

# Labor and Government Regulation

## Some Practices of Labor Unions

- A **labor union** is an organization that seeks to increase its members' wages and improve its members' working conditions.
- To obtain higher pay for its members, a labor union can try to increase demand for its labor, decrease supply for its labor, or both.
  - A labor union might use advertising to try to increase demand for the work that its members perform.

- A labor union might try to decrease the labor supply because the fewer people qualified to perform a job, the more those people can demand in wages.
- In the past, unions supported **closed shops**. These were organizations that hired only union members.
- Today, closed shops are illegal. The **Taft-Hartley Act** of 1947 made closed shops illegal.
- The Taft-Hartley Act also gave states the right to pass **right-to-work laws**. These state laws prohibit employers from requiring employees to join a union as a condition of employment. Twenty-two states have passed right-to-work laws.

- The **union shop** is legal in many states. A union shop is an organization that requires employees to join the union within a certain period after being hired. Approximately 12.5 percent of all workers are members of unions.
- Labor unions work by gaining control over the supply of labor. Union members can pressure an employer to meet its demand by calling a strike. When members call a **strike**, they agree to stop working until the employer agrees to do whatever the union has demanded. Typical union demands ask for increased wages, increased benefits, or decreased hours.

## Unions' Effects on Union and Nonunion Wages

- Unions can have an interesting effect on both union and nonunion wages. If a union is able to command higher wages, the employer will seek to reduce its number of employees. Employees who are fired will join the nonunion labor market, thereby creating a greater supply of labor. This will cause the wages of nonunion employees to dip, creating an even larger gap between union and nonunion wages.

## Two Views of Labor Unions

- The traditional view is that labor unions are an obstacle to establishing reasonable work standards. Thus, companies that employ union labor are less competitive.
- A newer view states that the labor union is a valuable collective voice for its members. Some evidence shows that union firms have a higher rate of productivity. Productivity may increase because union members have a voice and feel more secure in their work.

## A Brief History of the Labor Movement

- The Knights of Labor had approximately 800,000 members by 1886. This group welcomed anyone who worked for a living.
- The American Federation of Labor (AFL) grew to 5 million skilled labor members in 1930.
- In the early days, unions were considered illegal conspiracies, and union leaders were regularly prosecuted and sued. In 1842, the Supreme Court of Massachusetts ruled that unions were not illegal, but that certain practices were.

- In the early 1900s, court orders called injunctions were used against labor unions to prevent strikes.
- The passage of the Norris-LaGuardia Act in 1932 limited the use of injunctions. It declared that workers should be “free from the interference, restraint, or coercion of employers” in choosing their union representatives.
- In 1938, John L. Lewis of the United Mine Workers left the AFL and formed the Congress of Industrial Organizations (CIO). The CIO successfully unionized the steel, rubber, textile, meatpacking, and automobile industries.

- In 1955, the AFL and CIO merged.
- The Landrum-Griffin Act was passed in 1959 with the intent of policing the internal affairs of labor unions.
- Public employee unions grew in popularity in the 1960s and 1970s. These unions comprised employees of local, state, and federal governments, such as police officers and firefighters.

## Government Regulation

- The Occupational Safety and Health Administration (OSHA) protects workers against occupational injuries and illnesses.
- The Consumer Product Safety Commission (CPSC) specifies minimum standards for potentially unsafe products.

- The Environmental Protection Agency (EPA) regulates the amount of pollution businesses can emit into the air or rivers.
- There are both benefits and costs to any government regulation. Benefits may include cleaner air and streams. Costs may include money spent installing pollution control equipment.