

UNIV SHELF

LABOR CENTER REPORTER

Number 199
December 1986

THE ECONOMY AND LABOR'S FUTURE

4 by Clair Brown

Major structural shifts have occurred in the U.S. economy during the past two decades that have important consequences for trade unions. We have witnessed a major restructuring of the world economy as exchange rates have become less regulated, as energy prices have risen, and as the developing countries have become producers of manufactured goods. In the U.S., there has been a major decline in manufacturing jobs with an increase in service jobs, especially since the recession of 1980-81. Meanwhile, the government cut taxes, escalated military expenditures, and paid for them with historically high budget deficits. For trade unionists, these changes have caused a decline in union membership, massive layoffs in key unionized industries, and increased employer resistance to union organizing and collective bargaining.

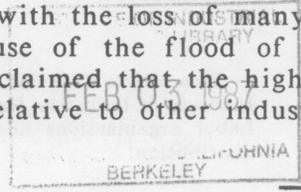
Underlying these structural shifts is political change, with the rise of the right-wing, both world-wide and in the U.S. The political swing has been breath-taking in its scope. The Reagan Administration has undertaken anti-worker and anti-poor policies, including dismantling social programs while reducing taxes for the rich; sanctioning employers' anti-labor activities by crippling the Department of Labor and busting PATCO; and making U.S. goods noncompetitive in world markets by causing the dollar to be over-valued as a result of the enormous Federal budget deficits. All of these actions gravely undermined labor's bargaining power.

Creating the Structure -- The Reagan Administration justifies these policies by claiming that it is supporting free enterprise by getting the government "off the backs" of producers. However, Government must provide a structure within which the economy and society function. No industrialized economy can function without an elaborate web of rules that govern economic transactions. The most basic of these government functions is the protection of private property rights. Over time, the government has also undertaken to protect basic civil rights that are very important to workers, who must sell their labor to the owners of capital. The idea that any industry can function without an economic and social structure provided by the government, as well as social custom, is absurd. All economic activities are regulated, whether by law or custom, and what we have been witnessing during the Reagan years is a rewriting of many of the rules of the game, specifically to reduce labor's power. One of these attempts is the "deregulation" of certain industries -- a movement to place them under new rules that have important consequences for labor's bargaining position. Trade unionists need to understand the structural transformations that have been occurring in order to counteract them and refashion the economic structure in ways that benefit workers.

The Budget and Trade Deficits -- The U.S. economy, has been put in a precarious position by the unprecedented budget deficits that resulted from cutting taxes while pouring money into defense. The large budget deficits require that the Federal Reserve keep interest rates high in order to sell U.S. government securities to pay for the deficit. These high interest rates -- higher than in other countries -- make the dollar attractive to foreigners, who want dollars in order to buy U.S. securities. So the value of the dollar rose. Unfortunately, the strong dollar made U.S. goods more expensive overseas, and made imports cheaper at home. Consequently, the sale of our exports fell abroad while the sale of imports rose. This resulted in enormous trade deficits, along with the loss of many jobs as U.S. factories cut back production or closed entirely because of the flood of imports. Reagan's policies are at the root of the problem, but he has claimed that the high cost of labor is the problem. In fact, the "high cost of U.S. labor" relative to other industrialized

BERKELEY, CA 94720
(415) 642-0323

UNIVERSITY OF CALIFORNIA, BERKELEY
CENTER FOR LABOR RESEARCH AND EDUCATION
INSTITUTE OF INDUSTRIAL RELATIONS



countries primarily reflects the over-valued dollar, which will remain over-valued as long as large deficits continue.

The high interest rates also slow economic growth since they reduce construction and car-buying. They also keep industry's investment in research and development low, so labor's productivity growth is low. These factors cause slack labor markets, with unemployment of 7% even after five years of "economic recovery."

The Union Movement Today -- The trade union movement represented one-third of all workers in the private nonagricultural sector in the mid-1950s. Today they represent fewer than one in five workers.

Changes in both the economic structure and in political ideology are the root causes for the adverse climate for union activities. Politically, labor was painted as a special interest group whose high wages hurt consumers by causing higher prices and drove U.S. industry out of business (or out of the country). Actions and (non-action) by the NLRB along with the government's busting of PATCO set the stage for vigorous employer resistance to union activities. Employers escalated their use of unfair labor practices, which crippled union efforts, while the employers were punished lightly, if at all. A large part of the attack on labor was successful because the sectors of the economy that had traditionally provided the backbone of the union movement now were in decline.

Wages and Deindustrialization -- Since 1981, one-half million jobs in manufacturing and construction have disappeared. According to Prof. Bennett Harrison of MIT, economic recovery has occurred primarily in the service sector, especially in low-wage jobs (jobs paying less than \$9200 yearly or about \$4.50 hourly). High wage jobs (paying more than \$46,000 yearly, or about \$13.00 hourly) have also grown more rapidly than usual during the recovery. The jobs in the middle that pay between \$9200 and \$46,000 yearly have grown more slowly than usual. These middle income jobs traditionally have accounted for around three-fourths of the increase of jobs, but since the early 1980s, they accounted for only one-half of the new jobs. Younger people (under 35 years), especially males and minorities, have seen their job opportunities worsen relative to older male workers. High school graduates have seen their opportunities shrink, while workers with at least some college have not. Even in the traditionally unionized sector of manufacturing, one out of five new jobs is a low wage job. However, in the service sector, two out of five new jobs are low wage. So Reagan's "economic recovery" has largely produced low wage jobs, and many of these jobs are part-time or temporary.

What Can Labor Do? -- Clearly, the future of the economy and the future of labor are intertwined. All the outcomes of a weak labor market--unemployment, growth of the low-wage sector, increased poverty--are weak links in labor's chain of solidarity and undermine labor's bargaining power.

The trade union movement faces its own structural bind in that unions must attend to negotiation of contracts and processing of grievances before they can focus on organizing and broader economic and political strategies. Usually, there is little time or money left for such longer-term projects. This legacy of "business unionism" has presented the dilemma that without sufficient attention to organizing and political activities, unions will continue to see their position eroding.

While servicing their members through negotiating and enforcing contracts and processing grievances, unions must also devote time and money to organizing and political activities. This will require them to educate their members about the importance of these activities. Members must learn how they are affected--both directly and indirectly--by the structural changes in the economy.

New ideas have been put forth as ways of improving the position of the trade union movement--from comparable worth bargaining to credit cards for union members. These ideas should be tried, and trade unions must not be afraid to make mistakes by experimenting with new ideas. The most fruitful path will probably vary by sector; there is no single answer.

We must not become discouraged by the events of the past decade, since the future cannot be projected from the current political environment. Historically, labor has weathered more difficult times than the present, such as in the 1920s, and more progressive times lie ahead. However, labor must work for the desired changes and overcome the apathy caused by the fear that its efforts are doomed from the start. Already, we have seen some hopeful signs in the last election that Reagan's anti-labor and anti-poor programs will be counteracted by a legislative agenda that will produce a more just and prosperous economy.

-- Clair Brown

This article does not necessarily represent the opinion of the Center for Labor Research and Education, the Institute of Industrial Relations, or the University of California. The author is solely responsible for its contents. Labor organizations and their press associates are encouraged to reproduce any LCR articles for further distribution.