

CHAPTER

9

SECTION 1

How Are Wages Determined?

SECTION 2

Trends in Today's Labor Market

SECTION 3

Organized Labor in the United States

CASE STUDY

Managing Change in Your Work Life

The Role of Labor

CONCEPT REVIEW

Labor productivity is the value of the goods or services a worker can produce in a set amount of time.

CHAPTER 9 KEY CONCEPT

Labor, the human effort used to produce goods and services, is subject to the same forces of demand and supply that govern the rest of the economy.

WHY THE CONCEPT MATTERS

The value of your labor depends on the demand for what you do and the supply of other people able to do the same thing. It's up to you to figure out what you do best and to distinguish yourself from other workers. Maybe what you really want to do will require special training or years of experience. Think of your dream job, and write a plan for how you will get that job. Evaluate the demand for the job and the supply of people capable of performing it.

Online Highlights

More at ClassZone.com

Economics Update

Go to **ECONOMICS UPDATE** for chapter updates and current news on managing change in your worklife. (See Case Study, pp. 282–283.) ▶

Animated Economics

Go to **ANIMATED ECONOMICS** for interactive lessons on the graphs and tables in this chapter.

Interactive Review

Go to **INTERACTIVE REVIEW** for concept review and activities.



The world of work is changing. Will you be able to keep pace? See the Case Study on pages 282–283.

How Are Wages Determined?

OBJECTIVES

- In Section 1, you will
- identify what wages are
 - describe how the interaction of supply and demand determines wages
 - explain why wage rates differ

KEY TERMS

wages, p. 258
 equilibrium wage, p. 258
 derived demand, p. 259
 wage rate, p. 261
 human capital, p. 261
 glass ceiling, p. 262
 minimum wage, p. 262

TAKING NOTES

As you read Section 1, complete a cluster diagram like the one below to record what you learn about wages. Use the Graphic Organizer at **Interactive Review @ ClassZone.com**



Labor: Demand and Supply

QUICK REFERENCE

Wages are payments received in return for work.

Equilibrium wage is the wage at which the quantity of workers demanded equals the quantity of workers supplied; the market price for labor.

KEY CONCEPTS

Have you ever wondered why working at a fast food restaurant pays so little? This section will help answer that question. In Chapter 1 you learned about the four factors of production: land, labor, capital, and entrepreneurship. Each of those has a price that must be figured into production costs. The price of labor is **wages**, the payments workers receive in return for work.

Wages, just like the other factors of production, are governed by the forces of supply and demand. The interaction of these two economic forces produces an equilibrium, or balance. An **equilibrium wage** is the wage at which the number of workers needed equals the number of workers available. In other words, an equilibrium wage produces neither a surplus nor a shortage of workers. Let's look at demand and supply separately and see how they affect wages at fast food restaurants.

Demand for Labor

In a competitive labor market, wages reflect a worker's labor productivity—the value of the goods or services a worker produces in a set amount of time. A business hires workers to help it produce goods or provide



services. A producer's demand for labor is therefore a **derived demand**, a demand for a product or resource because of its contribution to the final product.

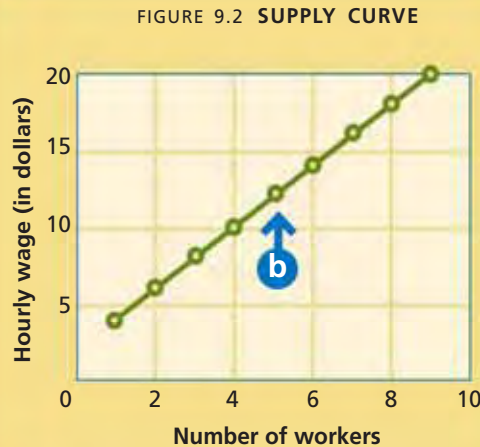
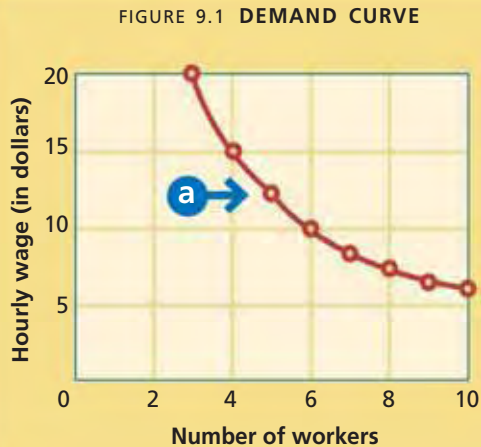
Workers with higher productivity tend to earn higher wages. In one hour, a fast food chef might be able to produce \$50 worth of food that customers want. An attorney, by contrast, might be able to provide services worth \$300 in the same hour's time. Employers, then, are willing to pay attorneys higher wages than fast food chefs.

The demand for labor depends in part on its price. As with anything else, when the price goes down, the quantity demanded goes up; and when the price goes up, the quantity demanded goes down. For example, suppose that fast food chefs are paid \$12 per hour. If the wage should fall to \$10 per hour, many restaurants would hire additional chefs. On the other hand, if the wage rose to \$14 per hour, some restaurants would stop hiring and others would have to lay off some chefs. This is illustrated in Figure 9.1. The demand curve for labor, then, is a downward slope—the lower the price of labor, the greater the quantity of labor employers would demand.

QUICK REFERENCE

Derived demand is a demand for a product or resource based on its contribution to the final product.

FIGURES 9.1 AND 9.2 DEMAND AND SUPPLY CURVES FOR LABOR



These graphs show demand and supply curves for fast food chefs.

- a** The restaurant is willing to hire more chefs if the hourly wage is lower.
- b** As the wage increases, so does the number of workers willing to work as fast food chefs.

ANALYZE GRAPHS

1. How many fast food chefs would the restaurant hire at the wage \$10 per hour?
2. How many workers would be willing to be fast food chefs at the wage of \$10 per hour?
3. What would happen if the restaurant tried to hire chefs at \$10 per hour?



Use interactive demand and supply curves for labor at **ClassZone.com**

Supply of Labor

Now let's consider the situation from the worker's point of view, to see how the supply of labor works. Suppose a new fast food restaurant opens and wants to hire chefs. If it puts an ad in the newspaper for chefs who would be paid \$10 per hour, fewer people will respond—and probably none of the chefs currently employed at \$12 per hour. Workers who are earning less than \$10 per hour in some other kind of job might leave their jobs and become fast food chefs because the wages are higher than their current wages.



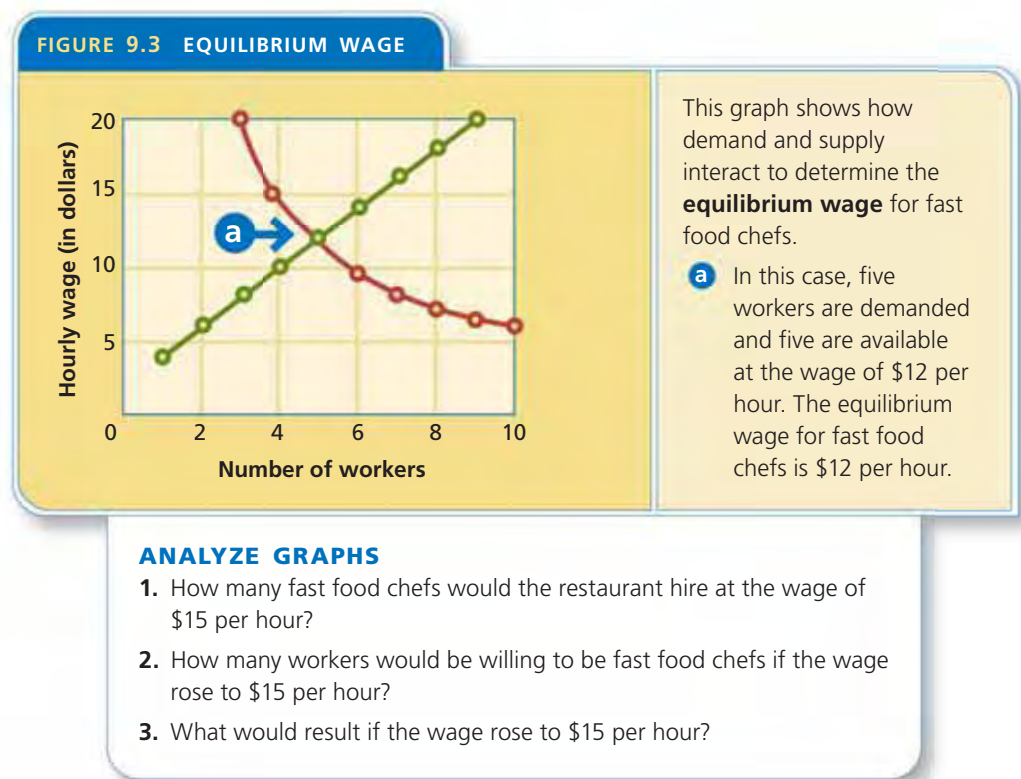
Find an update on demand and supply of labor at **ClassZone.com**

But suppose the new restaurant offers fast food chefs \$15 per hour. Any worker earning less than that will be interested—including experienced chefs currently employed at \$12 per hour. More workers will be willing to work at higher wages than at lower wages. For this reason, the supply curve for labor is upward sloping, as illustrated in Figure 9.2 on page 259.

Equilibrium Wage

You learned in Chapter 6 that the equilibrium price for goods or services is the price at which there is neither a surplus nor a shortage—in other words, the point at which the supply curve and the demand curve intersect. Since wages are the price of labor, they too gravitate toward equilibrium.

For example, fast food restaurants might offer higher wages to attract chefs. Given the upward-sloping supply curve, before long there would be more people wanting to be chefs than there are jobs, resulting in a labor surplus. With so many chefs to choose from, restaurants could lower the wage and still attract workers. If they offered a wage that was too low, however, people would have less incentive to work as fast food chefs. A shortage would eventually result, so restaurants would need to raise the wages to attract more. The downward and upward forces push until an equilibrium wage is reached, as illustrated in Figure 9.3.



APPLICATION Applying Economic Concepts

- A.** Suppose that a new high school opens next to a popular fast food restaurant. Explain what will happen to the derived demand for chefs at the restaurant.

Why Do Wage Rates Differ?

KEY CONCEPTS

Different jobs have different **wage rates**, the rates of pay for specific jobs or work performed. Wage rates are determined by supply and demand, which in turn are influenced by four key factors: (1) **human capital**, which is the knowledge and skills that enable workers to be productive, (2) working conditions, (3) discrimination in the workplace, and (4) government actions.

FACTOR 1 Human Capital

Economists group workers according to the amount of human capital they have. *Unskilled workers*, such as house cleaners and sanitation workers, have a low level of human capital. *Semiskilled workers*—construction and clerical workers, for example—have received some training, so their human capital is higher. *Skilled workers*, such as plumbers and electricians, have made a significant investment in human capital in the form of specialized training. *Professional workers*—doctors, lawyers, and others with intensive specialized training—have the highest human capital.

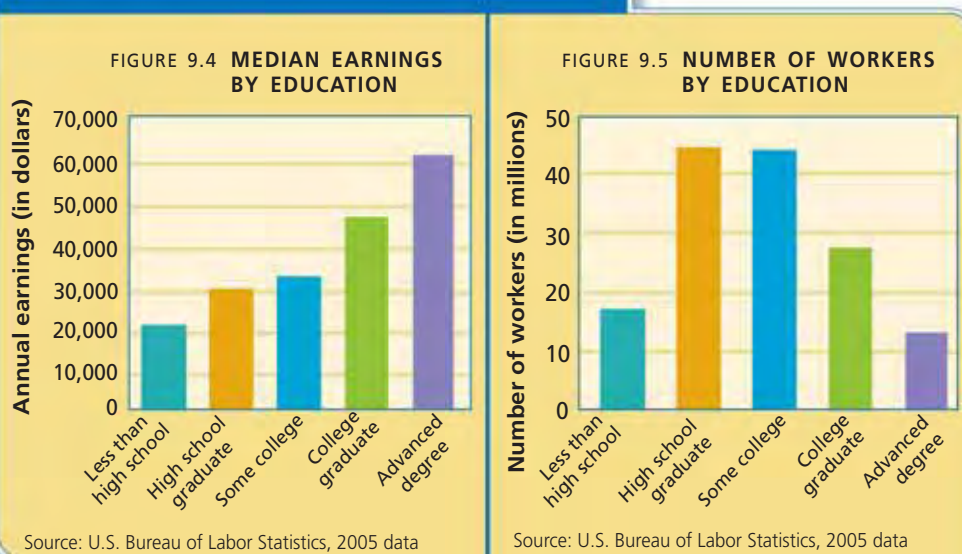
The demand for skilled and professional workers is high, but the supply of these workers is relatively low. For this reason and because training increases their productivity, highly skilled workers tend to receive higher wages. The prospect of higher wages leads many people to invest in their human capital and enroll in vocational school, specialist training programs, and higher education.

QUICK REFERENCE

Wage rate is the established rate of pay for a specific job or work performed.

Human capital is the knowledge and skills that enable workers to be productive.

FIGURE 9.4 AND 9.5 U.S. LABOR FORCE BY EDUCATION



ANALYZE GRAPHS

1. In terms of average annual salary, about how much is graduating from high school worth?
2. There are almost as few people without a high school diploma as with an advanced degree. Why doesn't the reduced supply make their salaries as high as the salaries for people with an advanced degree?



Working Conditions

Painters who work at high altitudes receive higher wages.

FACTOR 2 Working Conditions

“It’s a tough job, but someone has to do it.” That statement is often used humorously by people who have dream jobs, such as vacation planners who get to go on fabulous trips as “research” or taste testers who sample chocolate or other goodies. However, some jobs really are tougher than others. Some jobs, such as washing windows on a skyscraper, are very dangerous. Other jobs can be very unpleasant, such as collecting garbage. Higher wages are often paid to workers in dangerous and unpleasant occupations in order to attract qualified people to those jobs.

While the disadvantages of some jobs may be offset by higher wages, the advantages of other jobs may make up for low wages. These advantages vary widely, depending on the worker. For example, a student who loves movies might take a job as a clerk at a video store. Although the pay is low, the student might get to borrow movies free of charge. Someone tired of a long commute in rush hour traffic might welcome a lower-paying job that is only minutes away from home.

FACTOR 3 Discrimination

Another factor affecting differences in wage rates is discrimination. Wage discrimination may be based on race, ethnicity, gender, or other factors. For example, the average pay of women tends to be lower than that of men doing the same job. Racial prejudices sometimes lead to discrimination in wages. A prejudiced employer might be unwilling to hire a minority candidate except at a lower wage.

However, employers who discriminate may actually lose money. By eliminating qualified candidates because of their gender, ethnic group, or other trait irrelevant to performance, employers may miss out on the best worker for the job.

Wage differences may also result from occupational segregation. Some low-paying jobs have been viewed as the “realm” of women or certain racial or ethnic groups. Occupational segregation becomes a vicious cycle: groups can become trapped in these jobs, unable to earn enough to invest in human capital that could move them upward. In the United States, the federal government has tried to break this cycle by passing such antidiscrimination laws as the Equal Pay Act (1963) and the Civil Rights Act (1964).

Artificial barriers to advancement may also limit the wages of women and minorities. They may have the skills and experience necessary to advance, but find that they are never promoted. The term **glass ceiling** describes these unseen barriers to advancement.

QUICK REFERENCE

Glass ceiling is an artificial barrier to advancement faced by women and minorities.

The **minimum wage** is the legal minimum amount that an employer must pay for one hour of work.

FACTOR 4 Government Actions

In a pure market economy, wages would be set strictly by economic forces. However, in many countries, including the United States, the government steps in when market forces produce results that people disagree with. The **minimum wage**, the lowest wage legally allowed for one hour of work, is one example. As you read in Chapter 6, the minimum wage acts as a price floor designed to boost wages for low-income workers. The forces of supply and demand might set the equilibrium wage

MATH CHALLENGE

FIGURE 9.6 Calculating Annual Wages

Suppose you are offered two jobs, one that pays \$12.50 per hour or another that pays \$30,000 per year. In both jobs, you will work 40 hours per week and get two weeks off per year. Assuming both offer the same benefits, which job pays better?

You could either figure out how much you would make in a year at the hourly job or you could convert the annual salary into an hourly wage. In this exercise, we will calculate how much a wage of \$12.50 per hour pays for a year's worth of work.

Step 1: Multiply to determine the number of hours worked per year. Assume the job includes two weeks of unpaid vacation.

Example Calculations

Hours per week	×	Weeks per year	=	Total hours per year	40	×	50	=	2,000
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Step 2: Then, multiply to find the amount of pay annually.

Total hours per year	×	Hourly wage	=	Annual wages	2,000	×	\$12.50	=	\$25,000
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The job that pays a salary of \$30,000 per year pays better than the one that pays a wage of \$12.50 per hour.

Comparing Earnings Use the calculations to determine the annual wages of a job that pays \$15 per hour for 40 hours per week. What about one that pays \$20 per hour but only offers 20 hours of work each week? What other factors do you need to consider when comparing pay between jobs?

for certain jobs so low that no one could reasonably make a living at these jobs. The minimum wage attempts to help the people who hold these jobs to make ends meet. However, businesses point out that they might hire more workers if they were allowed to pay a lower wage.

The first national minimum wage law in the United States was passed in 1933 during the Great Depression. In part, it was intended to raise wages so that workers could consume products and help the economy recover. In 1938, the minimum wage became part of the Fair Labor Standards Act, which included other protections for workers. The U.S. Congress has increased the minimum wage several times, but the increases have not kept up with the general rise in prices. In response, some state and local governments have passed their own laws requiring minimum wages higher than the federal standard.

APPLICATION Applying Economic Concepts

B. Explain how each of the four factors influences wages at fast food restaurants.

Gary Becker: The Importance of Human Capital

FAST FACTS

Gary Becker

Born: December 2, 1930
Pottsville, Pennsylvania

Major Accomplishment: Extending an economic way of thinking into other areas of life and using economics to explain social behavior

Inspiration for Ideas About Economics and Crime:

When he arrived late one day at Columbia University in New York, Becker decided to save time by parking illegally, even though he knew he might get caught and fined. This led him to wonder if people committing other crimes considered the consequences of their decisions rationally.

Famous Quotation:

"No discussion of human capital can omit the influence of families on the knowledge, skills, values, and habits of their children."

Economics Update

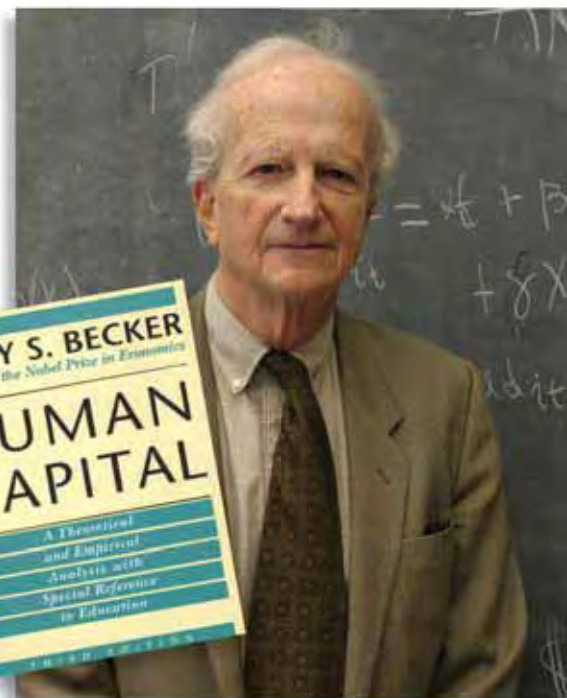
Find an update on Gary Becker at ClassZone.com

"I believe an economist should . . . express concepts in simple language and show how to deal with important problems in a fairly simple way." With those words, Nobel laureate economist Gary Becker aptly described his own approach. He proposed that the general economic principle of rational choice could be applied to the decisions people make in all spheres of life. Becker extended an economic way of thinking into new areas, including crime and punishment, households and family relations, and human competence.

Investing in Yourself

When Gary Becker graduated from high school, he was torn between following a career in mathematics and doing something to help solve social problems. He studied economics at Princeton University and the University of Chicago, and he went on to teach at Chicago and at Columbia University. In 1957, Becker published *The Economics of Discrimination*, which examined the "effects of prejudice on the earnings, employment, and occupations of minorities." However, most economists did not pay much attention, feeling that such a study belonged in the fields of sociology or psychology. Today, though, Becker's approach is widely appreciated and has led economists to explore new areas.

Becker is best known for his contributions to the idea of human capital and for formulating the economic theory that explains differences in wages in terms of investments in human capital. To Becker, human capital is more than education and training: it is all the investments people make in themselves to improve their output, including the development of good work habits and receiving good medical treatment. The more abundant the capital, the more productive the labor. Becker helped to quantify the importance of education and on-the-job training and, by doing so, broadened the reach of economics.



Gary Becker won the Nobel Prize for Economics in 1992 and the National Medal of Science in 2000.

APPLICATION Conducting Cost-Benefit Analysis

- C. Becker debated with himself about whether to park illegally, weighing the possible costs against the advantages. Explain a decision you made using cost-benefit analysis. Is that always the best way to make a decision? Why or why not?

SECTION 1 Assessment

REVIEWING KEY CONCEPTS

1. Explain the relationship between the terms in each of these pairs.
 - a. *wages*
derived demand
 - b. *equilibrium wage*
minimum wage
 - c. *wage rate*
human capital
2. What market forces influence wages?
3. What nonmarket forces influence wages?
4. Why are education and training considered a kind of capital?
5. Why would a star athlete receive wages so much higher than an insurance sales representative?

- 6. Using Your Notes** Suppose you are the owner of a video store. Explain how you would decide what to pay your workers, making reference to the terms in your completed cluster diagram.



Use the Graphic Organizer at [Interactive Review @ ClassZone.com](#)

CRITICAL THINKING

7. **Analyzing Cause and Effect** If the equilibrium wage for bowling alley managers is \$16 per hour, why would a wage of \$20 per hour result in a labor surplus? Why would a wage of \$12 per hour lead to a labor shortage?
8. **Solving Economic Problems** What economic problem does the minimum wage try to address?
9. **Applying Economic Concepts** Explain why working conditions can either justify higher wages or make up for lower wages.
10. **Making Inferences and Drawing Conclusions** Despite efforts to close the wage gap between men and women, the gap has actually been widening. Using what you have learned in this section, write a paragraph discussing what could be done to close the gap.
11. **Challenge** Gary Becker said that economics “is easy in the sense that there are only a few principles that really guide most economic analysis.” Identify the basic principles behind how wages operate.

ECONOMICS IN PRACTICE



Graphing Equilibrium Wages

Read each job description below. Then make a graph showing a hypothetical equilibrium wage for each job using the same values for both axes in each graph.

Job Description #1	Job Description #2
Structural metal worker for high-rise construction project. Must have at least 2 years of experience.	Filing clerk, small accounting office. No experience necessary, but must have a high school diploma or GED.

Apply Economic Concepts

Using the economic knowledge you gained in this section, briefly explain why each graph appears as it does.

Challenge In many dangerous industries, including mining, safety laws establish standards that protect workers. Explain what effect these laws might have on wages.

Use [SMART Grapher @ ClassZone.com](#) to complete this activity.

Trends in Today's Labor Market

OBJECTIVES

- In Section 2, you will
- identify the changes that have taken place in the labor force
 - explain how occupations have changed
 - explain how the way people work has changed

KEY TERMS

civilian labor force, p. 266
 outsourcing, p. 269
 insourcing, p. 269
 telecommuting, p. 270
 contingent employment, p. 270
 independent contractor, p. 270

TAKING NOTES

As you read Section 2, complete a hierarchy chart like the one below. In each box write the main ideas. Use the Graphic Organizer at [Interactive Review @ ClassZone.com](http://InteractiveReview@ClassZone.com)



A Changing Labor Force

KEY CONCEPTS

The labor market in the United States has changed dramatically since the 1950s, and it continues to change. For example, in the 1950s, many companies hired workers with the expectation that they would stay with the company for most of their working lives. After a lifetime of service, workers could count on company pension plans to help fund their retirement. Today, few workers stay with the same company their entire career, and workers take more responsibility for funding their retirement.

Those are only some of the profound changes that affect the **civilian labor force**, people who are 16 or older who are employed or actively looking for and available to do work. The civilian labor force excludes people in the military, in prison, or in other institutions. In 2005, about 150 million Americans made up the civilian labor force. That figure was up from 126 million workers in 1990 and is expected to rise to almost 165 million workers by 2020.



Labor Force

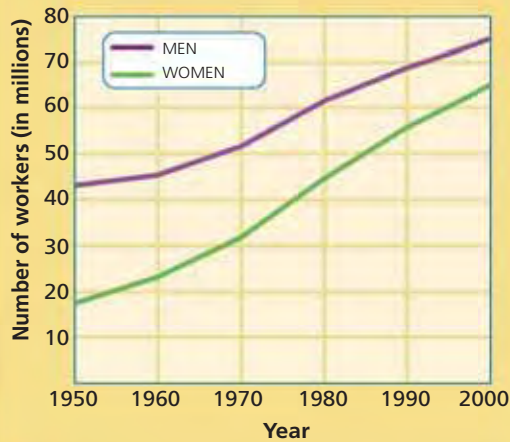
The civilian labor force is composed of people age 16 or older who are working or looking for work.

QUICK REFERENCE

The **civilian labor force** is made up of people age 16 or older who are employed or actively looking for and available to do work.

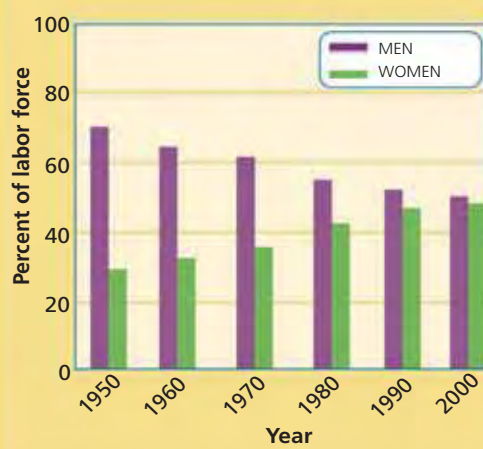
FIGURES 9.7 AND 9.8 MEN AND WOMEN IN THE U.S. LABOR FORCE

FIGURE 9.7 NUMBER OF MEN AND WOMEN IN THE LABOR FORCE



Source: U.S. Bureau of Labor Statistics

FIGURE 9.8 PERCENTAGE OF MEN AND WOMEN IN THE LABOR FORCE



Source: U.S. Bureau of Labor Statistics

ANALYZE GRAPHS

1. About how many more men were in the labor force than women in 1950? in 2000?
2. What percentage of the labor force did women account for in 1950? in 2000?

Changes in the U.S. Labor Force

To understand some of the changes in the U.S. labor force, consider these two scenes. In the first scene, the year is 1955. A young woman pulls into a gas station, and the attendant fills up her car with gas. Then she picks up her children at school and heads home to get dinner ready in time for her husband’s arrival from work. The second scene is set in today’s world. A young mother pulls into a gas station, swipes her credit card, and fills up her tank. Her business meeting ran long, and she is late getting to the daycare center. Her husband will pick up dinner for the family on his way home from work.

One obvious change these scenes demonstrate is the addition of many more women to the work force. As shown in Figures 9.7 and 9.8, women have been a significant factor in the growth of the labor market in the United States. Since the 1950s, the kinds of jobs open to women have expanded. As job opportunities have improved, wages for women have risen, and many more women have been drawn into the work force.

The U.S. work force has also become better educated. About 30 percent of people in the labor force have a college degree, and an additional 30 percent of workers have some college credits. In a work force with such a high degree of human capital, productivity and wages are also high compared with many other nations.

Economics Update
 Find an update on the U.S. work force at ClassZone.com

APPLICATION Evaluating Economic Decisions

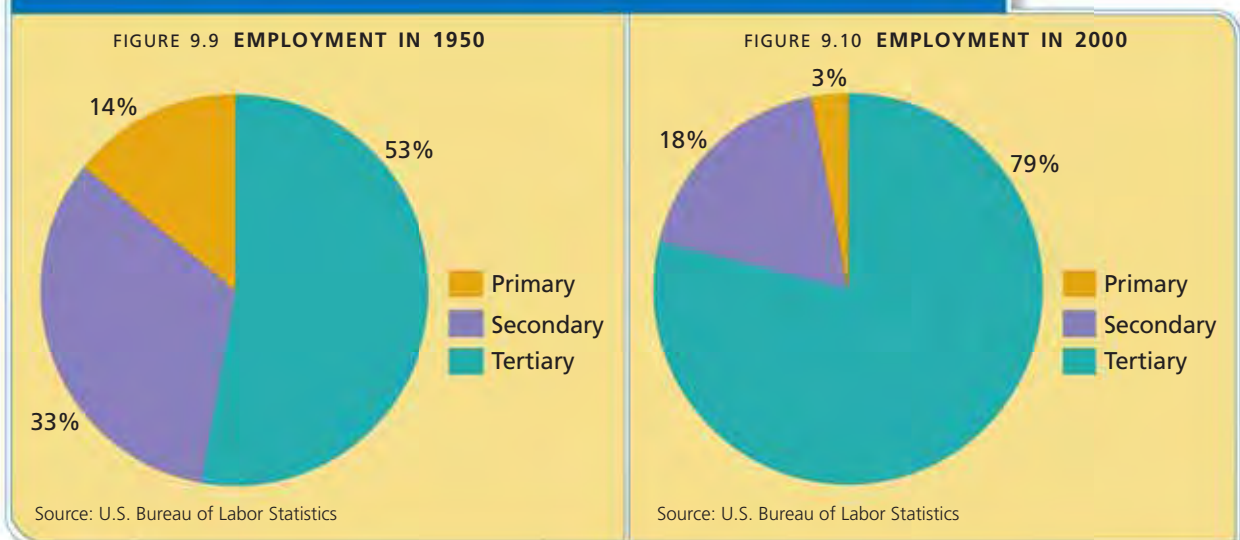
- A. Explain how rising opportunity costs have led more women into the workplace.

Changing Occupations

KEY CONCEPTS

Economists group occupations into three economic sectors. The *primary sector* is made up of jobs related directly to natural resources, such as farming, forestry, fishing, and mining. Jobs in the *secondary sector* are related to the production of goods, including the materials and energy needed to produce them. Examples include welders, truck drivers, and construction workers. The *tertiary sector* is made up of service-related jobs in such industries as banking, insurance, retail, education, and communications. As you can see in Figures 9.9 and 9.10, U.S. manufacturing jobs have declined since the 1950s, while service-sector jobs have increased dramatically. All of the ten fastest-growing occupations are service related, most of them in the area of medical services.

FIGURES 9.9 AND 9.10 EMPLOYMENT IN THE UNITED STATES BY ECONOMIC SECTOR



ANALYZE GRAPHS

1. Which sector grew the most from 1950 to 2000? By how much did it grow?
2. How much of the civilian labor force was employed in the combined primary and secondary sectors in 1950? How much in 2000?

Technology and Change

Think back for a moment to the young mother at the gas station. In the years between 1955 and today, the job of gas station attendant has been mainly replaced by the computerized, credit-card operated gasoline pump. In the same way, ATMs have greatly affected the occupation of bank teller. Technological changes have eliminated or redefined many other jobs in all three sectors.

The personal computer and the Internet have drastically changed the way on-the-job information is stored, transferred, and used. About half of all American workers use a computer on the job. As a result, those occupations that support the



1950s gas station



2000s gas station

use of computers—software engineers and network and data communications analysts, for example—have been among the fastest growing in the United States.

More than 80 percent of managers and professionals use a computer at work. However, even in less skilled jobs, more and more workers are using computers. About 20 percent of machine operators, laborers, and farmers use a computer on the job. Basic computer skills have become necessary for many different types of jobs.

Globalization and Jobs

Today's labor market is global. Technology allows companies to employ people not just all over the country, but all over the world. Many companies have sought to cut their costs by **outsourcing**, the practice of contracting with an outside company to provide goods or services.

Most outsourcing by U.S. companies goes to other U.S. companies. For example, many American businesses hire other American firms to handle their accounting. However, the term outsourcing has become connected with the practice of moving jobs from the United States to foreign countries where wages are lower. As this happens more frequently, it would seem that their American operations would lose jobs. But many companies actually add more jobs in the United States than they outsource abroad, just in different parts of their businesses. In 2004, IBM decided to send about 3,000 jobs overseas. But at the same time, it created about 4,500 jobs in the United States.

The American economy has also benefited from **insourcing**, the practice of foreign companies establishing operations in, and therefore bringing jobs to, the United States. Both outsourcing and insourcing are tied to the trends toward more service-related jobs and more technology-related work.

QUICK REFERENCE

Outsourcing is the practice of contracting with an outside company, often in a foreign country, to provide goods or services.

Insourcing is the practice of foreign companies establishing operations in, and therefore bringing jobs to, the United States.

APPLICATION Predicting Economic Trends

- B. Think of an example of an occupation that is likely to be eliminated or substantially redefined as a result of technology.

Changes in the Way People Work

KEY CONCEPTS

QUICK REFERENCE

Telecommuting means performing office work in a location other than the traditional office.

Contingent employment refers to temporary or part-time work.

An **independent contractor** is someone who sells their services on a contract basis.

The way people work has been transformed by technology. In the past, many workers needed to physically commute to and from an office in order to accomplish their work. The Internet and laptop computers have allowed some of these workers to engage in **telecommuting**, the practice of doing office work in a location other than the traditional office.

But the job market has also changed. In the past, companies offered most workers permanent positions. Today, companies offer fewer permanent positions and more **contingent employment**, work that is temporary or part-time. Similarly, more people work as **independent contractors**, selling their services to businesses on a contract basis. People used to enter a field and stay in more or less the same line of work for most of their work life. Now, most people will change careers several times as the world of work continues to evolve.

Working at the Office from Home

Many telecommuters enjoy the reduced stress, flexibility in work time, and increased free time they have by avoiding a commute to work. Employers benefit from an expanded labor pool, increased productivity, and lower real estate costs. Society benefits, too, from fewer drivers on crowded freeways and lower pollution.

However, there are also costs. People who work at home may feel that their work too often spills over into their personal time. Some miss the social life of the office and the chance to network. Some at-home workers also fear that on-site workers might be more likely to get promoted. Still, experts estimate that the number of telecommuting workers grew by about 20 percent each year from 2000 to 2005.

YOUR ECONOMIC CHOICES

TELECOMMUTING

Where would you want to work?

Technology allows people to work in many different places. Alternative work places have different benefits—and drawbacks—than the traditional office.



▲ Work at the coffee shop



▲ Work at the office

Alternatives to Permanent Employment

Through much of the 1900s, U.S. companies would hire workers for permanent, full-time jobs. Employees would work 40 hours per week in exchange for both wages and benefits. In the 1990s, companies began to hire fewer full-time employees and more contingent employees and contract workers. Contingent workers, sometimes called temps, make up over 5 percent of the total work force. Independent contractors make up over 7 percent of the work force.

Hiring contingent employees and contract workers makes it easier for businesses to adjust their work force to suit production demands. Discharging temporary workers is easier and less costly than discharging permanent employees. Since most temporary workers do not receive benefits, labor costs are also lower.

Most contingent workers would prefer to have the steady income and benefits that come with permanent, full-time employment. But many independent contractors prefer the flexibility of being their own boss to working in a permanent position. They are willing to take the risk of not having enough work to support themselves, and they find alternative ways to pay for health insurance and retirement. Businesses sometimes offer permanent positions to contingent and contract workers who have done a good job.

Changing Careers More Often

As technology has advanced, jobs have changed, too. Much of the work done today in the United States and other advanced countries did not exist 100 years ago. Some of the work did not exist even ten years ago. With every new technology, new types of jobs are created. But as technology advances, many older professions become less in demand or even obsolete. To fill the new jobs, workers must learn and adapt to the new technologies. Someone who started out as a radio repair technician might need to learn how to work with cellular phone technology.

In a similar way, the economy changes more quickly than it did in the past. Companies have become more flexible, changing their business plans constantly to maximize profits. Globalization allows companies to move jobs across national boundaries. As the economy changes, workers must change and adapt. The technician who adapted to cellular phone technology might need to change yet again in a few years.

Changing Careers

As the demand for healthcare workers increases, some people will change careers to fill these jobs.



APPLICATION Analyzing Cause and Effect

- C. A 2003 report concluded that telecommuters can save their employers \$5,000 a year. Explain how that savings may come about.



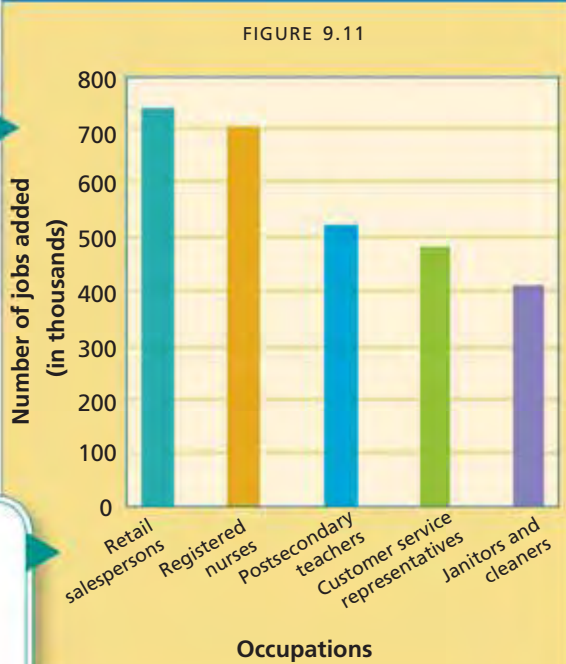
Drawing Conclusions from Graphs

Drawing conclusions means analyzing a source of information and forming an opinion. You have already had some practice analyzing line and pie graphs in Chapters 6 and 8. These graphs are bar graphs.

PRACTICING THE SKILL Begin by using the following strategies to analyze the graphs. They are similar to the strategies you used in Chapter 6 to analyze a line graph. Your analysis will enable you to draw conclusions about the information shown on the graphs.

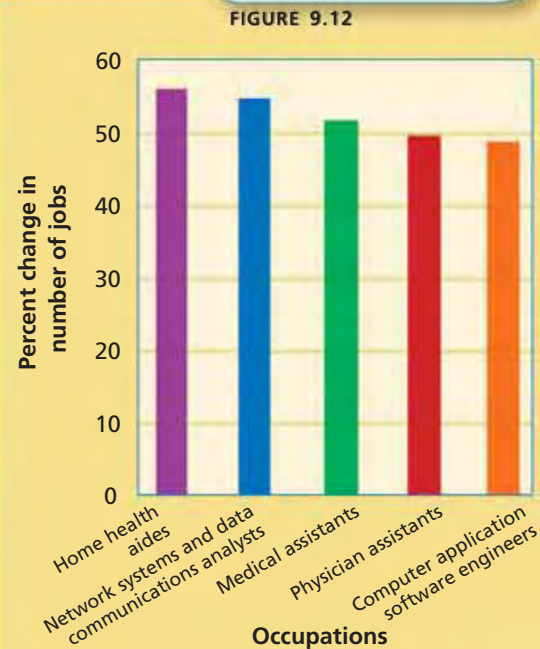
Read the title to identify the main idea of the graphs.

FIGURE 9.11 AND 9.12 FASTEST GROWING OCCUPATIONS IN THE U.S., 2004-2014



Check the vertical axes. Note that the axes use different scales.

Check the horizontal axes. Both axes list a variety of occupations.



Source: U.S. Bureau of Labor Statistics projections

Source: U.S. Bureau of Labor Statistics projections

NOW PUT IT ALL TOGETHER Both graphs claim to present the same information. Compare the two graphs, and consider their differences.

Read the source lines to confirm that the data come from a reliable source.

THINKING ECONOMICALLY Drawing Conclusions

1. What is the main difference between the two graphs?
2. Which graph really shows the fastest growing occupations? Explain your answer.
3. What would be a better title for each graph?
4. Which of these jobs are most likely to have higher than average wages? Why?

Organized Labor in the United States

OBJECTIVES

- In Section 3, you will
- describe how the labor movement developed in the United States
 - discuss why organized labor has declined in the United States
 - explain how labor unions affect wage rates and employment

KEY TERMS

labor union, *p. 274*
 strike, *p. 274*
 closed shop, *p. 279*
 union shop, *p. 279*
 right-to-work law, *p. 279*
 collective bargaining, *p. 280*
 binding arbitration, *p. 280*

TAKING NOTES

As you read Section 3, complete a summary chart like the one below. In each box, write the main ideas for each topic. Use the Graphic Organizer at **Interactive Review @ ClassZone.com**

Topic	Main Ideas	Related Facts
Labor movement's rise to power		

The Labor Movement's Rise to Power

KEY CONCEPTS

Organized labor helped to shape the modern workplace. Most of the benefits that workers in the United States take for granted today did not exist 200 years ago. The eight-hour workday, the five-day work week, vacations, even sick leave—none of these basic amenities would have existed without the efforts of organized labor.

In the industries of the 1800s, workers put in long hours—often 60 hours per week or more—for low pay. Factory laborers often worked in dangerous conditions. Individual workers had little power to demand improvements from a business owner. If a worker complained too much, they would be fired. Workers in industrialized nations around the world faced similar problems, but this section will focus on the labor movement in the United States.

To improve their bargaining power, factory workers in the 1800s began to join together and act as a group. A **labor union** is an organization of workers who collectively seek to improve wages, working conditions, benefits, job security, and other work-related matters. Unions attempted to negotiate with businesses to achieve their goals, but businesses often resisted. As unions sought ways to gain negotiating power, they turned to the **strike**, or work stoppage. The threat of shutting down production demonstrated the power of organized labor.

Different types of unions addressed different needs. Some workers joined a craft union, a union of workers with similar skills who work in different industries for different employers. Examples include typesetters or, more recently, electricians. Others joined an industrial union, a union for workers with different skills who work in the same industry. For example, workers in the textile industry formed some of the earliest industrial unions.

QUICK REFERENCE

A **labor union** is an organization of workers that seeks to improve wages, working conditions, fringe benefits, job security, and other work-related matters for its members.

A **strike** is a work stoppage used to convince an employer to meet union demands.

Early Developments

Local craft unions were the main kind of worker association during the early years of the United States. By the 1830s, local unions began joining together into federations to advance their common cause. The first national federation was the National Trades Union (NTU), founded in 1834. A financial crisis that gripped the country in 1837 brought an end to the NTU and temporarily subdued union activity.

In 1869, organized labor took a huge step forward when Uriah Stephens founded the Knights of Labor. Unlike other unions, it organized workers by industry, not by trade or skill level. The Knights of Labor became a nationwide union and adopted political goals including an eight-hour workday for all workers and the end of child labor. Its membership grew quickly, especially after the union helped workers win concessions from the big railroad companies in the 1880s.

During the explosion of industrialism in the late 1800s, employers strongly resisted the efforts of workers to organize, and many labor protests turned violent.

- In 1886, one person was killed and several others were seriously wounded when police attacked workers protesting for an eight-hour workday outside the McCormick Harvester Company in Chicago. The next day, people gathered at Haymarket Square to protest the deaths, and police troops arrived to disperse the crowd. Someone threw a bomb into the police, killing seven officers, and the riot that followed left dozens of other people dead and hundreds injured.
- In 1892, ten workers were killed in a strike against Carnegie Steel in Homestead, Pennsylvania, and the union was broken up.
- In 1894, a strike in Illinois against the Pullman Palace Car Company won the support of railway workers across the country, who collectively brought the nation's railroads to a halt. The dispute turned violent when National Guard troops were brought in to keep the nation's railroads running. A federal court ruled that the American Railway Union could not interfere with the trains, and the strike was broken.

Union Organizing

A union rally takes place at a shipyard in 1943.

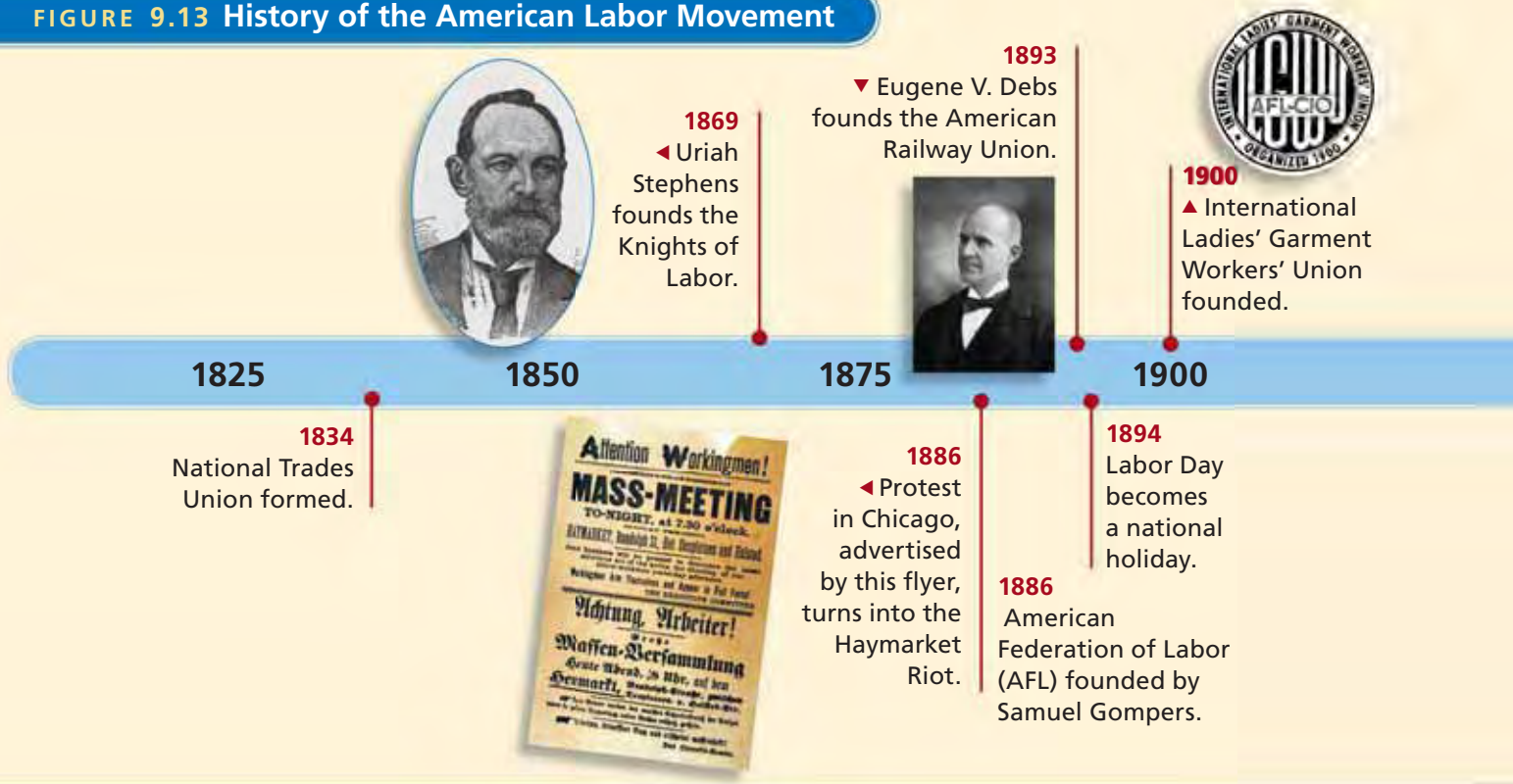
A New Model for Unions

The violence associated with organized labor, as well as its often controversial political agenda, led to a decline in union membership. But Samuel Gompers offered a different model for union organization. In 1886, he founded the American Federation of Labor (AFL), an organization of craft unions that focused on the interests of skilled labor. The AFL continued to seek improvements in wages, benefits, and working conditions, but it focused on achieving these goals through the economic power of workers, instead of through legislation. By the early 1900s, the AFL had a membership of about 1.7 million workers. Legal action against organized labor forced Gompers to modify his stance against political activity, and the AFL began supporting pro-union candidates.

The International Ladies' Garment Workers Union was founded in 1900. The union gained strength following successful strikes in 1909 and 1910. Perhaps the most famous



FIGURE 9.13 History of the American Labor Movement



woman to participate in the U.S. labor movement was Mary Harris Jones, known as Mother Jones. In 1903, she led 80 children, many of whom had been injured while working, on a march to the home of President Theodore Roosevelt. The march helped to emphasize the need for child labor laws.

Unions Gain Power

During the Great Depression of the 1930s, union membership in the United States declined as millions of people lost their jobs. Yet unions gained power through laws passed as part of the New Deal, a series of reforms that attempted to revive the country's economy.

- The Norris-LaGuardia Act (1932) outlawed the practice of hiring only workers who agreed not to join a union. It also required employers to allow workers to organize without interference from their employer.
- The National Labor Relations Act (1935), also known as the Wagner Act, protected the rights of workers in the private sector to form unions and to use strikes and other job actions.
- The Fair Labor Standards Act (1938) set a minimum wage, required extra pay for overtime work, and made most child labor illegal.

During this period, the Congress of Industrial Organizations (CIO) organized unions for industrial workers. Originally part of the AFL, which favored skilled workers in craft unions, the CIO broke away in 1938. The two organizations came together again in 1955 as the AFL-CIO.

The AFL succeeded in organizing the United Auto Workers (UAW) union in 1935. After a tense sit-down strike in Flint, Michigan, in 1937, General Motors



1962
 ◀ Cesar Chavez founds National Farm Workers Association (NFWA), which later becomes United Farm Workers.

2005
 Service Employees International Union breaks away from AFL-CIO.

1925

1935
 Congress passes the National Labor Relations Act, also called the Wagner Act.

1950

1959
 Congress passes Landrum-Griffin Act.

1935
 United Auto Workers organized.

1975

1981
 ▶ Air traffic controllers' strike is unsuccessful.



2000

became the first automaker to recognize the union. Chrysler and Ford soon followed. In the 1940s, Walter Philip Reuther, as president of the UAW, helped auto workers become some of the nation's highest paid industrial workers. Also in the 1940s, John L. Lewis, the tough-talking, cigar-smoking leader of the CIO, brought his own United Mine Workers back from near failure and waged a fierce and successful fight to organize the nation's steelworkers.

Backlash Against Unions Following World War II

The end of World War II ushered in a period of anti-union legislation. In 1947, over the veto of President Harry S. Truman, the Taft-Hartley Act was passed. It amended the Wagner Act and limited union activities, increasing the government's power to intervene if a strike might threaten national security.

America's fear of Communism, the political and economic system of the Soviet Union, led to further restrictions on unions. The Landrum-Griffin Act (1959) forbade communists from holding union offices and required tighter financial and electoral accounting. George Meany, president of the AFL-CIO from 1955 to 1979, was a strong anti-communist and worked to get rid of unions that he considered sympathetic to communist ideas.

APPLICATION Comparing and Contrasting Economic Information

A. What motivated workers in the 1800s to form unions? Why did they continue to form unions in the early- to mid-1900s?

The Labor Movement's Steady Decline

KEY CONCEPTS

For 30 years following World War II, labor unions represented about 30 percent of the U.S. work force. Since the mid-1970s, membership in unions has declined steadily, falling to about 12.5 percent in 2005. The decline in unions can be traced to three causes: unions' tarnished reputations, changes in the labor force, and laws restricting union influence.

Loss of Reputation and Labor Force Changes

In the late 1900s, labor unions began to lose their luster in the eyes of many Americans. Prolonged strikes both disrupted the public and placed a burden on the striking families. Some unions began requiring companies to employ more workers than necessary, a tactic known as featherbedding. Featherbedding, especially in the railroad industry, raised criticisms of wastefulness. Investigators discovered that a few labor unions had ties to organized crime, which reflected badly on all unions.

The changing nature of the U.S. work force also led to reduced union membership. Union membership was traditionally rooted in manufacturing industries. But the number of manufacturing jobs in the United States fell sharply in the second half of the 20th century as the economy shifted toward service industries. The increase in the number of contingent and contract workers also led to lower union membership because such workers are less likely to pursue union representation.

As manufacturing declined, unions shifted their organizing efforts toward service workers. The American Federation of State, County, and Municipal Employees

Economics Update

Find an update on labor unions at ClassZone.com

FIGURE 9.14 UNION MEMBERSHIP IN THE UNITED STATES



Source: U.S. Bureau of Labor Statistics

ANALYZE GRAPHS

1. During this time period, when was union membership highest? What percent of the labor force belonged to a union that year?
2. Which year was union membership lowest, and what percent of the labor force belonged to a union then?

had about 1.4 million members in 2005. The Service Employees International Union (SEIU), which organizes such service workers as caregivers and janitors, had a membership of 1.8 million in 2005. The SEIU was the largest union in the AFL-CIO, but in 2005 it left the group. Several other smaller unions also left the AFL-CIO and joined SEIU to form a new coalition with different priorities.

Right-to-Work Laws

Another factor in the steady decline of union membership in the United States is legislation that tries to limit union influence. Unions had developed the **closed shop**, a business required to hire only union members. The closed shop was intended to maintain union standards for workers who only work at a business briefly, such as musicians or restaurant employees. Unions also developed the **union shop**, a business where workers are required to join a union within a set time period after being hired. Union shops allowed businesses to hire nonunion workers without diluting the strength of the union.

The Taft-Hartley Act outlawed the closed shop and weakened possibilities for a union shop. It also gave states the power to make it illegal to require workers to join unions. Such laws became known as **right-to-work laws**, a name meant to emphasize that workers are free not to join a union. However, the effect of right-to-work laws and similar legislation is to weaken unions and to help businesses operate without unions. Most right-to-work states are in the Southeast and the central West, and union membership in these areas is low.

QUICK REFERENCE

A **closed shop** is a business where an employer can hire only union members.

A **union shop** is a business where workers are required to join a union within a set time period after being hired.

Right-to-work laws make it illegal to require workers to join unions.

FIGURE 9.15 RIGHT-TO-WORK STATES MAP



APPLICATION Predicting Economic Trends

- B. Consider the trends in today's labor force that you learned about in Section 2. As more service industries unionize, is union membership, as a percent of the labor force, likely to return to the levels of the mid-1900s? Why or why not?

Union Negotiating Methods

KEY CONCEPTS

QUICK REFERENCE

Collective bargaining is the way businesses and unions negotiate wages and working conditions.

Despite the decline in membership, organized labor still wields power in the American economy. Unions continue to use **collective bargaining**, the process of negotiation between businesses and their organized employees to establish wages and to improve working conditions. Since it represents many employees together, a union can arrive at a better deal for workers than if each employee bargained with the employer separately. As a result, unionized companies tend to pay higher wages than companies without unions.

Collective Bargaining

In the 1930s and 1940s, unions negotiated for higher wages, better working conditions, and fair grievance procedures for workers who felt that they had been treated unjustly. As these demands were increasingly met, unions negotiated for job security and such fringe benefits as health insurance. Benefits and job security are important issues in today's negotiations as well, but in many cases today's workers are not pressing for higher wages. Instead they are trying to hold the line against pay cuts and reductions in benefits, including pensions.

Unions have the threat of a strike to provide a motivation for management to come to terms, but strikes occur much less frequently than in the past. Large-scale work stoppages in the United States occurred hundreds of times a year before the 1980s but dropped to about 20 per year by the 2000s. This is partly a result of the decline in union membership, but it also reflects the willingness of management to use replacement workers or to close a plant permanently.

The vast majority of union contracts are settled without such action. However, some negotiations require additional interventions if the two sides cannot agree. First, a mediator may be brought in to help the sides come to terms. If that fails, the dispute may be settled by **binding arbitration**—a decision by a neutral third party that each side agrees ahead of time to accept. For industries related to public safety, the government might issue an injunction to force workers back to work after a stoppage, or to stop protest activities that may interfere with public safety.



Collective Bargaining

Union leaders meet with business management to negotiate the details of union contracts.

QUICK REFERENCE

Binding arbitration is a process in which an impartial third party resolves disputes between management and unions.

APPLICATION Analyzing Cause and Effect

C. Explain why high wages and high employment do not necessarily go hand in hand.

SECTION 3 Assessment

REVIEWING KEY CONCEPTS

1. Explain the differences between the terms in each of these pairs.
 - a. *closed shop*
union shop
 - b. *strike*
collective bargaining
2. Why was the formation of the Knights of Labor a key event for organized labor in the United States?
3. Name two laws that supported labor's rights and two laws that restricted them.
4. Opponents of right-to-work laws sometimes call them "work-for-less" laws. Why do you think they use that name?
5. Why would a business care if its workers went on strike?

6. Using Your Notes Write a paragraph explaining why unions grew in the 1800s and the first half of the 1900s. Refer to your completed summary chart to help you develop your argument with strong supporting detail.

Topic	Main Ideas	Related Facts
Labor movement's rise to power		

Use the Graphic Organizer at **Interactive Review @ ClassZone.com**

CRITICAL THINKING

7. **Analyzing Cause and Effect** What effect might outsourcing have on union membership?
8. **Evaluating Economic Decisions** In 1981, a group of air traffic controllers, employees of the Federal Aviation Administration, went on strike. They wanted to reduce their workweek to 32 hours instead of the usual 40 because of the high stress of their jobs. President Ronald Reagan broke the strike and disbanded the union of air traffic controllers, claiming that they were striking illegally. About 100 strikers were arrested, and all of them were banned for life from jobs in air traffic control. Did Reagan do the right thing by firing the striking workers? Explain your answer.
9. **Challenge** The firing of the air traffic controllers and the breaking of their union was one of the key events for labor in the United States. What trends in organized labor are evident in that event?

ECONOMICS IN PRACTICE



Automated factories reduced the need for assembly line workers.

Analyzing Economic Data

Look at Figure 9.14 on page 278, which shows changes in union membership in the United States.

Analyze Union Membership

Compare the upward and downward movements of the graph to the events going on in the United States and world.

1930s—The Great Depression

1940s—World War II; postwar recovery

1950s—Korean War; economy thrives

1960s—Civil Rights movement; Vietnam War; steady economy

1970s—End of Vietnam War; oil embargo; inflation

1980s—Recession and recovery

1990s—Fall of Communism in Europe and Russia; Internet boom

2000s—September 11; Iraq War; recession and recovery

Challenge Does there seem to be a relationship between how well the economy is doing and union membership? Explain.

Managing Change in Your Work Life

Background The United States economy has shifted from manufacturing to service and knowledge-based industries. New technologies offer increasingly sophisticated tools. Telecommuting provides businesses the option of having employees work effectively from outside the office.

Globalization has revolutionized the way companies do business. Companies are no longer tied to a specific location. Instead, they establish offices around the globe. The outsourcing and insourcing of jobs result both in benefits and challenges. The dynamics of the workplace are defined by a single factor—change.

What's the issue? How will you respond to the changing dynamics of the work environment? Study these sources to discover how change affects the type of work we do, as well as where and how we do it.

A. Online Magazine Article

Call centers in India help businesses reduce costs because local wages are low. But some Westerners accept the low wages for a chance to live in India.

Subcontinental Drift

More Westerners are beefing up their resumé's with a stint in India

After a year answering phones for Swiss International Air Lines Ltd. in a Geneva call center, Myriam Vock was eager to see something of the world. So she packed her bags and hopped a plane to India. Two and a half years later she's still there, sharing a five-bedroom apartment in an upscale New Delhi suburb with four other foreigners.

And how does she pay the bills? She works in a call center, getting paid a fraction of what she did back home. "I'm not earning much, but there is enough to live well and travel," says Vock, 21. . . . "I don't pay taxes here, and life is so much cheaper," she says.

Worried about your job fleeing to India? One strategy is to chase it—an option a growing number of twentysomething Westerners are choosing. Sure, the trend will never make up for the thousands of positions lost back home, but for adventurous young people, a spell in a call center in Bangalore or Bombay can help defray the costs of a grand tour of the subcontinent and beyond.

Source: BusinessWeek.com, January 16, 2006



Call centers in India serve customers of companies all over the world.

Thinking Economically Explain Myriam's decision to work in a call center in India using cost-benefit analysis.

B. Business Cartoon

Canadian cartoonist Andrew Toos drew this cartoon about working in an increasingly technological society.



Source: www.CartoonStock.com

Thinking Economically

What does the cartoon suggest about new technological developments in the world of work? Explain your answer.

C. Online Newspaper Article

Many worry that outsourcing may reduce the number of jobs in the United States. This article presents a different perspective.

Outsourcing Benefits Permac Employees

Permac creates a win-win situation.

Permac Industries in Burnsville [Minnesota] fashions parts ranging from rings that tie parachutes to small planes to parts for soda fountain machines and construction trucks. President and CEO Darlene Miller plans to send some work to China, but she said it's to the benefit of her 27 Minnesota employees.

"No one here will lose a job. We're not planning to let anybody go—in fact, we're hiring," she said.

Miller is investing in a \$700,000 piece of equipment to give workers in Burnsville better tools for specialized work that demands higher skills than the work she plans to send to China. A side benefit for the company's Burnsville workers is that the work going to China will reduce the need for what at times has seemed relentless overtime.

"The simple parts eat up a lot of machine time," said John Keith, a Permac team leader. "If we farm that out we have time to look at getting new business, more complicated business."

Source: www.startribune.com, September 5, 2004

Thinking Economically How will Permac employees benefit from outsourcing? Identify others who also will benefit and explain why.

THINKING ECONOMICALLY Synthesizing

1. What skills are you likely to need in order to manage change successfully in your work life? Support your answer with examples from the documents.
2. In documents A and B, are the types of change similar or different? Are their effects on workers positive or negative? Explain your answer.
3. Compare the opportunities afforded by change in documents A and C. How are they similar? How are they different?

Review this chapter using interactive activities at **ClassZone.com**

- Online Summary
- Quizzes
- Vocabulary Flip Cards
- Graphic Organizers
- Review and Study Notes

Online Summary

Complete the following activity either on your own paper or online at **ClassZone.com**

Choose the key concept that best completes the sentence. Not all key concepts will be used.

civilian labor force	insourcing
closed shop	labor union
collective bargaining	minimum wage
contingent employment	outsourcing
craft union	productivity
derived demand	right-to-work law
equilibrium wage	strike
glass ceiling	telecommuting
human capital	union shop
industrial union	wages

1 are the cost of labor. The demand for labor is a 2, growing out of the demand for the goods or services workers can produce. The forces of supply and demand determine the 3, at which there is neither a surplus nor a shortage of workers. Wages are directly correlated to a worker's 4. Workers with the lowest level often earn only the 5.

Since the 1950s, many women have entered the 6. They are sometimes limited by the 7, which keeps them from reaching the highest levels of management. Other trends in the labor market include 8, working away from a central office, and 9, working part-time or temporary jobs. U.S. firms sometimes use 10 to hire workers in other countries. When foreign companies open plants in the United States, it is called 11.

Changes in the work force have reduced the number of workers who belong to a 12. Such organizations press for higher pay and better working conditions through 13. If talks fail, union workers might 14, putting pressure on employers to meet their demands.

REVIEWING KEY CONCEPTS

How Are Wages Determined? (pp. 258–265)

1. What forces determine the equilibrium wage?
2. What four factors contribute to differences in wages?

Trends in Today's Labor Market (pp. 266–273)

3. How has the labor market in the United States changed since the 1950s?
4. Name two new developments in the way Americans work.

Organized Labor in the United States (pp. 274–283)

5. Name an important U.S. labor leader and describe what he or she contributed to the labor movement.
6. What are some of the reasons membership in unions has declined since the 1950s?

APPLYING ECONOMIC CONCEPTS

The table below shows the median weekly earnings of full-time wage and salary workers by union affiliation and selected characteristics.

FIGURE 9.16 UNION AND NONUNION WAGES

Median Weekly Earnings of Full-Time Workers in the United States (in dollars)				
Race or Ethnicity	Union		Nonunion	
	Men	Women	Men	Women
African-American	689	632	523	478
Asian	819	789	827	643
Hispanic	713	609	473	414
White	884	749	714	576

Source: U.S. Bureau of Labor Statistics, 2005 data

7. What is the only group for which union affiliation does not yield higher pay?
8. Calculate the percentage difference between each group's union and nonunion wages. Which group gains the most in wages from union membership?

CRITICAL THINKING

9. Creating Graphs Create a bar graph using the following information about alternative work arrangements in the United States. Include an appropriate title and a source line showing that the data, which are for 2005, come from the Bureau of Labor Statistics.

Independent contractors (Self-employed workers, such as independent sales consultants or freelance writers): 10.3 million

On-call workers (Workers called as needed, sometimes working several days or weeks in a row, such as substitute teachers): 2.5 million

Temporary workers (Workers paid by the hour, such as file clerks, hired through a temporary employment agency): 1.2 million

Contract workers (Workers paid a salary, such as training specialists, provided by contract firms and hired for a limited contract): 0.8 million

Use  **SMART Grapher** @ **ClassZone.com** to complete this activity.

10. Synthesizing Economic Data Explain the differences in median weekly earnings in Figure 9.16 in terms of this chapter's key concepts.

11. Explaining an Economic Concept Have you ever been paid to work? If so, explain how the rate you were paid was determined. If not, think of someone you know who has earned money and explain how that person's wages were determined.

12. Applying Economic Concepts Think back to a time when you negotiated with someone in a position of authority for something you strongly wanted. Briefly describe the tactics you used and look for similarities or differences between those and the tactics unions use with employers.

13. Challenge In 2003, the Fair Labor Standards Act was amended to clarify who was entitled to overtime pay. At the center of the issue were computer programmers, who lost entitlement to overtime if their regular pay is \$65,000 per year or more. What impact might this have had on the workers and the economy?

SIMULATION

Collective Bargaining

It's time to renegotiate the union contract at the Acme auto parts factory in Springfield. Read these descriptions of the two sides, then follow the instructions to experience what union negotiations are like.

Union workers currently earn \$25 per hour, plus overtime pay if they have to work more than 35 hours per week. Benefits include health-care insurance paid for by the company, plus vision and dental coverage, also funded by the company. The workers' pension fund is handled through the union.

The Acme company is a conglomerate based in the United States. Its auto parts business has been struggling to make a profit, so it is considering outsourcing the work to a factory in China. It would then like to turn the Springfield factory into a computer manufacturing facility.

Step 1 Divide the class evenly into union members and the Acme management team.

Step 2 Separately and privately, each group discusses its objectives and negotiating strategies. Try to keep the conversation quiet so that the other side does not gain an advantage by learning your bargaining points.

Step 3 Each group chooses three representatives to conduct the negotiations.

Step 4 The representatives from both sides meet and negotiate the new contract. The rest of the two groups may listen to the negotiations, but they may not participate. If the two sides still disagree on an issue after several minutes of negotiations, put that issue aside for the moment. Keep a list showing the status of each issue.

Step 5 If time permits, repeat steps 2–4 to address the unresolved issues.

Discuss what happened. Did one side have more bargaining power? How did the two sides resolve their differences? Why were some issues more difficult to resolve than others?