

# Labor Relations

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## 98 CASE

### *Union Organizing at SGA Industries*

#### INTRODUCTION

President White sat in his office at SGA Industries thinking about the union election taking place at the plant auditorium. He felt that the company had waged a successful campaign to persuade workers that their best interests would be served only if the company remained union-free. As he awaited the election results, his mind began to wander back to the events leading up to today's election.

#### BACKGROUND

SGA Industries is known as the world's largest producer of women's hosiery and employs approximately 6,500 people at ten plants in five communities in Georgia and South Carolina. The company's headquarters is located in Anderson, Georgia. The company's sales subsidiary, SGA Inc., has 12 offices in major market areas throughout the United States and sells its products directly to distributors around the world. The company's strategy of strong identification with the customer has made SGA one of the most recognized names in the entire hosiery industry.

SGA was founded in 1907 by Sam Gerome Anderson. Anderson built the company, and the surrounding community was named after him in 1910. Ever since, the fortunes of Anderson residents have been interwoven with those of SGA. Over the years the company supported the community, donating land and money for churches, schools, and hospitals, and providing jobs for nearly a third of the town's residents. As the years passed, further expansion and product diversification occurred, and the company gained a reputation as an industry leader in the design, production, and marketing of women's and men's hosiery and undergarments.

After the death of the last Anderson family member, SGA was managed by four chief executive officers in less than a dozen years. Then, the company was purchased for \$550 million by Jack Phillips who is a well-known Atlanta entrepreneur and business leader. Soon after the purchase, Phillips appointed Ted White as president of SGA.

#### LABOR-MANAGEMENT RELATIONS

Over the years, SGA enjoyed a reputation as a steady job provider in an unstable industry. The company provided for its workers and treated them like family members. Many believe that the company's generosity to both its employees and the town of Anderson helped to defeat an earlier union organizing drive by the Textile Workers of America, by a vote of 3,937 to 1,782. At the time of the vote, the chairman called it "an expression of confidence by employees." The SGA vote was viewed as a severe blow to union organizing efforts in the South.

Contributed by Dr. Gerald Calvasina, Southern Utah University

When Phillips purchased SGA, he announced that his major goals would be to improve the community and to improve the quality of life for SGA employees and their families. Phillips invested over \$100 million to reach these goals. The total included funds for pay increases; new job benefits; capital improvements, including the use of robots on the production line; community improvements; and other contributions. These improvements were also accompanied by a shift in management philosophy. The theme of the new philosophy was self-sufficiency, and it signaled an end to the benevolent paternalism that had so long characterized employee relations at SGA. Greater emphasis was henceforth placed on employee performance and productivity.

During the mid-1980s, the entire hosiery industry experienced major problems. Growing foreign competition and imports had a negative impact on domestic hosiery manufacturers. Many manufacturers attempted to reverse the impact by intensive capital investments in new technology, by the reorganization and downsizing of plants, and by instituting programs to improve employee productivity and efficiency. SGA was not spared from this competition. Its international sales fell dramatically from \$26 million to \$10 million. Faced with increasing imports and weak consumer sales, the company was forced to lay off 1,500 employees, reduce pay scales, and rescind many of the perks that the workers had enjoyed under the Anderson family. Many of these changes drew worker protests and created a good deal of tension between workers and management.

Wages in the industry had been rising steadily but were still lower than wages in the manufacturing sector in general. On a regional basis, the differential was still quite wide, with a study showing that wages ranged from \$10.56 per hour in South Carolina to \$14.90 in Michigan. In addition, as technology advanced, more skilled operatives were required, thus increasing the cost of turnover to companies. Employers in the industry also were becoming increasingly more dependent on women and minorities for employees. At SGA, 40 percent of the employees were women and 35 percent of the total workforce were minorities. Minorities and women made up less than 2 percent of the management staff.

## **THE ELECTION CAMPAIGN**

Despite its earlier defeat, the Amalgamated Clothing and Textile Workers Union (ACTWU) was back in Anderson, armed and ready for an organizing effort that would divert the attention of SGA management for several long, tense months.

While many employers learn of union organizing efforts by their employees only after the National Labor Relations Board informs them, the ACTWU's efforts to organize SGA employees were clearly out in the open a full nine months before the election. With a union office in downtown Anderson and a healthy budget, the ACTWU, led by Chris Balog, engaged in one of the most sophisticated union organizing efforts ever seen in the area. Using computerized direct mailing to stay in touch with workers, as well as extensive radio and television advertising, the union effort at SGA attracted wide attention. Many observers felt that the outcome of ACTWU's drive would have significant implications for the ability of labor unions to make inroads into traditionally nonunion regions of the country.

## **UNION'S CAMPAIGN**

The campaign issues developed and communicated to workers were, for the most part, predictable. Job security was brought to the front early and was easily introduced to the campaign in the wake of over 1,500 layoffs and selective plant closings by SGA management. In addition, in an attempt to become more competitive in the face of increasing foreign

competition, increased workloads and reduced wage rates were key issues raised by the union. The union repeatedly accused Phillips of engaging in unfair labor practices by threatening to sell or close the company if the union were to win bargaining rights for SGA workers. To a certain extent, the union did expand on the traditional wage, hour, and working condition issues typically raised in organizing efforts. As the campaign progressed, Phillips became a focal point of union rhetoric, and the union attempted to portray Phillips as a greedy and ruthless city slicker from Atlanta who was not interested in the long-term survival of SGA and its employees.

### MANAGEMENT'S CAMPAIGN

While Phillips became a focal point of union criticism as the campaign wore on, his role in management's response to the organizing efforts was critical throughout the months preceding the election. With President White leading the anti-union campaign, backed by a sophisticated strategy developed by an Atlanta law firm specializing in anti-union campaigns, SGA was able to quickly respond to every issue raised by the union.

The SGA strategy to defeat the union organizing effort included extensive meetings with community, business, and religious leaders in an attempt to influence workers' views about the union. Viewing anti-union films was required for workers on company time. Letters sent to workers' homes by President White and Phillips emphasized the need for team spirit, not only to keep the union out, but to overcome the threat created by hosiery imports. President White put it this way:

"We intend to do everything that is proper and legal in this campaign to defeat the union. This is essential if we are to remain competitive in the hosiery business. Every day, we are facing more foreign competition. Not only do our workers understand this, but I think the public does also. We have been able to communicate with our workers in the past, and we don't need a third party voice. We all must work together as a team. The only way SGA can beat the encroaching foreign competition is to streamline and consolidate our operations."

White and Phillips made repeated visits to plants to shake hands and listen to workers' concerns. The weekly employee newsletter was filled with anti-union letters written by workers and community members. Late in the campaign, a letter was sent to SGA workers from Jack Phillips explaining why they should vote against the union (see Exhibit 5.2). In response to the union claim that Phillips was attempting to sell the company, Phillips told the workers that "SGA is not for sale, but if I determine that the company cannot operate competitively, I can and I will cease to operate SGA. This is entirely up to me and nobody can stop me—including this union."

### EMPLOYEES' VIEWS

The employees were divided over the union organizing campaign. Several employees formed an Anti-Union Committee, which organized an SGA Loyalty Day. At one rally sponsored by the Anti-Union Committee, "No Union" badges, "Be Wise—Don't Unionize" t-shirts, and "Vote No" hats were worn by several hundred employees. A statement by Terry Floyd, a shift leader, summed up the view expressed by some employees:

"We, as employees of SGA, do not feel that it is in the best interest of our company and its employees to be represented by ACTWU. Many generations of the same families have worked at this plant; part of our strength is family heritage. I'm afraid a union will destroy that strength. We feel that a union is not needed and that we can work with management as a team."

**To All SGA Employees:**

It is only fair for you to know SGA's policy on unions. Our policy is quite simple. We are absolutely opposed to a union at any of our plants. We intend to use every legal and proper means to stay nonunion.

As you know, the hosiery industry has been under great pressure and competition from foreign firms. Sales in the industry have dwindled over the past few years, and we are in a poor profit position. Our government has done little to protect your jobs and stop the imports from eroding our sales. Only you and I can save this company and your jobs.

Our whole industry has been forced to modernize our production process to make it more efficient. In fact, you know that many firms have merged together to strengthen their market position. Our company, too, will have to explore the possible advantages of pooling resources and products. In the long run, such strategy can only benefit employees and management alike. I know bringing in the ACTWU at this time will only drive up our operating expenses and jeopardize our chances of making such arrangements. Only management has the right to decide how to operate this company. If we find we cannot operate this company profitably, we may be forced to consider other options.

We are convinced that unions have the tendency to create an adversarial relationship between employees and management. Cooperation and teamwork cannot exist in such a hostile environment. It is only through cooperation and teamwork that we will get through the crisis.

No SGA employee is ever going to need a union to keep his/her job. We know that ACTWU cannot help this company or you and will probably cause us to lose even more of our market and threaten your job security. I urge you—do not vote for the union. Let's all pull together and remember the goodwill of the Anderson family and how it has stood behind you all of these years.

Sincerely,



Jack Phillips  
Chief Executive Officer

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Others workers expressed support for the union. One worker stated, “We need a union for protection. At least it would give us a voice. Supervisors can be too arbitrary.” Others pointed to pay increases and bonuses for top management in the wake of wage cuts and layoffs for plant workers. Many older employees, who remembered the generosity of the Anderson family, also expressed bitterness toward SGA and worried about their pensions.

**QUESTIONS**

1. What was the impetus for the Amalgamated Clothing and Textile Workers Union (ACTWU) organizing effort at SGA Industries?
2. Discuss SGA's strategy in managing the representation campaign.
3. Discuss any potential unfair labor practice charges SGA management might face as a result of their campaign strategy.