

The Nature of Labor Unions in the U.S. Economy

I. Introduction.

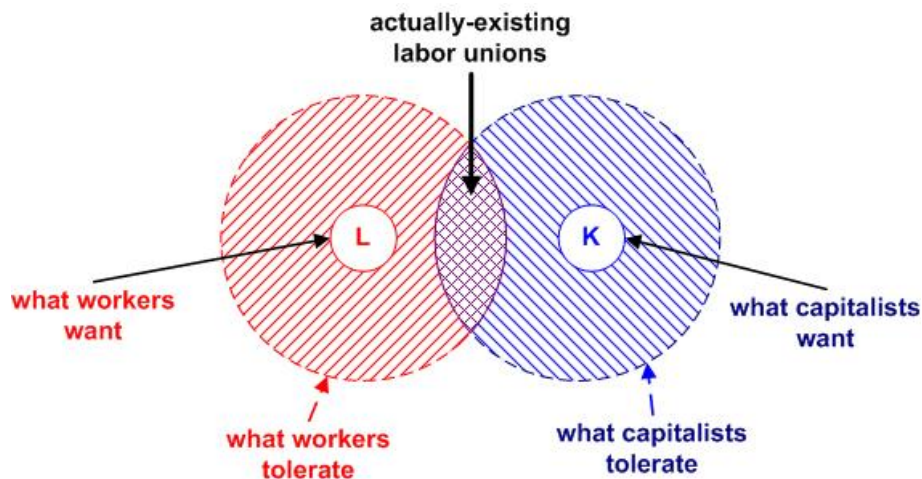
A. There are a wide variety of different kinds of unions, so it's hard to generalize about structure, motivations, and behavior:

- 1) small, largely democratic, craft unions, as in the building trades and Hollywood,
 - (a) often seen as pests by managers and even other workers because of their restrictions on work rules.
 - (b) They also help organize labor markets and the production process.
- 2) large, bureaucratic, industrial organizations such as the UAW and UNITE HERE, which are
 - (a) somewhat distant from their membership but
 - (b) democratic in the broad sense of the word (like US politics).
 - (c) some are corrupt unions as much of the Teamsters or the Laborers, often controlling the membership in coalition with the employers (for a price).
- 3) a variety of other types.

B. Most unions are struggling to survive these days, especially outside of the government sector.

C. The actually-existing unions result from the intersection of two forces:

- 1) Why workers want unions. Most unions wouldn't exist if workers didn't want them. Unions typically work better here if they are democratic.
- 2) employers' attitude toward unions. In many cases, employers want unions, but these days they typically do not.
- 3) the diagram below sketches the nature of unionism.



- 4) The actually-existing unions represent a compromise between what workers want (circle **L**) and what capitalists want (circle **K**). They are in the overlapping

space of the two circles “what workers tolerate” and “what capitalists tolerate.” If either side can tolerate the existing union, it will cease to exist.

II. The perspective of workers: the need for democratic collective bargaining.

A. life is more than just being a consumer and getting a job is different from selling something on E-Bay. Most jobs are like a temporary stint in a planned economy that’s extremely important to one’s survival.

1) These days, most of our time (not spent asleep) is working, typically for others, or preparing for work (commuting, etc.)

(a) Thus, work is extremely important to us, going beyond the wage or salary earned.

(b) The utility or consumption-value of the work itself (sometimes negative, involving disutility) is crucial to our lives.

(c) Sometimes work gives meaning to our lives. Many workers enjoy the craft dimension of work, but don’t like the following-orders part.

(d) If nothing else, it creates a social life outside of one’s neighbors, community, and family.

2) We sell (or rent) our labor-time to an employer for a specific length of time.

(a) During that time, we are under the authority of the employer during that time period (within the limits set by law – it’s not slavery).

(b) They may require uniforms, certain behaviors, etc.

(c) In addition, the job may be boring, involve health and safety risks, etc.

3) The employment relationship is typically a repeated deal over months or years, rather than being a one-shot purchase.

(a) It’s not an anonymous relationship, but one with well-known participants

(b) Thus, it involves not just economics but sociology.

4) It involves a collective work process with several or many employees in the same workplace. This also involves sociology.

B. Markets do a pretty good job at serving consumers, but don’t serve workers very well.

1) The “sovereign consumer” in the labor employment relationship is the employer. He or she is typically the one with the money – the one that “pays the piper and calls the tune.”

(a) The employer’s greater financial resources has an impact:

(i) as Adam Smith wrote in the *Wealth of Nations*,

“... A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks [wealth] which they have already ac-

quired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him, but the necessity is not so immediate.” (volume I, ch. 8, paragraph 12)

(ii) that is, the employer typically has more bargaining power.

2) Unemployment, fall in incomes, loss of benefits, breaking social connections, and other “costs of job loss” (quitting, being fired, etc.) are normal and limit the mobility of employees, so that

(a) exit (“take this job and shove it”) is costly, so that typically only those without family responsibilities and the like can quit easily.

(b) employers typically have monopsony power.

(c) “compensating wage differentials” do not work very well, if at all (unless there are labor unions).

(d) some “stupid” behavior by unions makes sense from the workers’ viewpoint: imposing or defending work rules (including those that ban the use of certain technologies) makes sense if you assume that unemployed workers don’t get jobs immediately after being laid off and thus suffer a significant cost of job loss.

3) Many workers on the same job face exactly the same or similar conditions, such as the base wage & benefit standards, the length of the working day, & general working conditions.

(a) this is a collective good for workers that can’t be provided via individual initiative.

(b) as economics points out, there’s a “collective goods problem” in which free riders can take advantage of the collective to get benefits for themselves.

(c) Collective bargaining is needed.

4) Many workers see unions as political voices, to represent them in the political process and to counteract the power of business and other special interests.

C. Unions from the employers’ point of view:

1) Why “good” unions can be good for employers and stockholders.

(a) The positive side of unions:

(i) Many managers view the existence of unions as a sign of management failure. However, especially in the past, many took unions as inevitable and see strikes or lock-outs as a sign of management failure.

(ii) As Freeman and Medoff point out in their classic *What Do Unions Do?*:

“If industrial relations are good, with management and unions working together to produce a bigger “pie” as well as fighting over

the size of the slices, productivity is likely to be higher under unionism.”

(iii) Unions give workers a way to express their opinions in ways besides simply exiting.

(a) These can be very useful to management, while avoiding the problem of losing the most skilled, experienced, employees.

(b) They provide grievance and dispute settlement procedures and the like.

(iv) unions help avoid “wild-cat strikes,” those outside of the strikes allowed by contract’s expiration.

(a) The union leadership is easier to strike a deal with than a bunch of angry rank-and-file workers.

(v) Having an independent voice about production can “keep the boss honest and active (rather than lazy).”

(vi) High wages encourage technological progress, compensating for higher wages and benefits.

(b) In this view, management prefers a union organization that’s organized like the corporation, encouraging non-democratic, even corrupt unions.

2) On the other hand, the movement since 1980 or so toward globalization and other *laissez-faire* policies encourage cost-cutting as the major way that businesses compete with each other and tipped the balance toward anti-union attitudes of management and stockholders. In the diagram, the circle representing what capitalists will tolerate has moved to the right, so that the overlapping area has shrunk to a very small area, almost nonexistence.

(a) Unions:

(i) restrict management power.

(ii) insist on high wages and benefits that raise costs, hurting competitive advantage.

(iii) sometimes lead to contract disputes (strikes & lock-outs).

(b) So, we see businesses pushing to weaken or abolish unions, and to move abroad. Wal-Mart is the current model business. The only acceptable unions are corrupt and undemocratic.

III. Lesson for unions: need for unions to have a clear political voice and to go international.

James G. Devine
Professor of Economics
Loyola Marymount University
Los Angeles, CA 90045-2659 USA

