

CHAPTER

12

The American Labor Force

Why It's Important

Do you have a part-time job? Who determines how much you get paid? How can you earn more? This chapter will explain the major categories of the labor force and the factors that affect wages.



To learn more about workers in the United States, view the **Economics & You** Chapter 14 video lesson: **The American Labor Force**



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Chapter Overview Visit the *Economics Today and Tomorrow* Web site at ett.glencoe.com and click on **Chapter 12—Chapter Overviews** to preview chapter information.

CONTENTS

Americans at Work

COVER STORY

THE COLUMBUS DISPATCH, MARCH 17, 1999

Baseball player, president, and cowboy—great jobs, right? Wrong. Try Web site manager, computer systems analyst, and software engineer.

Low stress, short workweeks, and room for advancement

put those professions

near the top of the list in *Jobs Rated*

Almanac, a book rank-

ing 250 of the best and worst jobs in the country.

Nine of the top 10 jobs were in computer or math-related fields. Physical labor fared worst in the rankings, with oil field “roustabouts,” lumberjacks, and fishermen taking the final three spots on the list.



READER'S GUIDE

Terms to Know

- civilian labor force
- blue-collar workers
- white-collar workers
- service workers
- unskilled workers
- semiskilled workers
- skilled workers
- professionals
- minimum wage law

Reading Objectives

1. How are workers categorized according to skill level and training?
2. How do skill, type of job, and location affect supply and demand in the labor market?

Everyone—from a factory worker to the president of a corporation—belongs to the productive resource known as labor. As you read this section, you'll learn how workers are categorized, how wages are determined, and why employers need to pay more to get (and keep) good workers.

The Civilian Labor Force

When discussing labor, economists use the term *labor force* in a specific way. The **civilian labor force** is the total number of people 16 years old or older who are either employed or actively

civilian labor force: total number of people 16 years old or older who are either employed or actively seeking work

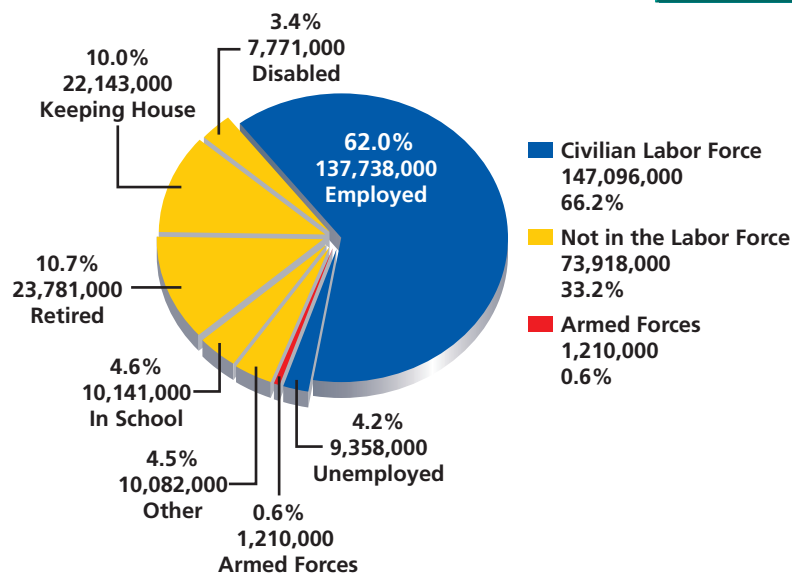
FIGURE 12.1

Total Workforce 16 Years and Older

The number of people age 16 and older who are not in the labor force is not the same number as the nation's unemployment rate. *Why?*

Employment Status of United States Population

STANDARD
& POOR'S



Source: Standard & Poor's



For an online update of this graph, visit ett.glencoe.com and click on **Textbook Updates—Chapter 12.**



seeking work. Individuals not able to work, such as disabled people or those in prisons or mental institutions, are not included in the civilian labor force. People in the armed forces or those not looking for a paying job, such as full-time students and homemakers, are excluded as well. **Figure 12.1** shows the civilian labor force in comparison to the total working-age population.

Categories of Workers

Workers in the United States are categorized in several ways. One way is to group them according to the type of work they perform. Another way is by the level of training or education their jobs require.

Blue-Collar, White-Collar, and Service Workers During the late 1800s and early 1900s, many farmworkers moved to cities. This migration occurred in part because the increased use of farm machinery required fewer agricultural workers. Higher wages paid to workers in the growing industries of urban areas also lured farmworkers there. Displaced farmers, and others who

entered the workforce because of higher wages, often became **blue-collar workers**—craft workers, workers in manufacturing, and nonfarm laborers.

The largest sector of the labor force is **white-collar workers**. Office workers, salespeople, and highly trained individuals such as physicians and engineers are classified as white-collar workers. This sector experienced steady growth throughout the twentieth century.

In recent years, a shift away from farm work and blue-collar jobs to the service sector of the economy has occurred. **Service workers** are those who provide services directly to individuals. Cooks, piano tuners, health-care aides, and barbers are all service workers. See **Figure 12.2**.

blue-collar workers: category of workers employed in crafts, manufacturing, and nonfarm labor

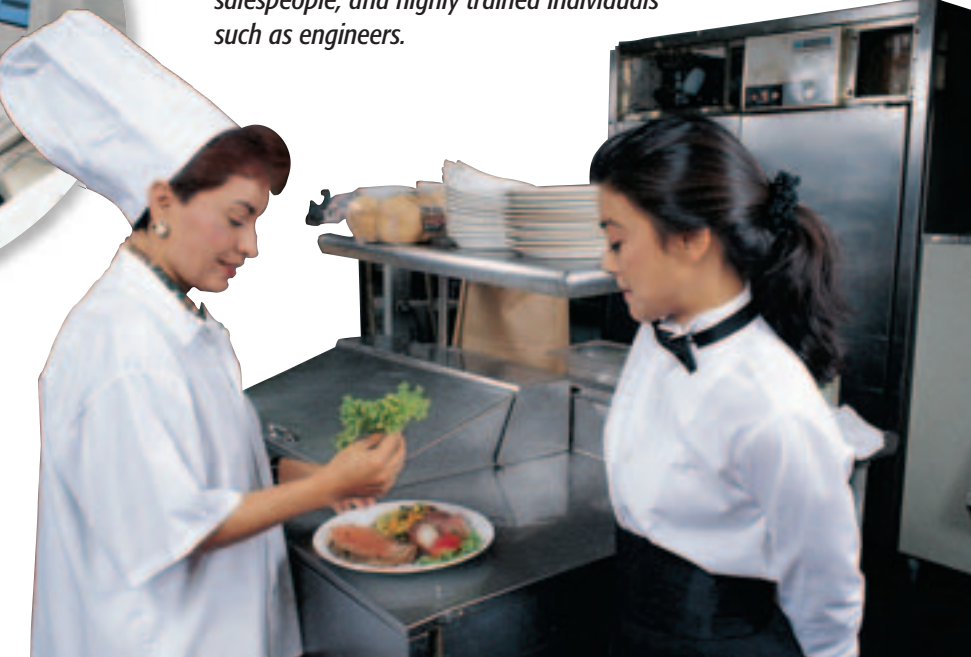
white-collar workers: category of workers employed in offices, sales, or professional positions

service workers: people who provide services directly to individuals

FIGURE 12.2

Worker Categories by Type of Job Economists sometimes classify workers by their type of occupation, regardless of the skills necessary to perform the job.

A White-collar workers include office workers, salespeople, and highly trained individuals such as engineers.



B Blue-collar workers include craft workers, workers in manufacturing, and nonfarm laborers.

C Service workers provide services—haircuts, food service, child care, and so on—directly to individuals.

unskilled workers: people whose jobs require no specialized training

semiskilled workers: people whose jobs require some training, often using modern technology

skilled workers: people who have learned a trade or craft either through a vocational school or as an apprentice to an experienced worker

professionals: highly educated individuals with college degrees and usually additional education or training

FIGURE 12.3

Worker Categories by Skill

This woman moved from a semiskilled position—lumberjack—to a skilled position—manager of the lumberyard.



Jobs Categorized by Skill Level Another way to categorize workers is by the skills required to perform their occupation. **Unskilled workers** are those whose jobs require no specialized training. Jobs such as waiting on tables and custodial work are considered unskilled, although obviously these types of work require skills such as patience and the ability to pace oneself or to work according to a schedule. Such jobs may also demand the ability to work well with people.

Semiskilled workers are those whose jobs require some training, often using modern technology. The job of nurse's aide, for example, is considered a semiskilled occupation.

Someone who has learned a trade or craft, either through a vocational school or as an apprentice to an experienced worker, is considered a **skilled worker**. Police officers and masons hold skilled occupations.

Professionals are those with college degrees and usually additional education or training. Also classified as white-collar workers, people who hold professional jobs include teachers, architects, and accountants. As shown in **Figure 12.3**, workers may move from one skill level to another as they gain training and experience.

Supply and Demand in the Labor Market

The labor market, like other markets, is affected by supply and demand. Suppliers are the workers who offer their services, while the demand comes from employers who require workers.

Supply and Demand Factors That Affect Wages Three major factors affect how supply and demand determine prices, or in this case wages, in the labor market. These factors include skill, type of job, and location.

The first factor, *skill*, is the ability a person brings to a job. It may come from talent, initiative, education and/or training, or experience. Because the demand for highly talented individuals is usually high, whereas the supply of such employees is often scarce, a shortage occurs. As you remember from Chapter 7, a shortage usually results in high prices—or high wages. A highly educated brain surgeon and a talented major league home-run hitter, for example, both are paid large sums of money because their skills are in high demand relative to supply.

A worker's initiative also plays a large role in determining wages. Overall, a worker's wages will reflect the value of the

Shakespeare as Business Guru?

If you want to succeed in business, study the masters: Warren Buffett. Lee Iacocca. Bill Gates. And William Shakespeare.

Shakespeare's plays deal with people in positions of power and responsibility. A workshop at Shakespeare's Globe Theater teaches business leaders to read Shakespeare's works for wisdom that can be applied in the work world.

To weather acts of betrayal, you might turn to *Julius Caesar*. Newly promoted leaders can find parallels with Shakespeare's *Henry V*, who struggles to gain respect in his new role as king. Consider *Hamlet* when you're facing indecision and action. And *Macbeth* teaches how to avoid becoming obsessed with power for its own sake. ■

—*The Columbus Dispatch*, May 27, 1999

product that the worker produces. The worker's productivity will be the major factor in determining his or her success. An employee whose value is easily and generally recognized cannot be underpaid for long by a firm, because another firm will soon entice that worker away with a higher salary.

The *type of job* also affects the amount an employer is willing to pay and a potential employee is willing to accept. Jobs that are unpleasant or dangerous, such as coal mining, often pay higher wages compared to other jobs requiring equal levels of skill. Again, the demand for workers is high, but the supply of laborers willing to do the work may be low.

In contrast, some jobs are enjoyable or prestigious or desirable enough that people are willing to take them even at low wages. Many people take lower-paying jobs in industries such as film-making and publishing for these reasons. In these cases, the demand for workers is low, whereas the supply of individuals waiting for prestigious positions is high.

The *location* of both jobs and workers is the third factor in determining wages. If workers are relatively scarce in an area, companies may have to pay high wages to attract workers to move there. Alaska, for example, has the highest wages per person in the country. In contrast, a company in a highly populated area often can hire people

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Student Web Activity Visit the *Economics Today and Tomorrow* Web site at ett.glencoe.com and click on **Chapter 12—Student Web Activities** to see how the Internet can help you find a job.

at relatively low wages. Even professionals in such a location may not receive high wages. See **Figure 12.4**.

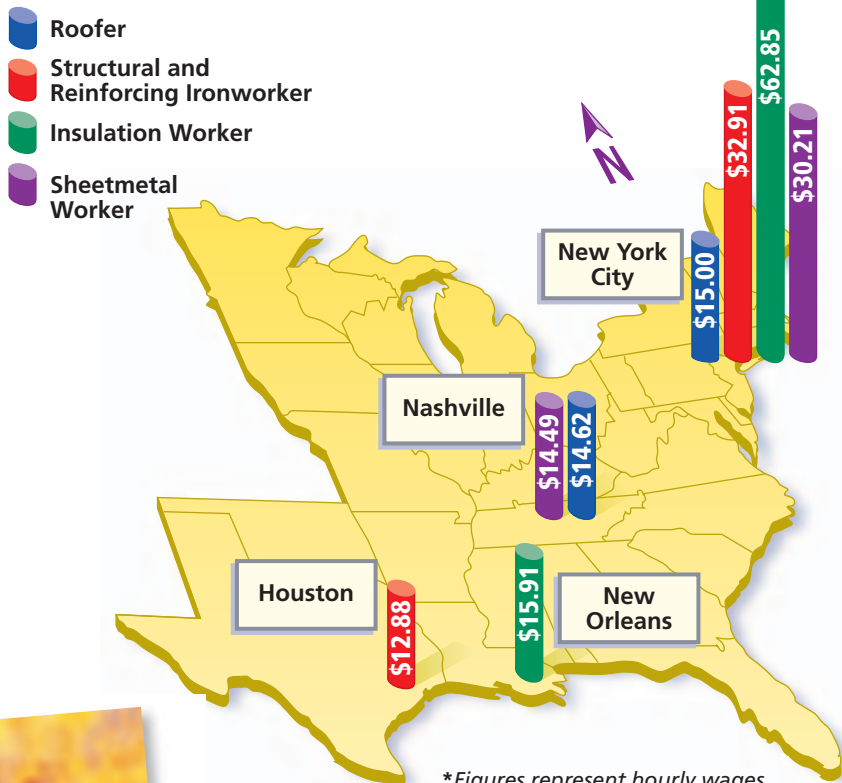
Restrictions on Wages If the labor market were perfectly competitive, the changing supply and demand for labor would result in constantly shifting wage rates. The labor market, however, is not perfectly competitive. For one reason, the flow of information about

FIGURE 12.4

Supply and Demand Factors Affecting Wages

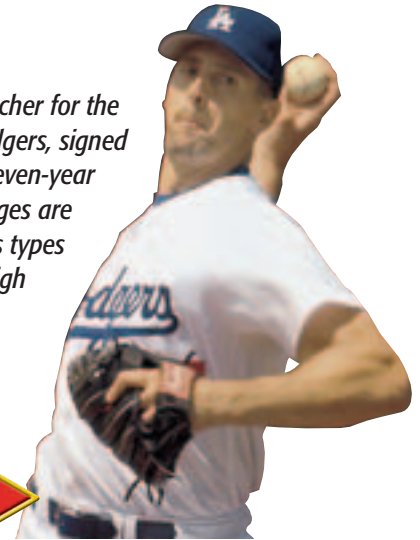
A Location
A skilled ironworker will earn more in urban areas of the North or Midwest, where blue-collar wages are higher, than in the South, which has traditionally had lower wages.

B Type of Job
People with dangerous jobs, such as these firefighters specializing in oil-well fires, will receive higher wages than others who do not have life-threatening occupations.



*Figures represent hourly wages.
Source: Bureau of Labor Statistics

C Skill
Kevin Brown, pitcher for the Los Angeles Dodgers, signed a \$105 million seven-year contract. His wages are high because his types of skills are in high demand but in short supply.

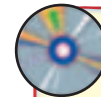


jobs is imperfect. Workers cannot know exactly what all other employers will pay for their services. Employers, for their part, do not know what all workers are willing to accept. Economists call this lack of information a *market failure*.

Two other factors restrict supply and demand in terms of their influence on wages. One is the federal **minimum wage law**, which sets the lowest legal hourly wage rate that may be paid to certain types of workers. Although the purpose of the minimum wage is to help workers, some studies have shown that the opposite often occurs. An increase in the minimum wage causes some firms to hire fewer low-skilled workers. This can delay the acquisition of job skills by teenagers and minorities and reduce their subsequent attractiveness in the labor force.

Another factor that restricts the influence of supply and demand on wages is the process of wage negotiations between organized labor (unions) and management. Supply and demand have less influence on wage negotiations than do such things as the company's ability to pay higher wages, the length of the negotiated contract, and seniority—length of time on the job. You'll learn more about organized labor in Sections 2 and 3.

minimum wage law: federal law that sets the lowest legal hourly wage rate that may be paid to certain types of workers



Practice and assess
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Workbook, Level 2.

SECTION

1

Assessment

Understanding Key Terms

1. **Define** civilian labor force, blue-collar workers, white-collar workers, service workers, unskilled workers, semiskilled workers, skilled workers, professionals, minimum wage law.

Reviewing Objectives

2. What are four categories of workers as determined by skill level and education?
3. **Graphic Organizer** Create a diagram like the one below to describe how skill, type of job, and location affect supply and demand in the labor market.



Applying Economic Concepts

4. **The Civilian Labor Force** Are you technically a member of the civilian labor force? Explain why you are or are not considered part of this group.

Critical Thinking Activity

5. **Understanding Cause and Effect** Draw two line graphs showing (1) how the labor supply would change in a highly remote location if very high wages were offered to prospective employees, and (2) how the demand for labor would change in a firm that just invested in robotics. *For help in using line graphs, see page xv in the Economic Handbook.*

SPOTLIGHT ON THE ECONOMY

Pink Slips with a Silver Lining

Check It Out! In Section 1, you learned how supply and demand affect wages. In this article, read to learn how one company's laid-off workers are offered an alternative when their positions are in short supply.

If layoffs can have happy endings, this may be one case: Cisco Systems (CSCO), which dismissed 6,000 full-time workers in April, got creative about its severance package—and decided to help charity. The San Jose (Calif.) company is allowing the pink-slipped who agree to work for a local nonprofit organization for a year, to collect one-third of their salaries, plus benefits and stock options—and be first in line for rehire once the economy recovers.

Nonprofits, of course, are delighted. “It’s going to allow us to move ahead faster on technology projects,” says Dave Sandretto, director of the food bank for Santa Clara and San Mateo counties. He’s interviewing Cisco candidates for five accounting and computer-related positions.

OPTIONS EXTENSION. So far, 150 ex-Ciscoans are participating. The company is also offering

workers nine months longer than usual to exercise their (currently underwater) stock options.

Carol Cone, who runs Boston-based strategic marketing firm Cone Inc., says Cisco is wisely maintaining ties to its talent pool while helping tech-challenged nonprofits: “It’s really a fascinating and very visionary approach to a layoff.” Hear that, Human Resources?

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Think About It

1. According to the article, how can nonprofit organizations benefit from the help of former Cisco employees?
2. Why do you think Cisco came up with this program? How does the company benefit from it?



Organized Labor

COVER STORY

1884 GOVERNMENT REPORT DESCRIBING WORKING CONDITIONS
FOR WOMEN IN A SMALL FACTORY, BOSTON

The work is dangerous . . . [and they] are liable to get their fingers jammed under the bench, or caught in the die when it comes down to press the parts of the buttons together. A man (although not a surgeon) is provided to dress wounds three times for each individual without charge; afterwards, the person injured must pay all expenses. There are 35 machines in use, and accidents are of very frequent occurrence.



READER'S GUIDE

Terms to Know

- labor union
- strike
- craft union
- industrial union
- local union
- closed shop
- union shop
- agency shop
- right-to-work laws

Reading Objectives

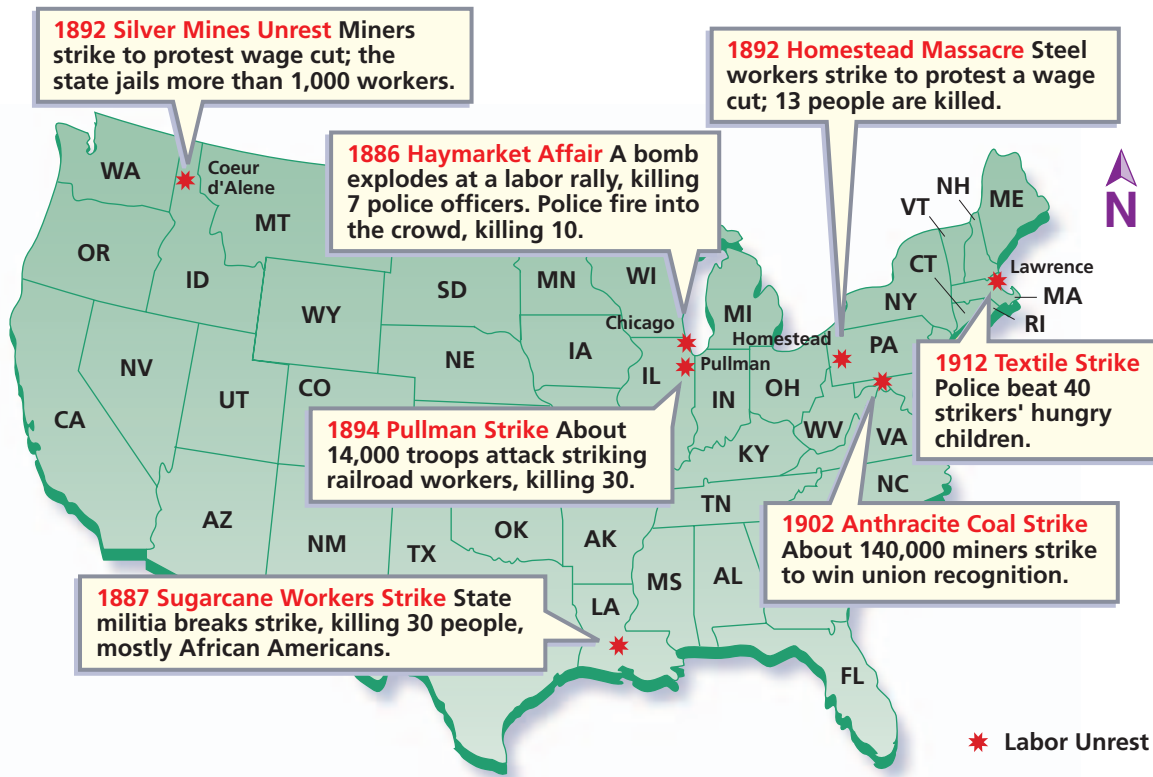
1. What obstacles did labor unions face when they began to organize in the 1800s?
2. How do closed shops, union shops, and agency shops differ?

To have some control over the wages they receive as well as over other working conditions, many American workers formed labor unions. A **labor union** is an association of workers organized to improve wages and working conditions for its members. As you read this section, you'll learn that unions are based on the idea that workers as a group will have more influence on management than will individual workers acting alone. (In discussing labor-management relations, the term *management* refers to those in charge of a company—the executives and managers.)

labor union: association of workers organized to improve wages and working conditions for its members

FIGURE 12.5

Labor's Early Struggle for Recognition The major weapon for workers to use against management was the strike. More often than not, however, striking unions were viewed as dangerous by the public, who turned against them.



Development of Labor Unions

Working conditions in the 1800s were very different from those of today. Buildings were often poorly lighted and ventilated, and the machinery was sometimes dangerous to operate. The workweek was long, and wages were low. No unemployment insurance helped those who were out of work until they found new jobs. Health-care benefits, sick leave, and paid vacations and holidays did not exist.

Workers began to form unions to force employers to improve wages and working conditions, shorten the workday, and end child labor. Unionism, however, met with strong resistance. In the 1800s, state legislatures—influenced by business interests—passed laws against unions, and courts upheld them.

Many businesses refused to hire union members or deal with unions. Workers who were found trying to organize unions were

fired and blacklisted—kept from being employed. **Strikes**, or deliberate work stoppages by workers to force an employer to give in to their demands, often resulted in violence between strikers and police, as described in **Figure 12.5**. Not until the mid-1930s did Congress begin to pass laws to regulate labor-management relations. Several of these laws are explained in **Figure 12.6**.

strike: deliberate work stoppage by workers to force an employer to give in to their demands

The American Labor Movement For much of its history, organized labor in the United States has been split into two groups: craft unions and industrial unions. A **craft union** is made up of skilled workers in a specific trade or industry, such as carpentry or printing. The first permanent federation, or organization of national labor unions, was the American Federation of Labor (AFL), composed of craft unions and led by Samuel Gompers. See **Figure 12.7** at right.

craft union: union made up of skilled workers in a specific trade or industry



FIGURE 12.7

The AFL Samuel Gompers established the American Federation of Labor and served as its president from 1886 to 1924. Among other causes, he fought for the eight-hour workday.

FIGURE 12.6

Labor-Management Legislation

Legislation	Description
Norris-LaGuardia Act, 1932	Limits the power of the courts to stop picketing and boycotts, and makes yellow-dog contracts illegal. This type of contract is the practice whereby employers require that employees pledge not to join a union.
Wagner Act, 1935	Guarantees labor's right to organize and bargain collectively. Sets up National Labor Relations Board (NLRB) to oversee the establishment and operation of unions.
Taft-Hartley Act, 1947	Outlaws certain strike tactics, permits states to pass laws making union shops illegal, and allows the President to delay a strike if it will threaten the nation's health and safety.
Landrum-Griffin Act, 1959	Increases government control over unions and guarantees union members certain rights, such as freedom of speech in union activities and control over union dues.

industrial union: union made up of all the workers in an industry regardless of job or skill level

An **industrial union** is made up of all the workers in an industry regardless of job or level of skills. Attempts to organize industrial unions date to the late 1800s and the leadership of Eugene V. Debs, founder of the American Railway Union. The first significant effort to unionize unskilled and semiskilled workers did not begin, however, until the formation of the Congress of Industrial Organizations (CIO) in 1938.

Global Economy

Improving Working Conditions Worldwide

Overseas factories drew attention in the 1990s after human-rights groups disclosed that clothing sold in Wal-Mart was produced in a Honduran sweatshop. The Vietnamese factory making Nike products was accused of having dangerous levels of chemicals. The White House convened manufacturers and human-rights groups in 1996 to address such abuses.

Since then, Nike and other companies have taken steps to improve conditions for workers. At Nike's Vietnamese factory, for example, ventilation has been improved and workers are using a less toxic glue. Federal contractors are required to certify that no abusive child labor went into the goods they buy. ■

The AFL-CIO During the late 1930s and early 1940s, both the AFL and the CIO launched organizing campaigns that made the lines between industrial and craft unions less clear. AFL unions began recruiting semi-skilled and unskilled workers, while the CIO began organizing workers in the skilled trades. The resulting rivalry cost both union federations time and effort.

By the mid-1950s, union leaders realized that the labor movement would make greater gains if craft and industrial unions worked together. As a result, the two federations merged in 1955 to form the present AFL-CIO.

How Unions Are Organized

Organized labor operates at three levels: the local union, the national or international union, and the federation.

local union: members of a union in a particular factory, company, or geographic area

closed shop: company in which only union members could be hired

union shop: company that requires new employees to join a union after a specific period of time

agency shop: company in which employees are not required to join the union, but must pay union dues

Local Unions A **local union** consists of the members of a union in a particular factory, company, or geographic area. The local deals with a company by negotiating a contract and making sure the terms of the contract are kept. The influence that a local has often depends on the type of membership policy it has negotiated with management.

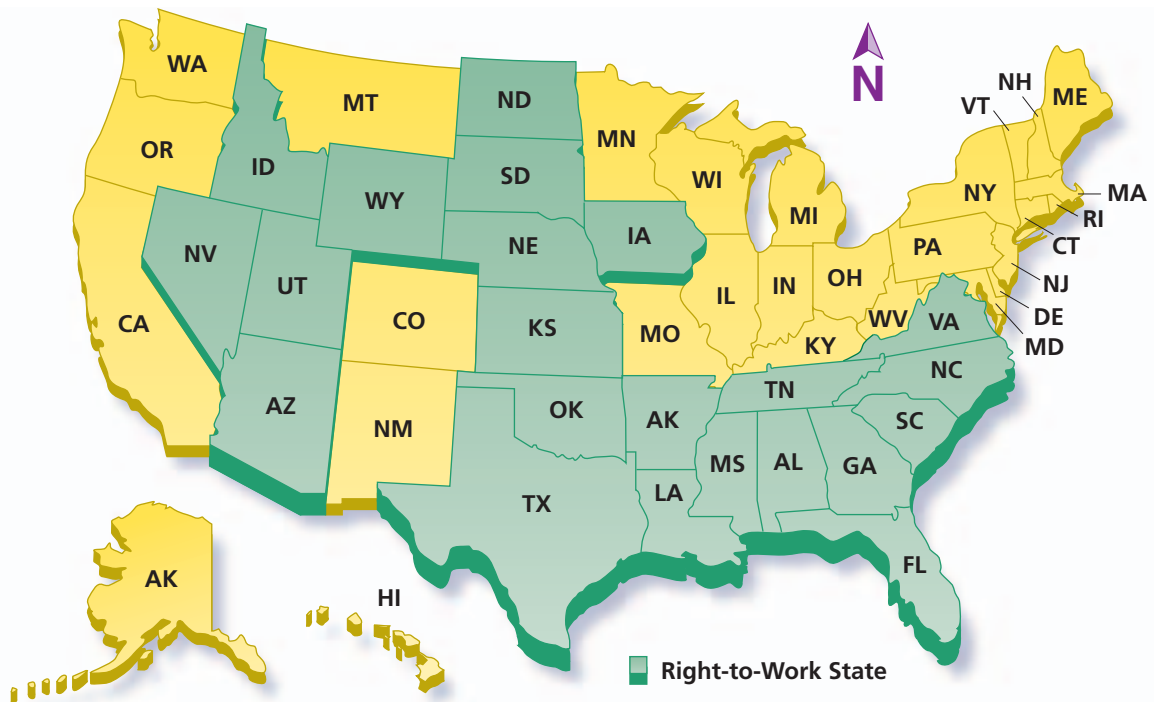
Not all local unions are alike. Membership requirements and the ways in which management relates to union members vary from one kind of shop to another. In a **closed shop**, companies could hire only union members. The Taft-Hartley Act of 1947 outlawed closed shops, however. In a **union shop**, a new employee must join the union after a specific period of time, usually three months. In an **agency shop**, employees are not required to join the union, but they must pay union dues.

Supporters of union shops and agency shops argue that employees in companies that are unionized should be required to pay union dues because they benefit from contracts the union negotiates. Opponents believe that a person should not be required to join a union.

Since 1947 a number of states, as shown in **Figure 12.8**, have passed **right-to-work laws** that forbid union shops. These laws allow workers to continue working in a particular job without joining a union. The benefits negotiated by the union must be made

right-to-work laws: state laws forbidding unions from forcing workers to join and pay union dues

FIGURE 12.8 States With Right-to-Work Laws



Source: National Right to Work Organization



available to workers who do not join the union. Unions have less power in states with right-to-work laws than in other states.

National Unions Above the locals are the national unions. These organizations are the individual craft or industrial unions that represent locals nationwide. Those unions that also have members in Canada or Mexico are often called international unions.

National unions send in organizers to help employees organize campaigns to set up locals. To help in negotiating a contract between a local and a particular company, the nationals provide lawyers and other staff members. In certain industries such as steel and mining, the national union negotiates the contract for the entire industry. After the majority of union members accept the contract, all the locals within the industry must work under the contract. Some of the largest unions are the International Brotherhood of Teamsters, the United Automobile Workers (UAW), and the United Steelworkers of America (USW).

Federation Level At the federation level is the AFL-CIO, which is made up of national and international unions. More than 65 unions with about 13 million members are associated with the AFL-CIO.



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key skills with
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Workbook, Level 2.*

SECTION

2

Assessment

Understanding Key Terms

1. **Define** labor union, strike, craft union, industrial union, local union, closed shop, union shop, agency shop, right-to-work laws.

Reviewing Objectives

2. What obstacles did labor unions face when they began to organize in the 1800s?
3. **Graphic Organizer** Create a chart like the one below to summarize the differences among closed shops, union shops, and agency shops.

Type of Union	Summary

Applying Economic Concepts

4. **Economic Institutions** List and evaluate the four pieces of legislation highlighted in **Figure 12.6** on page 323. Rate the acts as follows: “+” for acts that benefited unions, “-” for acts that harmed unions, “0” for acts that had a mixed impact on unions.

Critical Thinking Activity

5. **Synthesizing Information** According to **Figure 12.8** on page 325, is your state a right-to-work state? How do right-to-work laws affect unions? Do you agree or disagree with right-to-work laws? Explain your answer.

People & Perspectives



Walter Reuther

LABOR LEADER (1907–1970)

- **President of the United Automobile Workers (UAW), 1946–1970**
- **President of the Congress of Industrial Organizations (CIO), 1952–1955**
- **Helped to bring about the merger of the American Federation of Labor (AFL) and the CIO in 1955**
- **Posthumously awarded the Presidential Medal of Freedom for distinguished civilian service in peacetime in 1995**

Walter Reuther ranks among the greatest American labor leaders of the twentieth century. A driving force in the union-organizing movement of the 1930s and 1940s, he was the first union leader to negotiate for, and win, benefits that workers today take for granted—cost-of-living raises, pension plans, employer-funded health insurance, and profit sharing. Reuther was also deeply involved in the civil rights and environmental movements. As another union leader noted, “Walter Reuther was on the front lines of the battle for a better world.” In the excerpt below, Reuther explains his philosophy of unionism:

“My main point is that the labor movement is about that problem we face ‘tomorrow morning’. . . . The guys have a right to expect the labor movement to deal with that problem. I can’t give them some philosophical baloney and say: Well, fellows, you know

we’re operating way up here in the stratosphere and you shouldn’t get excited about these little problems that are bothering you every morning.

But to make that the sole purpose of the labor movement is to miss the main target. The labor movement is about changing society. I mean, I don’t think I am eloquent when I say to a guy: What good is a dollar an hour more in wages if your neighborhood is burning down? What good is another week’s vacation if the lake you used to go to, where you’ve got a cottage, is polluted and you can’t swim in it and the kids can’t play in it? What good is another \$100 pension if the world goes up in atomic smoke?”

Checking for Understanding

1. What do you think Reuther meant by the “little problems that [bother workers] every morning”?
2. What did Reuther think was the main “target” of the labor movement?

Collective Bargaining

READER'S GUIDE

Terms to Know

- collective bargaining
- cost-of-living adjustment (COLA)
- mediation
- arbitration
- picketing
- boycott
- lockout
- injunction

Reading Objectives

1. What are the major issues over which union contracts are negotiated?
2. What workers' actions and management responses may accompany a strike?
3. How has collective bargaining in the United States changed in recent years?

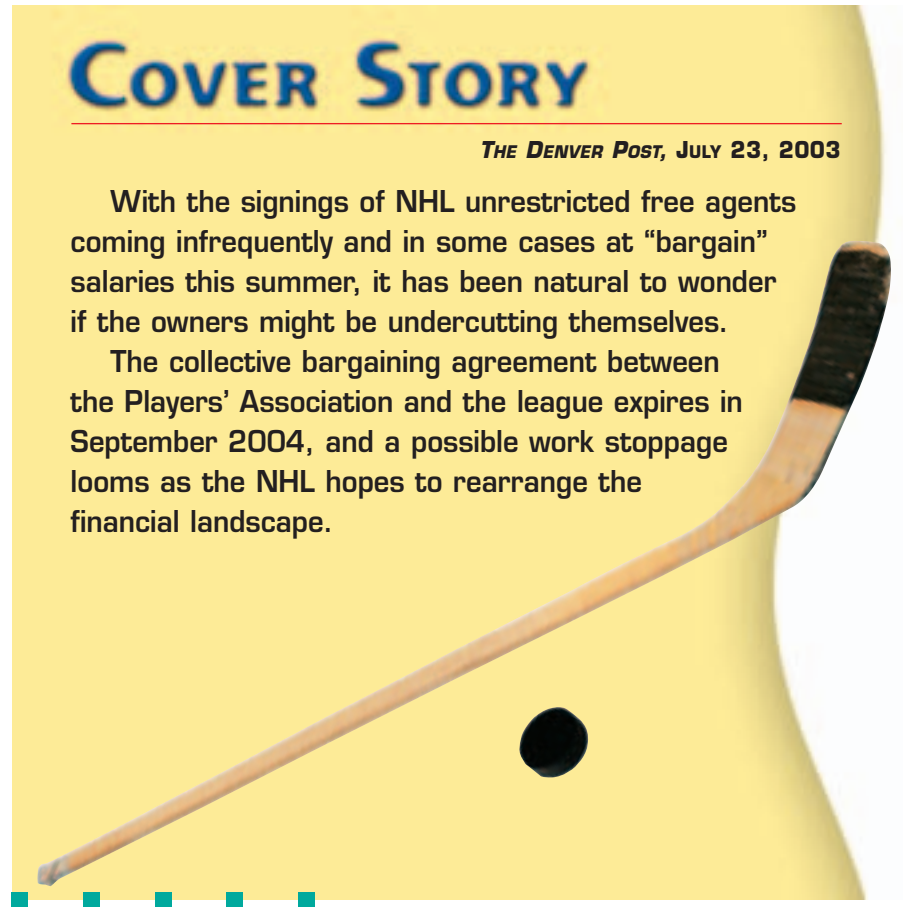
collective bargaining: *process by which unions and employers negotiate the conditions of employment*

COVER STORY

THE DENVER POST, JULY 23, 2003

With the signings of NHL unrestricted free agents coming infrequently and in some cases at "bargain" salaries this summer, it has been natural to wonder if the owners might be undercutting themselves.

The collective bargaining agreement between the Players' Association and the league expires in September 2004, and a possible work stoppage looms as the NHL hopes to rearrange the financial landscape.



Collective bargaining, as mentioned above, is the process by which unions and employers negotiate the conditions of employment. At the center of the collective bargaining process is compromise. The company wants to keep wages and benefits low to hold its labor costs down and remain competitive in the market. The union wants to increase wages and benefits for its members as much as possible. As you read this section, you'll learn that both sides must be prepared to give and take a little.

Negotiations

Negotiations take place when labor and management meet to discuss in detail a wide range of contract issues. **Figure 12.9** on page 330 lists the most important issues that labor and management may negotiate, including working hours, fringe benefits, and a **cost-of-living adjustment (COLA)**. In most cases, negotiations are friendly and result in an agreement that satisfies all parties.

Mediation If negotiations become hostile or compromise breaks down, labor and management may try mediation. **Mediation** occurs when a neutral person steps in and tries to get both sides to reach an agreement. The mediator suggests possible solutions and works to keep the two sides talking with each other.

The federal government, through the Federal Mediation and Conciliation Service (FMCS), provides a mediator free of charge upon request of either union or management. In a typical year, FMCS mediators are involved in thousands of negotiations. A number of state and private mediators also help resolve disputes.

Arbitration If mediation fails, the negotiation process may go one step further to arbitration. In **arbitration**, the two sides submit the issues they cannot agree on to a third party for a final decision. Both sides agree in advance to accept the arbitrator's decision, although one or both sides may not be completely happy with the outcome. The FMCS often helps in these cases by providing labor and management with a list of private arbitrators in their area.

Strikes and Management

Most contracts are settled at the bargaining table. Sometimes, however, negotiations break down and a strike results. The number of strikes in the United States has declined sharply since the 1970s, as shown in **Figure 12.10** on page 331.

Strikers usually walk up and down in front of their workplace carrying picket signs that state their disagreement with the company. **Picketing** is meant to discourage workers from crossing the picket line to work for the employer. It is also aimed at embarrassing the company and building public support for the strike.

cost-of-living adjustment

(COLA): provision calling for an additional wage increase each year if the general level of prices rises

mediation: a neutral person tries to get both sides to reach an agreement during negotiations

arbitration: union and management submit the issues they cannot agree on to a third party for a final decision



CAREERS

Labor Relations Specialist

Job Description	Qualifications
<ul style="list-style-type: none">■ Prepare information for management or union to use during collective bargaining negotiations■ Interpret union contract issues	<ul style="list-style-type: none">■ Master's degree in labor relations or human resources, and background in law

Median Salary: \$41,660

Job Outlook: Average

—Occupational Outlook Handbook, 2002–03

picketing: action of strikers who walk in front of a workplace carrying signs that state their disagreement with the company

FIGURE 12.9

Union Contract Issues



Issue	Description
Wages	Most contracts provide for wage increases of a certain percentage for each worker during each year of the contract. Some contracts also provide for an additional increase each year if the general level of prices in the economy rises beyond a certain amount. This provision is known as a <i>cost-of-living adjustment</i> .
Working Hours	The contract establishes the number of hours a day that employees must work. Employees who work longer hours must usually be paid extra wages, called <i>overtime pay</i> .
Fringe Benefits	Fringe benefits are payments other than wages made to employees. These can include health and life insurance, a retirement plan, and time off for vacations and holidays.
Working Conditions	Contracts often provide for a joint union and management committee to ensure that safe and pleasant working conditions exist. Working conditions are a particularly important issue to employees in industries that deal with poisonous substances or dangerous machinery.
Job Security	At issue under job security is protection against layoffs because of technological change or a slowdown in business. Most contracts do not forbid layoffs, but rather set up rules that the employer must follow when laying off workers. For example, those with the least <i>seniority</i> —amount of time spent with the company—are usually laid off first.
Grievance Procedures	Grievance procedures are a set of formal rules used to resolve a dispute between union members and management. A <i>grievance</i> , or complaint, may be filed if one side feels that the other is not living up to the terms of the contract. If the union and the company cannot settle the grievance, a third party will often be asked to judge the matter objectively.



Striking unions may also use a boycott to exert more economic pressure against a firm. In a **boycott**, unions urge the public not to purchase goods or services produced by a company. In addition, unions may ask politicians to push management for a settlement or to publicly support the union's demands.

boycott: economic pressure exerted by unions urging the public not to purchase the goods or services produced by a company

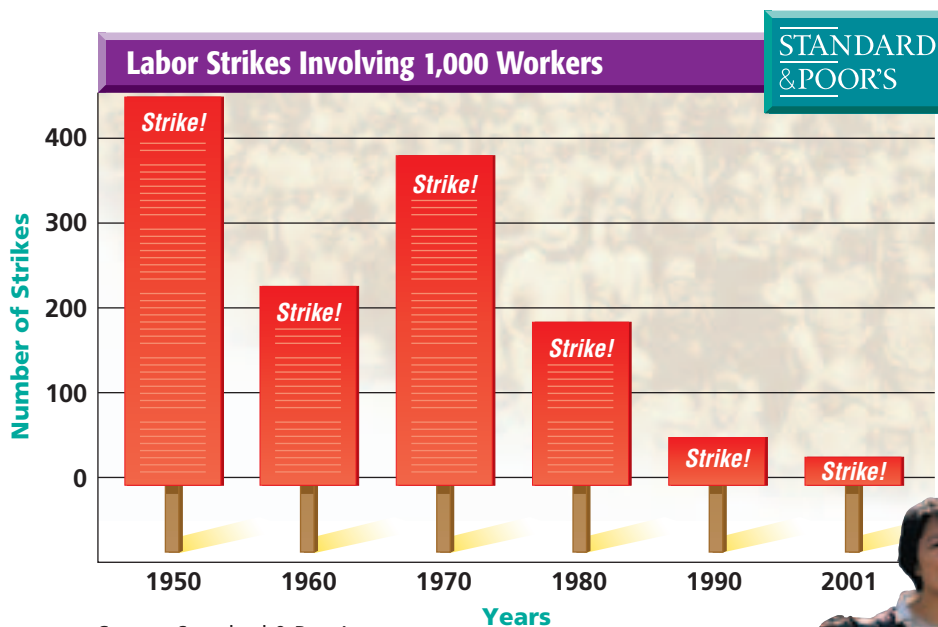
Strikes can drag on for months and even years. After a long period of time, strikers sometimes become discouraged. Some may decide to go back to work without gaining what they wanted. In most cases, however, strikes are settled as management and labor return to the negotiating table and work out an agreement.

Lockouts When faced with a strike, management has methods of its own to use against strikers. One is the **lockout**, which occurs when management prevents workers from returning to work until they agree to a new contract. Another tactic is to bring in strikebreakers, called *scabs* by strikers. These are people willing to cross a picket line to work for the terms the company offers.

lockout: situation that occurs when management prevents workers from returning to work until they agree to a new contract

FIGURE 12.10

Strikes Compare the trend in strikes with what is happening in union membership. *How do you think the two are related?*



CLICK HERE

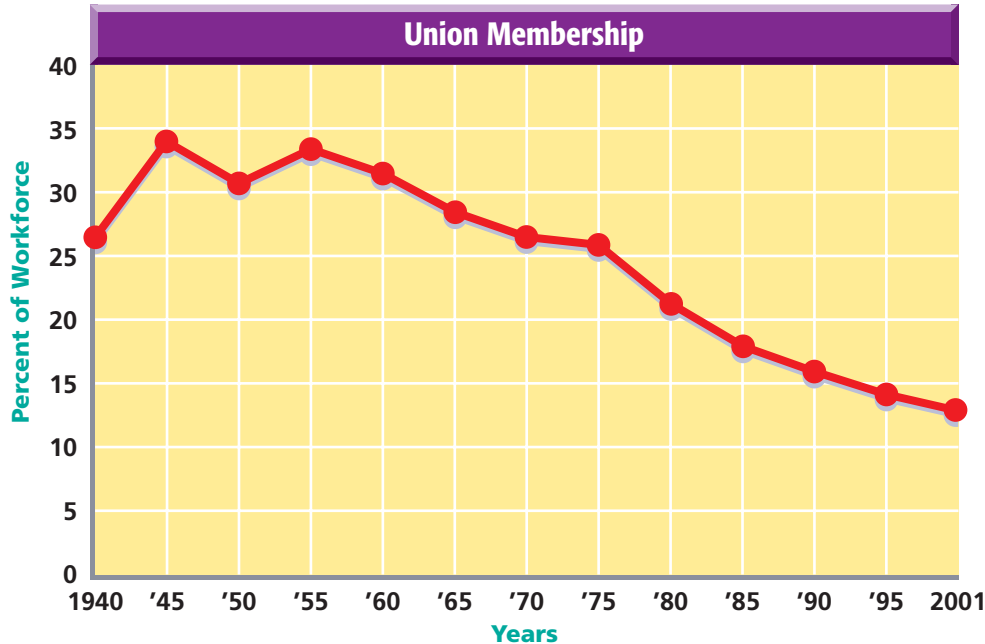
For an online update of this graph, visit ett.glencoe.com and click on **Textbook Updates—Chapter 12.**

CONTENTS



FIGURE 12.11

Declining Union Membership The labor movement today faces many problems. The percentage of union members among the labor force reached a high in the mid-1940s and has been declining since 1955.



Source: U.S. Department of Labor, Bureau of Labor Statistics



For an online update of this graph, visit ett.glencoe.com and click on **Textbook Updates—Chapter 12**.



injunction: court order preventing some activity

Injunctions Management sometimes requests a court injunction to limit picketing or to prevent a strike from continuing or even occurring. An **injunction** is a legal order of a court preventing some activity. Under the Taft-Hartley Act of 1947, the President of the United States can obtain an injunction to delay or halt a strike for up to 80 days if the strike will endanger the nation's safety or health. During this cooling-off period, the two sides must try to reach a settlement.

Decline of Unions

The establishment of the AFL in 1886 is considered the beginning of the modern union era. Since that time, unions have achieved many of their goals. Union supporters list among their accomplishments better wages and working conditions for all employees—union and nonunion. They point out that many workers



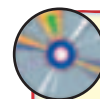
now enjoy a sense of security that helps to maintain some control over their jobs and lives.

Union supporters also note that the collective bargaining process has brought more order and fairness to the workplace. It has made clear the rights and responsibilities of both management and labor.

Because working conditions have improved so dramatically over the years, nonunion workers often see little to gain from joining a union. **Figure 12.11** shows how much union membership has declined since the 1940s. In addition, the nature of the economy itself is changing. More jobs are opening in the white-collar and service sectors, whereas blue-collar jobs are decreasing due to automation.

Critics The labor movement also has its critics. Some opponents charge that unions have grown so large and bureaucratic that they are out of touch with their members' needs. Others claim that increased wages are passed on to consumers in the form of higher prices.

Employers often argue that union rules decrease productivity. They point to rules that slow the introduction of new technology or require more employees than necessary to do a job. In addition, corruption among some labor leaders has damaged the reputation of organized labor with the public.



Practice and assess
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SECTION

3

Assessment

Understanding Key Terms

- 1. Define** collective bargaining, cost-of-living adjustment (COLA), mediation, arbitration, picketing, boycott, lockout, injunction.

Reviewing Objectives

- 2. Graphic Organizer** Create a chart like the one below to list and describe the major issues over which union contracts are negotiated.

Issue	Description

- 3.** What workers' actions and management responses may accompany a strike?

- 4.** How has collective bargaining in the United States changed in recent years?

Applying Economic Concepts

- 5. Labor Unions** What is your opinion of the influence of unions today? How is your opinion similar to or different from the information given in the text concerning the decline of unionism?

Critical Thinking Activity

- 6. Making Generalizations** Write two newspaper accounts of a fictional local strike. One account should be from the perspective of a union member. The other account should be written from the standpoint of management.



Using Library Resources

Your teacher has assigned a major research report, so you go to the library. As you wander the aisles surrounded by books, you wonder: *Where do I start my research? Which reference works should I use?*

- **Encyclopedia:** set of books containing short articles on many subjects arranged alphabetically
- **Biographical dictionary:** brief biographies listed alphabetically by last names
- **Atlas:** collection of maps and charts
- **Almanac:** annually updated reference that provides current statistics and historical information on a wide range of subjects
- **Card catalog:** listing of every book in the library, either on cards or computerized; search for books by author, subject, or title
- **Periodical guide:** set of books listing topics covered in magazines and newspaper articles
- **Computer database:** collections of information organized for rapid search and retrieval



Practice and assess
key skills with
*Skillbuilder Interactive
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Learning the Skill

Libraries contain many resources. Listed on the left are brief descriptions of important ones.

Practicing the Skill

Suppose you are assigned a research report dealing with the famous labor leaders Samuel Gompers and Eugene V. Debs. Read the questions below, then decide which of the sources described on the left you would use to answer each question and why.

1. During which years did the men lead their unions?
2. What were the most famous labor actions each dealt with?
3. How did the public react to the labor unions' activities?
4. What benefits do we enjoy today as a result of these two labor leaders?

Application Activity

Using library resources, research the origins and important leaders of the American Federation of Labor. Present the information you find to the class.



Computerized card catalog

ECONOMICS
Online

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Chapter Overview Visit the *Economics Today and Tomorrow* Web site at ett.glencoe.com and click on **Chapter 12—Chapter Overviews** to review chapter information.

SECTION 1 Americans at Work

- The **civilian labor force** is the total number of people 16 years old or older who are either employed or actively seeking work.
- Workers in the United States are categorized according to the type of work they perform—**blue-collar**, **white-collar**, or **service worker**.
- Another way to categorize workers is by the skills required to perform their occupation—**unskilled**, **semiskilled**, **skilled**, or **professional**.
- Three major factors—skill, type of job, and location—affect how supply and demand determine prices, or in this case wages, in the labor market.
- Factors that restrict supply and demand in terms of their influence on wages include **minimum wage laws** and organized labor.

SECTION 2 Organized Labor

- A **labor union** is an association of workers organized to improve wages and working conditions for its members.
- Workers began to form unions to force employers to improve working conditions, shorten the workday, and end child labor.

- For much of its history, organized labor in the United States has been split into two groups: **craft unions** and **industrial unions**.
- Organized labor operates at three levels: the **local union**, the national or international union, and the federation.
- Local unions may negotiate a **union shop** or an **agency shop**.

SECTION 3 Collective Bargaining

- **Collective bargaining** is the process by which unions and employers negotiate the conditions of employment.
- Labor and management may negotiate working hours, wages, fringe benefits, and a **cost-of-living adjustment (COLA)**.
- If negotiations become hostile or compromise breaks down, labor and management may try **mediation** or **arbitration**.
- Striking unions may use **picketing** or a **boycott** to exert economic pressure against a firm.
- When faced with a strike, management may use a **lockout** or an **injunction** against strikers.
- The percentage of union members among the labor force reached a high in the mid-1940s and has been declining since 1955.

CHAPTER 12

Assessment and Activities

ECONOMICS Online



Self-Check Quiz Visit the *Economics Today and Tomorrow* Web site at ett.glencoe.com and click on **Chapter 12—Self-Check Quizzes** to prepare for the Chapter Test.

CLICK HERE

Identifying Key Terms

Identify the letter of the definition in Column B that correctly defines each term in Column A.

Column A

1. unskilled workers
2. agency shop
3. arbitration
4. injunction
5. right-to-work law
6. closed shop
7. boycott

Column B

- a. company in which employees are not required to join a union but must pay union dues
- b. refusal to purchase the goods and services of a company
- c. court order preventing some activity, often a strike
- d. those having no special training in job-related skills
- e. procedure for settling undecided issues between labor and management by giving them to a third party for a final decision

- f. company in which only union members could be hired (now illegal)
- g. forbids contracts that require employees to join a union

Recalling Facts and Ideas

Section 1

1. Which category of worker has a higher-education degree as well as additional training?
2. What is the difference between blue-collar and white-collar workers?
3. What factors determine how much a person is paid for his or her work?

Section 2

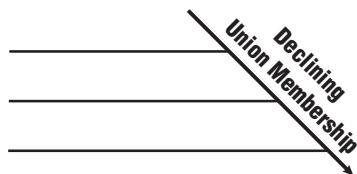
4. What are the major kinds of labor unions?
5. What two union federations merged in 1955?
6. How do right-to-work laws affect workers who do not belong to unions?

Section 3

7. Wages are one of the most important major issues in collective bargaining negotiations. What are other important issues?
8. If management and labor have reached a bargaining deadlock, they may try to engage in mediation. If mediation fails, what is the next possible “friendly” step?
9. What do union workers do when they go on strike?
10. What has been the most recent trend in the importance of labor unions in America?

Thinking Critically

1. **Determining Cause and Effect** Explain why workers with more education and training generally get paid higher wages.
2. **Predicting Consequences** Create a diagram like the one below to explain the factors that may cause a decline in union membership in the future.



Applying Economic Concepts

Economic Costs and Benefits There are costs and benefits for every activity. Strikes are no exception. Many workers believe that the benefits exceed the costs or they would not strike. List the benefits to workers of going on strike. Then list the costs of going on strike.

Reviewing Skills

Using Library Resources Use library resources to research one of the following labor strikes: Baltimore & Ohio Railroad Workers, 1877; Haymarket Riot, 1886; Homestead Strike, 1892; Pullman Strike, 1894; Anthracite Coal Strike, 1902; Textile Strike in Lawrence, Massachusetts, 1912; Ludlow Massacre in Ludlow, Colorado, 1914. Write a report describing the people or groups involved, the conditions that led to the incident, what happened, and the conclusion.

Cooperative Learning Project

Analyze the data that follow for the number of unemployed persons over a five-year

period. Working in groups, compute the *mean average* number of unemployed.

1996	7,236,000
1997	6,739,000
1998	6,210,000
1999	5,880,000
2000	5,655,000

Now compute the *median average* unemployment rate for the seven years listed below.

1994	6.1
1995	5.6
1996	5.4
1997	4.9
1998	4.5
1999	4.2
2000	4.0

For help in determining averages, see page xx in the *Economic Handbook*.

Technology Activity



Using a Spreadsheet Keep track of the employed individuals with whom you come into contact over a one-week period. Write down the types of jobs they do. Then use these jobs as the basis of a spreadsheet showing the training, average salary, and prospects for growth for each job. Use the Internet or sources such as the *Occupational Outlook Handbook* or *O*Net* to find this information.



France's trucking union struck in 1997, parking their vehicles on roads and highways leading into Paris. Research and report on the reasons for the strike, how long it lasted, the effect on the economy of Paris, and the result of the strike.

Focus on Free Enterprise

eBay, Inc.

Star Wars™ toys



One night in 1995, while Pierre Omidyar and his fiancée were having dinner, the subject of Pez™ dispensers came up. She was an avid collector of these colorful little candy servers. Where, she wondered, might she meet people with a similar passion to talk and trade? Omidyar, a pioneer of online commerce, knew the place—the Internet.

The Online Auctioneer

Omidyar's idea was fairly simple: set up a Web site where people with similar interests could buy and sell unique items—the equivalent of an Internet flea market. The site—called eBay—opened in September 1995. A few days later, eBay held its first auction.

An eBay auction follows a set pattern. First, a seller places a description of the item to be sold, often accompanied by photographs, on the Web site. Next, buyers check in and make bids on the item. After a set period of time, usually three to seven days, the auction is closed and the item goes to the highest bidder. eBay earns its revenues by charging customers fees and commissions.

Slow Start

At first, business was slow. Just 10 people registered to use eBay's services in 1995. In time, however, more and more people visited the Web site, attracted by the opportunity of finding a bargain. In 1996, eBay made a profit of \$150,000. By 1998, profits hit \$2.4 million.



Pierre Omidyar and Meg Whitman

eBay's success was no accident, mostly due to people Omidyar recruited to run the company. He hired Meg Whitman as chief executive officer of eBay in 1998. Today she is the richest female CEO in the world.

eBay has about 30 million registered customers. It has hurtled past being an auction room for Pez™ dispensers and other odd collectibles. It now offers millions of items in thousands of categories—everything from Star Wars™ toys to antique pottery.

The eBay “Community”

Each day, eBay hosts millions of online auctions. In 2002, these transactions added up to more than \$14.9 billion. The close interaction that takes place between buyers and sellers during these auctions has helped to create a sense of community among eBay users. In fact, eBay has become a way of life for many.

Ironing Out Some Wrinkles

With so much activity, it is not surprising that eBay has experienced some instances of fraud. eBay's management, however, has established a system called Safe Harbor to protect buyers from fraudulent transactions. It offers such services as product authentication and transaction



insurance. Also, through Safe Harbor feedback, members can report on their experiences during auctions. Any person who receives a poor feedback rating may be “vaporized”—expelled from eBay.

Expanded Services

eBay offers other services in addition to online auctions. Through eBay Professional Services, small businesses can find professionals and freelancers for a variety of business needs, including Web design, accounting, writing, and technical support.

eBay Premier is a specialty site featuring fine art, antiques, and rare collectibles from leading auction houses and dealers around the world.

eBay Motors, the largest online auction-style marketplace for buying and selling vehicles, also provides online services such as financing, auto insurance, title and registration, and even a lemon check!



Free Enterprise in Action

1. Why might fraud be a problem for a business like eBay? What steps has eBay taken to combat fraud?
2. How has eBay responded to the competition provided by other Internet auction sites?