Chapter 13: Facing Increasingly Difficult Times, Unions Forced to Change to Survive

For many of today's American students of Labor Economics, the study of American unions may seem almost abstract and predominantly historical. For those who did not grow up in union households (which have become fewer and fewer in number), or in cities with large unionized plants, exposure to unions might have been quite limited. As noted in chapter thirteen of Modern Labor Economics, the decline in the influence of unions on the American economy in the twenty-first century is illustrated by the major decline in union membership, from roughly one in three American workers fifty years ago, to barely one in eight today. Facing continued threats from globalization to privatization to deregulation to loss of interest, unions in the U.S., as well as throughout the world, are being forced to look at changes as a matter of survival. Several recent articles in The Wall Street Journal provide a glimpse into some of these changes. We'll have to wait to see if the changes occur and if they are effective.

One major challenge faced by American unions, or perhaps more accurately, by the American union movement, is to avoid fighting amongst themselves and to focus their energy on dealings with management. Articles by Jeanne Cummings and Gary Fields suggest that the internal battles may take center stage in the short term. Disputes over strategies for and the emphasis on growing membership are leading member unions of the AFL-CIO to demand a greater share of member dues to better finance local organizing efforts. Some of the member unions appear to have lost faith in the leadership of the Federation, and see growth in membership as a key to building and retaining political clout. At this writing, it appears that they will either force a much weaker role for Federation leadership, or leave the Federation and go on their own, though parties on both sides are concerned that a continued dispute could waste valuable time, energy, resources, and goodwill.

An article by Paul Glader and Kris Maher chronicled a different development for American unions. They reported on increased efforts to form alliances with unions from other countries working in the same industries. Such efforts seem to be a natural outgrowth from increasingly international markets, just as the national union became the locus of power for many U.S. unions in response to the development of national product markets. But the challenges of getting international workers to coordinate their efforts are substantial. On top of language and cultural differences, workers' economic interests can also vary considerably from one country to the next. For example, even though American workers have a great deal in common with Canadian workers, the latter enjoy health care coverage from the government and are much less likely to be as concerned with employer-provided health care benefits as their American counterparts. Certainly since the days of the Cold War, American unions have also considered the unions in much of the world to be much more driven by communist and socialist roots, something not absent from the American experience, but long-since discarded by most.

The unification of Europe and the inclusion of many eastern European countries formerly part of the Soviet bloc is bringing similar pressures to bear on European unions, particularly in the automobile industry. Western European automakers have built new production facilities in Eastern Europe and elsewhere (including the United States), in addition to acquiring other companies such as Volkswagen's purchase of Czech automaker Skoda and Mercedes' purchase of U.S.-based Chrysler. As Neal Boudette reports, having production facilities in multiple locations is creating intense competition for where the automakers will have their cars built. Not unlike the disruption that the huge import boom caused for U.S. automakers and their unions in the 1970's and 1980's, European unions are having to give up on virtually all dimensions of their contracts, making concessions on wages at some plants, relaxing restrictive work rules at others, and working longer hours and holidays at others. More militant factions in some unions have tried to resist changes, but in many cases have been convinced after seeing companies to shift production to another country.

One of the biggest conflicts between union dominance under old economic rules and new market realities is occurring in France, where an attempt to privatize a portion of the electric utility industry has resulted in a fierce battle to protect long-held union benefits that many see as unsustainable in today's economy. John Carreyrou reports that the perks French utility workers get include: 90 percent discounts on their power bills; free health care; subsidized housing, meals,
and vacations; lifetime employment guarantees; and the option to work just 32 hours per week for a slight pay reduction instead of the standard 35 hours per week. Like most French workers, they get seven weeks of vacation, and quite liberal retirement benefits that allow many to retire at age 55 with a pension up to 75 percent of their last salary. But the returns on revenue for the French utility were just 2.9 percent in 2004, compared to a European average of about 7 percent.

Sources:

a. What factors can explain the decline of unionization in the United States from one in three workers to one in eight?
b. Is the union-management relationship an adversarial relationship? Why or why not?
c. Explain why the natural power base for unions is national when product markets are national, and likewise may be international as globalization makes product markets international. Include a discussion of the factors of labor demand elasticity in your answer.