

LABOR

What Is a Labor Union?

A labor union is an organization of workers that tries to improve working conditions, wages, and benefits for its members.

- Less than 14% of U.S. workers belong to a labor union.

How Unions Rose to Power

- The union movement took shape over the course of more than a century.
- The 1935 National Labor Relations Act, also known as the Wagner Act, gave workers the right to organize and required companies to bargain in good faith with unions.

Key Events in the U.S. Labor Movement

Year	Event
1869	Knights of Labor founded
1911	Fire in the Triangle Shirtwaist Factory in New York kills 146, spurring action on workplace safety
1932	Norris-La Guardia Act outlaws “yellow dog” contracts, gives other protection to unions
1935	Wagner Act gives workers rights to organize
1938	AFL splinter group becomes the independent Congress of Industrial Organizations (CIO), headed by John L. Lewis
1955	AFL and CIO merge to create AFL-CIO
1970s	Rise in anti-union measures by employers
1990s	Increase in public-sector unions, including teaching assistants at some universities

Declines in Union Membership

Several factors have led to declines in union membership since the 1950s:

“Right to Work” Laws

- The Taft-Hartley Act (1947) allowed states to pass **right-to-work laws**. These laws ban mandatory union membership at the workplace.

Economic Trends

- Unions have traditionally been strongest in the manufacturing sector, representing **blue-collar workers**, or workers who have industrial jobs. Blue-collar jobs have been declining in number as the American economy becomes more service-oriented.

Fulfillment of Union Goals

- With the government setting workplace safety standards, and with more benefits being provided by both private and government sources, some claim that the union membership has decreased simply because their goals have been fulfilled.

Union Workplaces

Closed Shops

- A closed shop hires only union members. This type of workplace is now illegal.

Union Shops

- A union shop will hire nonunion members, but requires them to join the union within a certain period of time.

Agency Shops

- An agency shop will hire nonunion workers and does not require them to join the union in order to keep their jobs. However, nonunion workers must pay union dues or similar fees, and they are covered by the union contract.

Collective Bargaining

Collective bargaining is the process in which union and company representatives meet to negotiate a new labor contract.

Wages and Benefits

- The union negotiates on behalf of all members for wage rates, overtime rates, planned raises, and benefits.

Working Conditions

- Safety, comfort, worker responsibilities, and other workplace issues are negotiated and written into the final contract.

Job Security

- One of the union's primary goals is to secure its members' jobs. The contract spells out the conditions under which a worker may be fired.

Labor Strikes and Settlements

Strikes

- If no agreement is met between the union and the company, the union may ask its members to vote on a **strike**. A strike is an organized work stoppage intended to force an employer to address union demands. Strikes can be harmful to both the union members and the firm.

Mediation

- To avoid the economic losses of a strike, a third party is sometimes called in to settle the dispute. **Mediation** is a settlement technique in which a neutral mediator meets with both sides to try and find an acceptable solution for both sides.

Arbitration

- If mediation fails, talks may go into **arbitration**, a settlement technique in which a third party reviews the case and imposes a decision that is legally binding for both sides.

The United States Labor Force

Economists define the **labor force** as all nonmilitary people who are employed or unemployed.

Employment

People are considered employed if they are 16 years or older and meet at least one of the following requirements:

- they worked at least one hour for pay within the last week; or
- they worked 15 or more hours without pay in a family business; or
- they held jobs but did not work due to illness, vacations, labor disputes, or bad weather.

Unemployment

People are counted as unemployed if they are 16 years or older, not institutionalized, not currently working, and meet one of the following criteria:

- they are temporarily laid off from their jobs
- they will be reporting to new jobs within 30 days
- they are not working but have looked for work within the last 4 weeks.

Supply and Demand in the Labor Market

Labor Demand

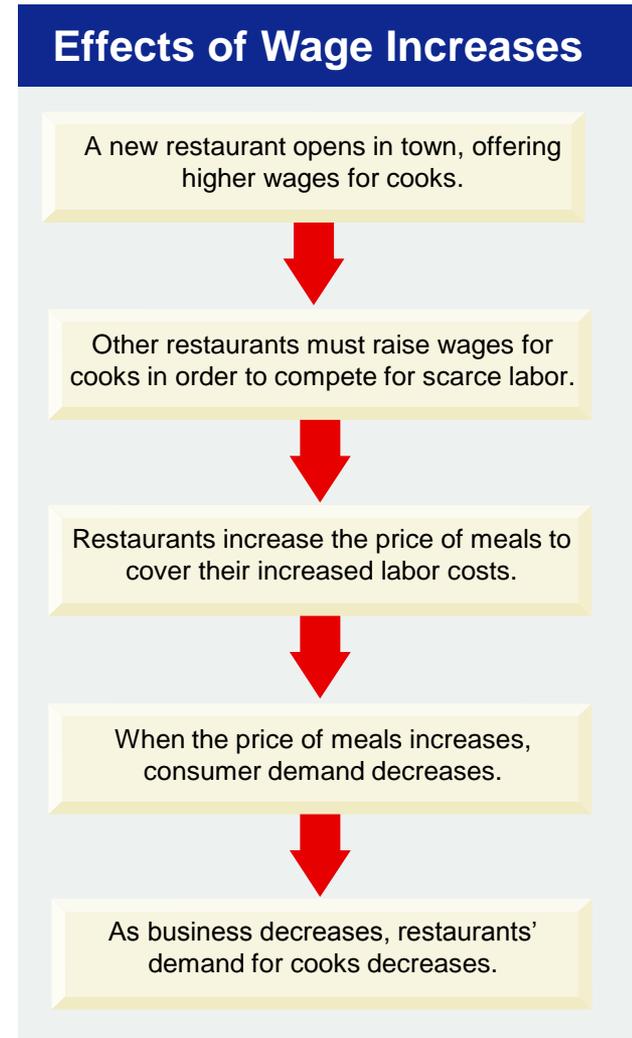
- The higher the wage rate, the smaller the quantity of labor demanded by firms and government.

Labor Supply

- As wages increase, the quantity of labor supplied also increases.

Equilibrium Wage

- The wage rate that produces neither an excess supply of workers nor an excess demand for workers in the labor market is called the **equilibrium wage**.



Wages and Skill Levels

Wages vary according to workers' skill levels and education.

Jobs are often categorized into the following four groups:

Unskilled Labor

Unskilled labor requires no specialized skills, education, or training. Examples: waiters, messengers, janitors

Semi-Skilled Labor

Semi-skilled labor requires minimal specialized skills and education. Example: fork-lift operator

Skilled Labor

Skilled labor requires specialized skills and training. Examples: auto mechanics, plumbers

Professional Labor

Professional labor demands advanced skills and education. Examples: lawyers, doctors, teachers

Wage Discrimination

Laws Against Wage Discrimination

- The Equal Pay Act of 1963 declared that male and female employees in the same workplace performing the same job had to receive the same pay.
- Title VII of the Civil Rights Act of 1964 forbids job discrimination on the basis of race, sex, color, religion, or nationality.

Pay Levels for Women

- Despite these protections, American women today only earn about 75 percent of what men earn.

Pay Levels for Minorities

- As the figure to the right shows, racial minorities tend to earn lower pay than whites.

Median Earnings for U.S. Workers, by Sex and Ethnicity, 1998



Occupational Trends

A Changing Economy

- The economy of the United States has transformed from a mainly agricultural economy in the 1800s, to an industrial giant in the 1900s.
- The computer chip has revolutionized the economy since its introduction in the later 1900s.

Fewer Goods, More Services

- Overall, the United States is shifting from a manufacturing economy to a service economy.
- As service jobs increase, the nation is losing manufacturing jobs.
- Demand for skilled labor is rising, and the supply of skilled workers is increasing to meet the demand.

Labor Force Trends

College Graduates at Work

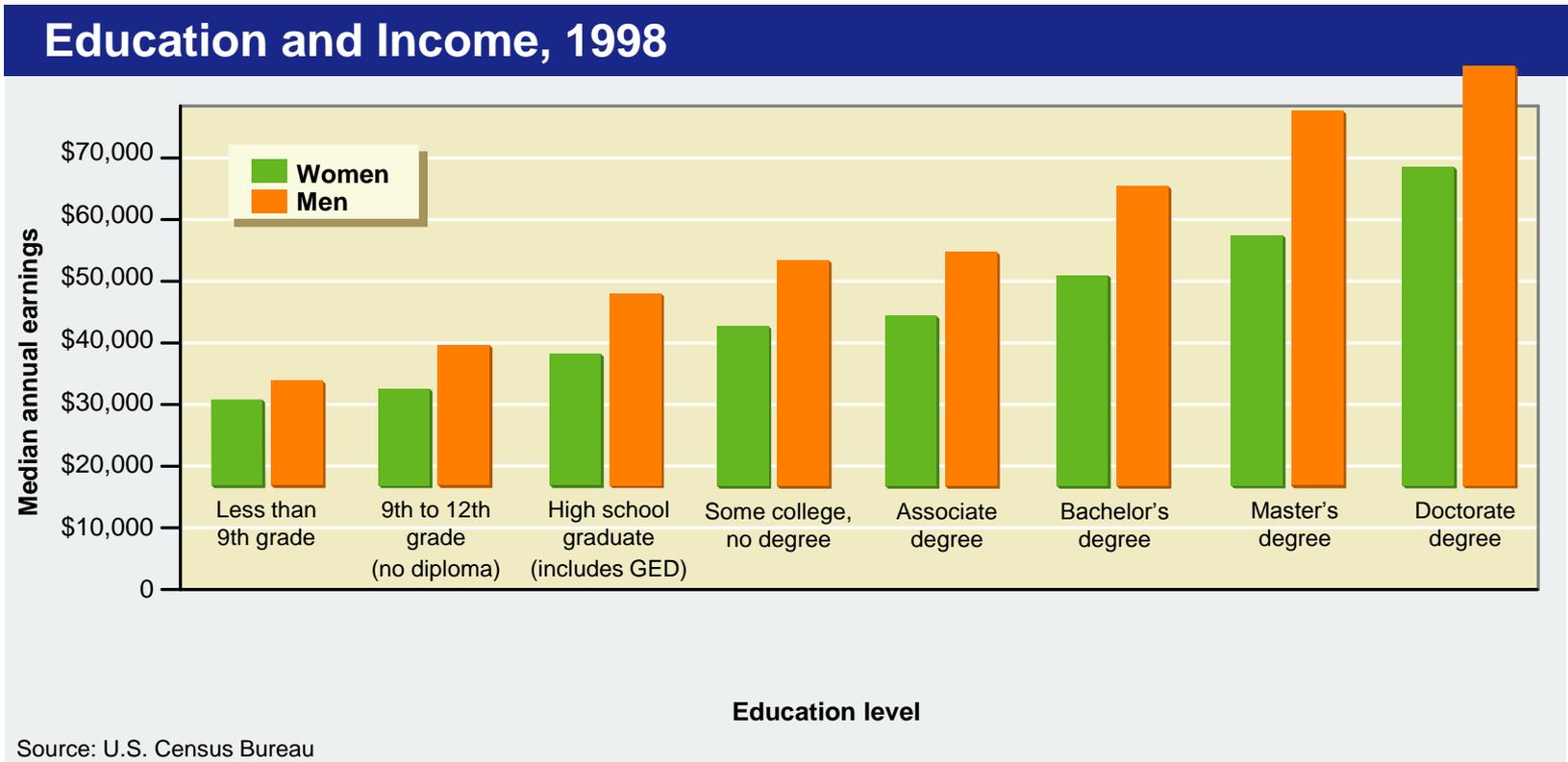
- The **learning effect** is the theory that education increases productivity and results in higher wages.
- The **screening effect** theory suggests that the completion of college indicates to employers that a job applicant is intelligent and hard-working.

Women at Work

- Overall, the number of women in the work force has increased from about 38% of all women in 1960 to about 60% in 1997.

Education and Earnings

Potential earnings increase with increased educational attainment.



Temporary Employment

Contingent employment is temporary or part-time employment.

- Temporary employees offer firms some of the following benefits:
 1. Flexible work arrangements.
 2. Easy discharge due to the lack of severance pay for temporary workers.
 3. Temporary workers are often paid less and receive fewer benefits than their full-time counterparts.
 4. Some employees prefer temporary arrangements.

Trends in Wages and Benefits

Earnings Up for Some, Down for Others

- Earnings for college graduates have increased, while earnings for workers without college degrees have decreased.
- Average weekly earnings in the United States decreased from \$275 in 1980 to \$261 in 1997, as measured in inflation-adjusted dollars.

Cost of Benefits Rises

- Benefits now make up about 28% of total compensation in the economy.
- For employers, rising benefits costs raise the cost of doing business and decrease profits. Many firms are turning to contingent employment to curb benefits costs.