many ESOPs is that while a paper transaction has occurred, little else has changed.⁵ For instance, the United Textile Workers joined management at Dan River Inc. to block a corporate takeover by Icahn in 1983. Workers obtained 70 percent of the firm's stock, but instead of creating meaningful ownership, management tends to operate business as usual. The union has no formal clout, no board seats, not even the right to participate in on-going decisions. Meanwhile, assurances of solid job security under worker ownership have evaporated

⁵ Christopher Meek and Warner Woodworth, "Employee Ownership and Industrial Relations: The Rath Case," *National Productivity Review* 1 (Spring 1982), pp. 151-163.

in the face of four recent plant closings and the layoff of 4,000 worker-owners.

Owning stock certificates but having no genuine form of stockholder rights, direct votes, or an ongoing voice in corporate strategy can lead to low morale, reduced productivity, tensions, and costly strikes. In attempting to address this deficiency, a number of unions in worker-owned firms are seeking participation in corporate governance through various strategies. Transport workers, flight attendants, glassworkers, rubberworkers, teamsters, food and commercial workers, steelworkers, and airline pilots all now have board level positions in various U.S. companies.

Seizing the Bull by Both Horns

Stock ownership *and* board representation seem to hold the most promise for labor to impact corporate decisions in a major way. The very idea that workers can run industry turns favorite managerial assumptions on end. Labor strategies, such as these, defy "modern" management theories which hold that executives alone should plan, control, and carry out decisions from their lone perch atop the corporate ladder. What is intriguing is that there is mounting evidence that enterprises that are worker-owned can achieve relative equality, democratic control, and efficient production.

For instance, workers in steel, transportation, and the auto industry have combined ownership with board representation to gain hundreds of new customers, turn around troubled companies, improve productivity, and reduce scrap, establishing records superior to their companies' best past performances. While the outcomes may be convincing, the process by which workers engage in board-level activities may be painful. Research data gathered through participation, observation, and interviews with worker representatives on company boards suggest five steps of development.

At first, there is a feeling of ambiguity and confusion arising from being in two

positions: union leader and board member. This period is characterized by quiet observation, acquiescence, and feelings of being unprepared professionally.

In the second stage, union directors may be subjected to condescending advice and co-opting pressures from other corporate officers. There is often a sense of disillusionment and hopelessness, which may culminate in the thought that co-determination is a futile game in which labor is the minority and losing team.

In the third stage, approximately a year into the process, strong verbal protests and the ability to articulate substantive problems from the shop floor push a few small victories into the union corner. Assertive behavior gives labor representatives a growing legitimacy in the eyes of traditional board members, and there is a more balanced overall adjustment to labor's presence in the boardroom.

The fourth stage occurs, with rare exceptions, during the second year, when the process becomes characterized by increasing conflict. Labor representatives push for changes which management and outside directors oppose. Major strain ensues, leading to low morale, distrust, and board splits. Usually, by the beginning of the third year, co-determination leads to stereotyping accusations and tension.

The pattern of split reactions in the fifth stage is not yet clear, due partly to the relative newness of labor participation on U.S. boards. Worker directors in some companies experience a deepening, ongoing struggle; while in other cases, there is a breakthrough to a more reasoned level of accommodation. Most of the evidence suggests a Third-Year Hypothesis which becomes the critical turning point for future board war or peace.

Critique

Problematic issues remain as workers gain stock and board representation. Much of the U.S. approach to co-determination suffers, as does the European experience,

from mere tokenism. Instead of a genuine form of workers' control, labor's presence is often only symbolic. While the argument can be made that symbols are necessary, critics decry the fact that unions have only minority board seats, serve only part time, and lack training in board-level business savvy.

Perhaps more troubling is the union's vulnerability to collusion as a new partner to executives and outside board members. Some observers and many international labor officials worry that worker directors may be co-opted, getting caught up in the predominant interest to make company profits rather than fight for individual worker rights. There is a dangerous potential for stock ownership and board representation to lead to a type of in-house unionism, in which there is the appearance of a board battle, when in reality, labor representatives are simply going through the motions of conflict for political reasons.

An interesting question may be asked as to whether or not labor board membership and stock ownership are only temporary aberrations in the traditional union movement, and in the near future, will revert to the old bread and butter issues. While it may be too early to tell, there is no evidence of regression at present. The concern is that most of these new approaches to labor empowerment derive from threatening economic conditions and concessionary demands. If and when the economy improves, will newly bargained mechanisms for co-determination disappear in exchange for wage adjustments? Will trade unions only seek innovative devices for participation when on the defensive? If so, the broadened goals of current collective bargaining will be restricted and eventually reduced to the traditional concerns of wages and benefits.

The other possibility is that labor will take the offensive and turn tables on the management assault of recent years. The implication here is that when wage

demands are more equitably met again, labor will hold onto board member seats and other newly-won forms of organizational power. The European experience would be consistent with this view. As European society became more affluent, there was a greater push for co-determination and industrial democracy, not less. In the U.S., if this is the case, workers will retain inside corporate information and the possibility of having a greater degree of control over financial and production decisions.

The above problems are serious but not insurmountable. For instance, college-level programs could be designed to teach worker directors how to read a profit and loss statement and other needed skills to function more effectively and on an equal footing with traditional directors. Labor representatives could be more aggressive in pushing for membership on key policy-forming board committees instead of simply attending quarterly meetings. Rather than conform to conventional norms, which often lead to rubber-stamp meetings, labor could do much to transform American boards into genuine settings for hard-headed thinking and debate.

Toward Promethean Industrial Relations

A parallel may exist between the current worker-led drive for stock ownership and board level participation in corporate governance and Greek mythology. Early legend has it that the god Prometheus went up to heaven, to the sun itself, lit a torch and brought it back to earth. Stealing fire and thereby giving the human race light and power was among the most heroic acts of all the gods. In so doing, Prometheus, since regarded as the savior of mankind, offended the father of the gods, Zeus, because earthlings now were empowered with fire.

Prometheus has stood the test of time, honored down through the centuries as a rebel fighting injustice and seeking to alter the system of authority. So it is with

labor's interest in radical empowerment today. Co-determination may become a contemporary replay of the ancient saga as unions attempt to wrest power from managerial gods and put this newly acquired force into the hands of workers. Such a strategy would not only ensure a healthy labor movement and give rise to a

society of genuine economic democracy; it could also force a new analysis of labor relations that could include an outrageous assertion: that workers have a *right* to corporate governance.

[The End]

In Society: New Representational Roles for Labor and Management

By David Jacobs

University of Michigan, Flint and Ann Arbor

Much scholarship in industrial relations assumes that business unionism as practiced by Samuel Gompers and the American Federation of Labor (AFL) is the form of labor organization that best matches the American environment. Some would argue (for example, Perlman 1951 and Brody 1981, although from different perspectives) that the industrial unionism of the Congress of Industrial Organizations (CIO) failed to alter the basic orientation of American labor. While industrial unionism enlarged the constituency of unionism, it may not have significantly affected the "bread and butter" preoccupations of business unionism. Broad social reform does not appear to have displaced economic collective bargaining as the central function of American labor.

However one views the legacy of industrial unionism, the continuing decline in the proportion of the workforce organized by unions suggests that business unionism (even if modified by the CIO experience) may not fit the contemporary American environment. It was, after all, the unstable membership of the National Labor

Union and the Knights of Labor (contrasted with the apparent resiliency of the AFL) that proved to Selig Perlman (1928) the inadequacy of reform unionism as an organizational model for American labor. Perhaps labor's objective of job control, a measure of worker control over conditions of employment, might be pursued more effectively if business unionism is modified or supplemented.

According to Perlman, job control is the product of negotiated "working rules." This is, of course, not the only available means for job control. The Webbs (1897) argued that "legal enactment" and mutual insurance were as important to union objectives as collective bargaining. David Selden (1980), former President of the American Federation of Teachers, has suggested that increased emphasis by organized labor upon legislative action might be the best approach to mobilizing and representing fast food workers and other workers who are difficult to organize through traditional means. While collective bargaining and negotiated working rules are necessarily central to labor's struggle for job control, it should be obvious that job control and business unionism are not inextricably bound.

The Committee on the Evolution of Work

The Committee on the Evolution of Work, a panel of AFL-CIO leaders and industrial relations academics, was created by the Federation in 1982 to examine labor's prospects in an adverse environment. Given increasing numbers of employer discharges of union activists, a National Labor Relations Board which is skeptical of the benefits of collective bargaining, high levels of unemployment, conscious employer strategies to divert investments to non-union plants, declines in manufacturing employment, and related developments, unions face tremendous obstacles when they seek to maintain or extend organization (Committee on the Evolution of Work 1985).

AFL-CIO President Lane Kirkland (Herling 1985) has explained the obstacles to national organizing and collective bargaining in this way: "To get that [first] contract, consider the hurdles. First you have to get 30 percent of the pledge cards for a showing of interest. Then against ferocious and subtle and sophisticated employer resistance—and after long delays—you have to sustain that level and build on that level of interest and commitment to a 50 percent plus one vote. You then negotiate a collective agreement with an employer who has been fighting you all the way . . . You have to do all this in the face of a toothless labor code [Taft-Hartley as currently enforced by the NLRB]."

In its report to the 1985 Winter meeting of the AFL-CIO Executive Council in Bal Harbour, Florida, the Committee on the Evolution of Work (1985) recommended that unions experiment with new approaches to represent workers: ". . . unions must develop and put into effect multiple models for representing workers tailored to the needs and concerns of different groups." The report suggests that trade unions deal with a hostile environment by devising new categories of union membership to provide representation for

workers not currently employed in organized bargaining units. Individuals leaving organized firms might in this way retain membership in their unions and receive some benefits directly from the unions. Other workers who favor collective bargaining in their workplace but have not yet won representation through NLRB-supervised elections, or even workers wholly unfamiliar with bargaining, might still have an opportunity to benefit from unionism. Unions or union-sponsored "employee associations" might provide such services as job training, job information, health insurance, and political organizing to members outside of bargaining units.

The AFL-CIO Executive Council approved this report of the Committee on the Evolution of Work (Herling 1985). These developments are highly significant in two ways. First, Kirkland and fellow leaders of the AFL-CIO appear to be reconsidering the merits of business unionism (or "contract unionism"), narrowly conceived. Second, participating industrial relations academics, most notably Thomas A. Kochan and Robert B. McKersie of M.I.T., are questioning the Commons-Perlman paradigm, according to which business unionism is the ideal and also most practical form of labor organization.

The Women's Trade Union League

The experience of the Women's Trade Union League (WTUL), in the first half of the twentieth century, demonstrates the logic and value of a labor organization seeking to provide representation to employees outside of collective bargaining. The League attempted to exercise political influence and win protective legislation (for example, wage, hour, and safety standards) for women workers with the assistance of a committed public outside traditional unions (Costin 1983).

The WTUL was, of course, committed to collective bargaining as the primary tool for advancing workers' interests. It