The impact of unions on workplace performance in Britain and France. Evolution or revolution?

Author: John Edwards
Macquarie University
10 April 2013

This paper critiques Alex Bryon, John Forth and Patrice Laroche (2011) paper:
The impact of unions on workplace performance in Britain and France. Evolution or revolution?

1. ABSTRACT

Professor Laroche and his research colleagues, Alex Bryson and John Forth, asks the question is this evolution or revolution and analysed the impact of unions on workplace performance in Britain and France.

The authors used nationally representative surveys in Britain and France to examine the relationship between unionisation and organisations financial performance.

The key finding was that union bargaining is detrimental to organisational performance in both Britain and France. However, the effect is different. In Britain, the effect is confined to unionised workplaces where there is no active collective bargaining.
In France, the effect is confined to a small number of cases where unions have high membership density and where unions have a high radical political thinking and a reputation for militancy.

2. INTRODUCTION

Laroche’s interest and research activity is mainly devoted to the study of industrial and labour relations with specific emphasis on the analysis of the impact of unions on firm performance. He is particularly interested in understanding how factors such as the nature of the union, the industrial relations climate, the level and intensity of the union involvement, and the type of organisation influence the relationship between unions and firm performance. Laroche is widely published in leading Industrial Relations and Employment relations journals, and acknowledged by his peers as an authority in this field.

3. THEORY DEVELOPMENT AND HYPOTHESES FORMULATION

Laroche analysis of the academic literature relating to this topic is extensive. Unions have the ability to increase the wages above the competitive levels (Booth, 1995), however, this could have a detrimental effect on firm’s profits and cost increases are not passed onto customers. It may indirectly mean firms reduce their desire to invest in new capital and infrastructure (Grout, 1984).
There are cases where unions have a positive impact on a firm’s economic performance as demonstrated by Freeman and Medoff’s (1984) collective voice and institutional response model.

However, based on previous studies, Professor Laroche concludes that there is a lot of ambiguity about union effects on performance. Empirical evidence suggests that union effects are negative on firm’s profitability (Doucouliagos and Laroche, 2009). This arises because the higher wages gained are not translated into increased productivity.

Using this background, a number of research questions are asked which lead to the following hypotheses:

H1: Union bargaining will be detrimental to workplace performance in both Britain and France, as employers in both these countries are restricted to some degree in their ability to resist unionisation and thus protect profits.

H2: Any performance penalty associated with union presence in Britain and France will vary according to workplace union density.

While there are similarities between the two countries in relation to union effects on union performance, there is one significant difference: the unions’ political orientations. In France there are many political ideologies within the unions, while in Britain this is less apparent.
4. METHODOLOGY

Laroche and his colleagues were fortunate enough to have access and use previously published data from the French RESPONSE survey, and the British WERS survey. The data was restricted in to private-sector workplaces and the two surveys used similar methodologies, and were collected through face-to-face interviews. These surveys gathered attitudinal data on union presence and perceptual indicators of workplace performance (using the Likert-type scales). Organisational (public) financial accounts were collected for this study and these were combined with qualitative assessments of workplace performance (perceptions) provided by the survey participants. This quantitative technique, though open to disapproval, has been used widely in a number of other highly recognised and authoritative employment relations studies.

Laroche and his co-authors constructed a range of unionisation measures to test the relationship between unionisation and performance (negotiating rights, presence of a union delegate, actively engaged in pay bargaining). Also regression analysis is used to control the variables (structure of workplace, geographical location, product life cycle) which may be correlated with performance and unionisation.

5. FINDINGS

A number of findings were established by the authors who revealed the following results:
1. In Britain, unionised workplaces are associated with poorer financial performance than non-unionised workplaces, but only where these unions are actively engaged in collective bargaining.

In France, unions with active collective bargaining rights are associated with poorer firm financial performance.

When testing the use of accounting data on profit margins, even with a reduced sample size, there is a negative impact on firm’s financial performance.

Therefore the first hypothesis (H1) was supported by the research study: Unions negatively affect firm performance in Britain and France, although in Britain the effect is confirmed to active collective bargaining workplaces.

2. In Britain having union members is associated with lower financial performance (regardless of union membership density).

In France, a dissimilar pattern emerges. Unions with a low membership density have a similar financial performance to those firms with no members; and those with a higher density have a significantly lower performance. Thus, union membership density may be a good indicator for union strength in France.

6. **DISCUSSION**

Laroche research study concludes that in Britain and France, unionisation is associated with poorer workplace performance.
The authors acknowledge that their analysis and findings could be impacted by the rapid industry and organisation changes in Britain, which may mean they have under-estimated the magnitude of this negative effect. Also, in France, nearly 90% of private-sector employees are covered by national collective pay bargaining, which is not the case in Britain (or Australia). The author’s research estimates findings may be seen to underestimate the impact of high union membership density in France, and overstates the negative effect of bargaining rights in France.

Laroche also argued in the presentation that employers must recognise that unions play an important role in collective bargaining, but unions must also improve the competence of their officials in order to be able to negotiate win-win agreements with the employers.

It is important for union officials to be trained and qualified to better understand the challenges employers are facing. Collective bargaining is becoming more complicated and only people with appropriate qualifications will be able to balance the power between union representatives and employers (Laroche 2011).

7. CONCLUSION

In this research paper, Laroche clearly demonstrates his passion and knowledge in the employment relations field. His research encouraged questions and participation from the reader, and provided key learnings about the role and impact of unions in Britain and France on firm’s economic performance.
The data used was from national surveys conducted in 2004. It would be interesting to see the impact of the GFC (from 2008) on unions impact on firm’s financial performance and their current and future role in the British and French workplaces.

Laroche and his colleagues are well-established academics and leading researchers in their field of employment and labour relations.

Having his research studies published in the leading Industrial Relations Journals, (European Journal of Industrial Relations, Journal of Labor Research) supports and enhances his academic reputation. For employment relations and management academics, this is important paper to understand and learn how about the impact of unions on workplace relations in Britain and France (Laroche, 2011).
REFERENCES

Booth, A.L., (1995), The Economics of the Trade Union, Cambridge: Cambridge University Press,


