



**Chapter 9: Labor
Section 3**

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ECONOMICS

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Objectives

1. **Describe** why American workers have formed labor unions.
2. **Summarize** the history of the labor movement in the United States.
3. **Analyze** reasons for the decline of the labor movement.
4. **Explain** how labor and management negotiate contracts.



Key Terms

- **strike:** an organized work stoppage intended to force an employer to address union demands
- **right-to-work law:** a measure that bans mandatory union membership
- **blue-collar worker:** someone who performs manual labor, often in a manufacturing job, and who earns an hourly wage
- **white-collar worker:** someone who works in a professional or clerical job and who usually earns a weekly salary



Key Terms, cont.

- **collective bargaining:** the process in which union and company management meet to negotiate a new labor contract
- **mediation:** a settlement technique in which a neutral person, the mediator, meets with each side to try to find a solution that both sides will accept
- **arbitration:** a settlement technique in which a neutral third party listens to both sides and then imposes a decision that is legally binding for both the company and the union



- How do labor unions support the interests of workers?
 - Labor unions support the interests of workers with respect to wages, benefits, and working conditions.
 - They provide workers with the power of collective bargaining.



Labor Unions

- What can employees do who feel that they are paid too little, work too many hours, or work in unsafe conditions?
 - Many workers choose to join labor unions to deal with such issues.
 - In the United States today, one out of every eight workers belongs to a labor union.
 - In the past, though, unions had a stronger influence on the nation's economy.



The Labor Movement

- Labor unions arose largely in response to changes in working conditions brought about by the Industrial Revolution in the early to mid-1800s.
 - Working conditions in factories were poor and very dangerous.
 - Skilled workers began to form unions to protect their interests but many were fired for joining.
 - In 1886, Samuel Gompers founded the American Federation of Labor (AFL), which ignited the U.S. labor movement.



The Labor Movement, cont.

- Many employers did not respond well to unions and forced workers to sign yellow-dog contracts, promising not to join unions.
 - In the 1930s, Congress passed measures that protected unions. Union strength grew, peaking in the 1940s at about 35 percent of the nation's non-farm workforce being members.
 - Checkpoint: Why did union membership rise in the 1930s?



The Labor Movement, cont.

- Unions became the dominant force in many industries, making money in member dues and controlling the day-to-day operations of many industries.
- As they grew, some unions began to abuse their power. As a result, companies in need of improved efficiency in order to stay competitive found unions to be an obstacle.



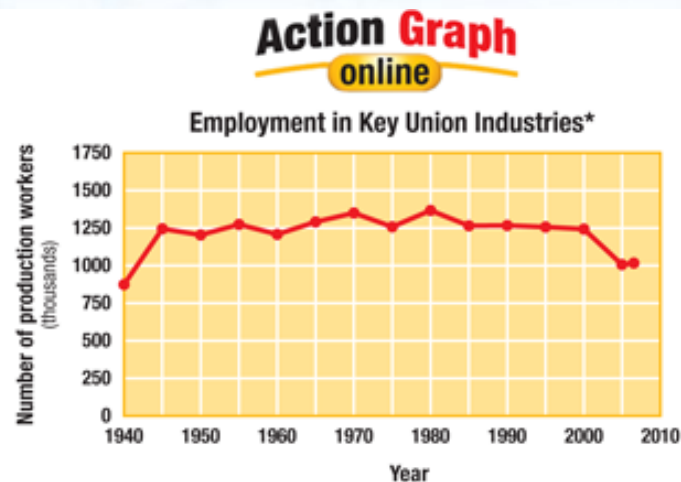
The Movement Declines

- Checkpoint: What are three explanations for the decline in union membership?
 - In 1947, Congress passed right-to-work laws, banning mandatory union membership.
 - Other reasons for decline include:
 - The decline of manufacturing in the United States, where unions were the strongest
 - Rise of women in the workforce
 - Movement of industries to the South, which historically has been less friendly to unions

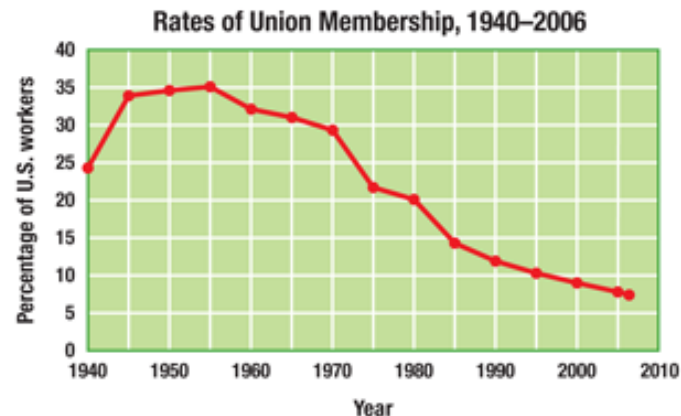


The Movement Declines, cont.

- Another theory for union decline is that other institutions now provide many of the services that had been won in the past by unions.
 - What was the peak of union membership?



*companies producing manufacturing-related goods and services
SOURCE: Bureau of Labor Statistics



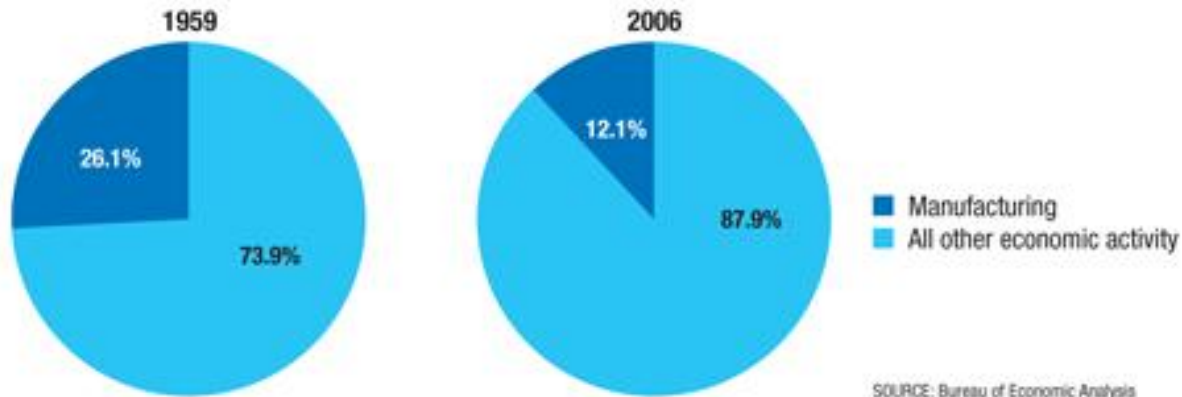
SOURCE: "Sluggish Institutions in a Dynamic World: Can Unions and Industrial Competition Coexist?," by Barry Hirsch and David MacPherson, *Journal of Economic Perspectives*, Fall 2007.



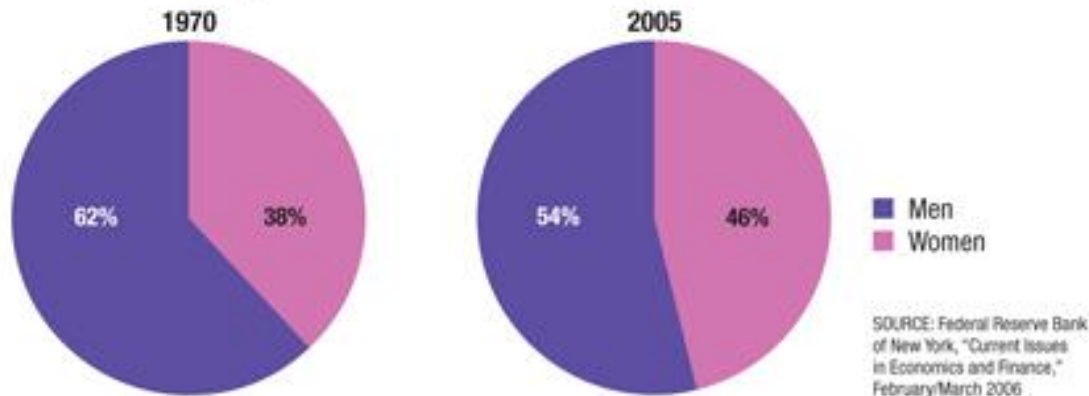
Change in Union Membership



U.S. Economic Activity as a Percent of GDP, 1959 and 2006



Gender Makeup of the U.S. Labor Force, 1970 and 2005



Labor and Management

- A union gains the right to represent workers at a company when a majority of workers in a particular work unit vote to accept the union.
- Once this happens, the company is required to bargain with the union to negotiate an employment contract.
 - Contracts get negotiated through collective bargaining.



Collective Bargaining

- The union brings the following goals to the collective bargaining table:
 - Wages and benefits
 - The union negotiates for wage rates, overtime rates, planned raises, and benefits.
 - Working conditions
 - Safety, comfort, worker responsibilities, and other workplace issues are written into the final contract.
 - Job security
 - The contract spells out the conditions under which a worker may be fired.



Strikes

- Sometimes agreements cannot be reached between the union and management.
 - In these instances, unions may ask its members to vote to approve a strike, which can cripple a company.
 - A long strike can also be hard on workers, since they are not getting paid.



Outside Help

- If a strike continues for a long time, the two sides can call in a third party to help settle the dispute.
 - In mediation, a neutral person meets with each side to try to find a solution that both sides will accept. This decision, though, is nonbinding.
 - In arbitration, a neutral third party listens to both sides and imposes a decision, which is legally binding.



Review

- Now that you have learned how labor unions support the interests of workers, go back and answer the Chapter Essential Question.
 - How can workers best meet the challenges of a changing economy?

