Card Check vs. NLRB Elections: 
Stock Market and First Contract Effects

Steven Abraham  
Adrienne E. Eaton  
Paula B. Voos

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Rutgers University  
School of Management and Labor Relations  
Janice H. Levin Building  
94 Rockafeller Road  
Piscataway, NJ 08854

www.smlr.rutgers.edu
While business groups uniformly oppose legislation to expand card check recognition of unions, investors react differently. According to a study conducted by Professors Steven Abraham, Adrienne E. Eaton and Paula B. Voos, stock prices fall relative to expected return in the contentious months leading up to National Labor Relations Board representation votes, but rise when employers agree to base union recognition on voluntary card checks.

Their study compared stock performance in the 120 days leading up to voluntary card-check recognition of unions for 52 private corporations whose stock is publicly traded with market performance in the same period leading up to NLRB representation elections in 51 cases involving the same company and 228 cases involving the same union. “Their research is particularly timely given the debate over the Employee Free Choice Act, which would statutorily require card check recognition of unions.”

While stock prices performed an average of 10.6 percent better than would have been expected based on market models in the 52 card-check cases, share price dropped in the days leading up to the NLRB vote whether the company won or lost the representation vote. Stock prices performed an average of 5.8 percent worse in the 71 NLRB votes that the union won and 5.0 percent worse in the 203 elections that the company won.

### Results Supported by Canadian Experience

While the study focuses on voluntary card check campaigns, its findings on stock performance comport with a comparative study in Canada, which has statutory card check recognition in the federal government and several provinces. In Canada, representation elections had a negative impact on expected stock performance, with bigger drops in votes that the company lost, while statutory card check campaigns had virtually no impact on share price.

### An Indicator of Future Labor–Management Relations?

The authors suggest that the principal reason for the difference in Wall Street reaction to card-check recognition vs. NLRB representation elections is that investors view voluntary card-check campaigns as an indicator of current and future labor-management cooperative relations, while NLRB representation elections are characterized by negative campaigns that increase workplace disruption, hurt productivity and are indicators of bitter collective bargaining ahead if the union wins.

“If changes in shareholder wealth subsequent to card-check recognitions are believed to be an accurate forecast of the present value of the future stream of profits generated to a firm, then the benefits to the firm from positive labor relations and reducing organizing and bargaining costs are sufficiently sizeable to offset the much greater probability that recognition will lead to an initial collective bargaining agreement,” the authors wrote. “This is truly extraordinary.”

### Impact on Stock Price of Voluntary Card Check Vs. NLRB Vote

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<tr>
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<th>Voluntary Card Check Union Recognition</th>
<th>Union–Won NLRB Vote</th>
<th>Company–Won NLRB Vote</th>
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<tbody>
<tr>
<td>Expected Stock Price (Based on Market Models)</td>
<td>+10.6%</td>
<td>-5.8%</td>
<td>-5.0%</td>
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The authors acknowledged that implementation of a statutory card check through the Employee Free Choice Act would be more likely to produce a smaller stock price gain than their study found, or even zero, as in the Canadian experience. However, “the bottom line is that a statutory card check process in the United States would be less costly to employers than the current representation election process,” the authors concluded.

**Impact on Ease of Contract Negotiation**

The authors also examined the process of negotiating first contracts after card-check recognitions and conducted interviews with employers, union representatives, and employees in an effort to determine if card-check campaigns resulted in substandard or sweetheart contracts for employers, as some union critics have complained.

Their survey found that 96 percent of unions certified through voluntary card check campaigns resulted in first contracts, and that most employers and employees surveyed found that the negotiations were faster, easier and less laden with conflict than they had expected. This result contrasts sharply with previous studies finding that between 20 percent and 44 percent of newly certified unions fail to reach a contract.

Failure to reach a contract after what is often a divisive NLRB election campaign increases workplace tension and exacerbates negative labor-management relations. Furthermore, it leaves unions little recourse other than a work stoppage or slowdown tactics, with the resulting drop in productivity and profits that Wall Street correctly anticipates in its negative reaction to NLRB representation campaigns vs. voluntary card-check initiatives.

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