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Non-orthodox Economic Approaches to Labor Unions and Union Leadership

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Abstract

This short paper is the entry on Encyclopedia of Diversity, Equity, Inclusion and Spirituality (edited by Marques, J.). Springer, Cham, 2024. The entry describes the role, function, and nature of labor unions and their leadership from a non-orthodox perspective. It shows that since the end of the 19th century, a division between orthodox and non-orthodox approaches toward the study of labor unions can be discerned. The orthodox framework was formed in the late 19th century with the gradual establishment of Marginalism, and it consolidated itself with the dominance of early neoclassical economics. Orthodox economic theory did not devote much attention to the economic analysis of unions. On the contrary and during the same period, non-orthodox economists such as Sidney and Beatrice Webb and early institutionalists, had paid considerable attention to the study of unions, perceiving them as politico-economic organizations and emphasizing their wider role as social institutions. The legacy of those two approaches continued in the 20th century and contemporary analyses of labor unions. The orthodox approach (originating mainly from the work of John Dunlop), generally conceives unions as purely economic units, analogous to firms, which can be studied by applying the standard tools of microeconomic theory. In this framework, the notion of union leadership plays a minimum role. In contrast, the non-orthodox viewpoint (originating mainly from Arthur Ross' works), embraces a holistic, institutional-political-based attitude to the study of labor unionism.

Key words: Trade Unions; Labor Union Leadership, Gender inequality, Microeconomics

Introduction

Ideas concerning the role, function, and nature of labor unions and their leadership can be found in 19th century economics literature. Even since this early period, a division between orthodox and non-orthodox approaches toward the study of labor unions can be discerned. The orthodox framework was formed in the late 19th century with the gradual establishment of Marginalism, and it consolidated itself with the dominance of early neoclassical economics. Orthodox economic theory did not devote much attention to the economic analysis of unions. On the contrary and during the same period, non-orthodox economists such as Sidney and Beatrice Webb and early institutionalists (e.g. Richard Ely), had paid considerable attention to the study of unions, perceiving them as politico-economic organizations and emphasizing their wider role as social institutions (McNulty, 1980).

The legacy of those two approaches continued in the 20th century and contemporary analyses of labor unions. The orthodox approach (originating mainly from the work of John Dunlop), generally conceives unions as purely economic units, analogous to firms, which can be studied by applying the standard tools of microeconomic theory. In this framework, the notion of union leadership plays a minimum role. In contrast, the non-orthodox viewpoint (originating mainly from Arthur Ross' works), embraces a holistic, institutional-political-based attitude to labor unionism (Kaufman, 2002).

Historical Background of Non-Orthodox Approaches to Unions

The early economic literature on unions and their objectives was rather short and incomplete. Most Classical economists, Marginalists, and early Neoclassicals considered the study of institutions such as unions, outside the scope of economic science (McNulty, 1980). On the contrary and during the same period, non-mainstream economists provided discussions concerning the nature of unions and union leadership. The first systematic economic study of trade unions can be traced to Sidney Webb and Beatrice Webb's work (1897). In clear opposition to the orthodox viewpoint, they described their methodological approach as follows:

We then analyze the economic characteristics, not of combination in the abstract in a world of ideal competition, but of the actual Trade Unionism of

the present day in the business world as we know it (Webb & Webb, 1897, viii).

The Webbs investigated the structure of unions, emphasizing the political aspect of “unions as democracies”, also relying on empirical facts with the aid of statistics (Webb & Webb, 1897). Similarly, John Commons, a major figure of the old institutional school, argued that the economic purpose of unions was the improvement of working conditions and laborers’ living standards or the redistribution of wealth. Commons also attached great significance to “the more general function of unionism — responsibility for representative democracy in industry” (Perlman, 1960, p.341; Kaufman, 2000). Furthermore, other first-generation institutional economists such as Robert Hoxie, Selig Perlman, and George Barnett, adopted a more sociological-historical attitude which demonstrates the interdisciplinary character of their studies (Rutherford, 2011). Their analysis of unions and their leadership was also part of their holistic methodology emphasizing the social nature of man, collective decision-making, and particular institutional histories (Drakopoulos & Katselidis, 2023).

In contrast to the above developments, the first attempts to model union behavior in a standard economic maximizing framework were made by orthodox theorists during the 1930s. The representative examples were John Hicks and Frederik Zeuthen who developed a maximizing model of bargaining between trade unions and employers, which constituted the basis for future theoretical developments like the “efficient bargaining” or the “right-to-manage” models. After WWII, there was a gradual shift from an institutional and holistic approach toward a more neoclassical and formalized approach by constructing analytical models of unions within a standard microeconomic framework (Boyer & Smith, 2001).

Arthur Ross’ Holistic Approach

In the post-WWII period, Arthur Ross synthesized the previous mainly institutional analyses of unions and strongly criticized the mainstream “economic” union model. His ideas were formed in the context of an academic discussion with John Dunlop who was the leading figure of orthodox labor economics (Dunlop, 1944). Ross emphasized the nature of the union as a political agency:

The trade union is a political institution that participates in the establishment of wage rates. To conceive of the union as a seller of labor attempting to maximize some measurable object (such as the wage bill) is a highly misleading formulation. (Ross, 1947, pp.587)

Ross rebutted Dunlop's contention that wages are determined by impersonal market forces since the "union is not a seller of labor and is not mechanically concerned with the quantity sold" (Ross, 1948, pp.4). Furthermore, Ross conceived of unions as a "collectivity," which implies that the influence of group behavior is stronger than individual behavior. Thus, to understand unions' behavior, one should not limit the analysis to a narrow economic context by using a mechanical application of the maximization principle but should place it in a broader framework, taking into consideration psychological, sociological, and (mainly) political aspects. Ross pointed out that the "economic environment is important to the unions ... because it generates political pressures which have to be reckoned with by the union leader" (Ross, 1948, pp.14). Moreover, he contended that the union, as a political entity, not only strengthens democracy but also plays a significant role in issues like social justice and equity. By contrast, Dunlop's microeconomic framework could not deal with such themes, thus expelling from trade union analysis some important non-economic parameters that have a strong influence on unions' behavior (Kaufman, 2002).

The Ross-Dunlop debate reflects the two streams of economic thought on the nature and role of unions. The post-war history of union literature demonstrates that Dunlop's ideas eventually prevailed. The emerging post-war mainstream methodological framework — with its mathematical formalism and the exclusion of sociological, political, and psychological elements from economic analysis — was the main reason for the prevalence of Dunlop's ideas (Drakopoulos & Katselidis, 2014). This meant that the post-war orthodox economics conceived of unions as economic decision units that maximized a union utility function subject to various objective constraints (Boyer & Smith, 2001).

Union Leadership

The orthodox approach to union leadership stems from Dunlop's stance that union leaders bear a strong resemblance to business executives as far as their "habits of mind" and their knowledge of the functioning of economic processes were concerned (Dunlop 1944). The clear implication is that union leadership plays no essential economic role and unions are analyzed in the same manner as a business enterprise. In contrast, in Ross' political model and subsequent Rossian-based literature, union leadership plays an active role in the union's wage and employment policies. There is an emphasis on the differences between union members and their leaders (Ross 1947, 569-584). As an example, the wage policy pursued by the union leadership does not correspond to any maximization principle but, rather, is the outcome of the political process in the union as the leadership strives to choose a wage that increases the well-being of the membership, promotes the union's growth and survival, and, most importantly, ensures the leadership's re-election to office (Drakopoulos & Katselidis, 2014). Subsequent literature has recognized the significance of the democratic process of unions and the accompanying differences in the goals between the leadership and the rank and file (Atherton, 1973; Farber, 1986; Booth, 1995). For instance, in some formulations union wage policy is determined by the union leadership (Burton, 1984). In other works, leadership is interested in maximum membership, whereas the wage goal of the rank and file is set by the median member (Pemberton, 1988).

Given the rather insular stance towards union leadership among mainstream economists, there is another source of research on this issue originating from neighboring fields to economics. Industrial Relations, Organization Studies, and Personnel Psychology are the main examples of such fields. Research from these areas points to the importance of union leadership in fostering member participation and explores how union leaders cultivate member participation. They also analyze the multi-dimensional aspects of union leadership (Kahn & Tannenbaum, 1957; Parks et al., 1995; Metochi, 2002; Hammer et al., 2009; and for a review Sadler, 2012). Further, it is interesting that most of these approaches conform to the

methodological spirit of non-orthodox economics, accepting that unions should be treated as internally complex and variable social entities regarding three key dimensions: institutional, social, and political (Gall & Fiorito, 2012; Fortin-Bergeron et al., 2018).

Unions and Gender

Similarly, to union leadership, orthodox labor theory has not much to say regarding the role of women in unions. Union membership is treated as homogeneous with no reference to gender. On the contrary, there is a growing non-orthodox literature that examines gender union membership and leadership. This literature also acknowledges the increasing proportion of women in the labor force and trade union membership (Ledwith, 2012). In fact, in many advanced industrialized countries, women now constitute a far greater proportion of union membership than they ever have, very often around half of members (Kirton, 2017). Despite this trend, women remain under-represented in the leadership and decision-making structures of the unions. Research indicates that women face gendered barriers to union leadership and suggests union structural reforms, strategies, and policies to encourage gender equality and overcome barriers to leadership (Ledwith, 2012; Dean & Perrett, 2020). Finally, non-orthodox approaches seem to offer insightful explanations for key issues such as the observed gender pay gap, connecting it to the gender leadership gap (Ledwith & Munakamwe, 2015).

Concluding Comments

In the orthodox economics conception of unions as purely economic decision units, there is no room for the role of union leadership. On the contrary, non-orthodox economists follow the holistic tradition of A. Ross and study unions as political and collective entities engaged in several economic and non-economic activities. Consequently, union leadership plays an active role in influencing union policies toward wages, employment, and membership. The same holds for the gender dimension, a topic that is neglected by orthodox analysis. These two themes demonstrate the crucial methodological differences between the two approaches.

The non-orthodox stance towards unions has many common points with other social disciplines which also study union behavior and unions' wider role. The discussion on union leadership and the role of women in unions are two of the common points, that can be seen as constructive cases of interdisciplinary collaboration, something which seems necessary for the study of complex organizations such as unions.

Cross references: Union leadership; Gender, Equity

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