

Changing Roles for Changing Unions in a Changing World

1. Economic Facts: stipulated
2. Where is future of labor relations?
3. Union structures and policies
4. Where will we all end up?

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1. The Changed Economic World

- 1) Changed locus of global economy from advanced OECD to Asia and developing world; end of communism/globalization → doubled world work force, lower K/L ratio.
- 2) Technological changes – digitalization, robotics, nano, bio-tech. Claim that TC is main cause of rising inequality
- 3) Shift in economic power/influence from Labor to Capital and from business to finance
- 4) Shift in work force toward women, more educated workers, and intersection, especially in advanced OECD
- 5) Spread of knowledge worldwide → end of advanced country monopoly of tech/comp advantage trade and growth

Rising Inequality except globally

- Inequality increased within most countries: US off the advanced country map; large increases Germany, even Sweden; declines in Latin America
- Falling labor share of national income.
- Increased number of billionaires.
- But better developing country growth/recovery from Great Recession reduces global inequality

Odd Pattern 1: more cooperation, teamwork in production accompanying higher inequality

- Most striking at top of job hierarchy
 - Science and engineering – teams measured in numbers of researchers on papers/on innovations increases while inequality in pay increases
 - Executive compensation increases with firm size, share price via options without any evidence that it reflects marginal productivity of execs
- Global production chains
 - Most good/services depend on people in many countries with huge share of revenues going to few key companies. Can increase earnings of low paid in DCs with little effect on price of good.

Odd Pattern 2: Capital Mobility vs Stable Labor

- Who gains from technical change?

Inelastic factor as long as we have full-employment, regardless of whether the change is labor or capital-saving.

Simon Theorem vs Malthusian Nightmare.

Simon Model – capital is elastic at long term interest rate. Labor is inelastic. So productivity change benefits workers.

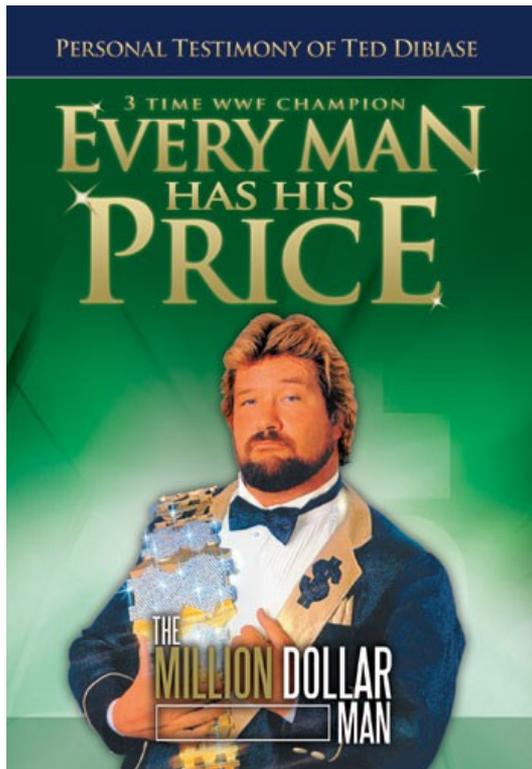
- Malthusian Nightmare – labor is elastic at low wage level. So workers income never increases.

Distribution – Kr/wL increasing. If K is owned by a few, and K keeps growing at given r , more inequality.

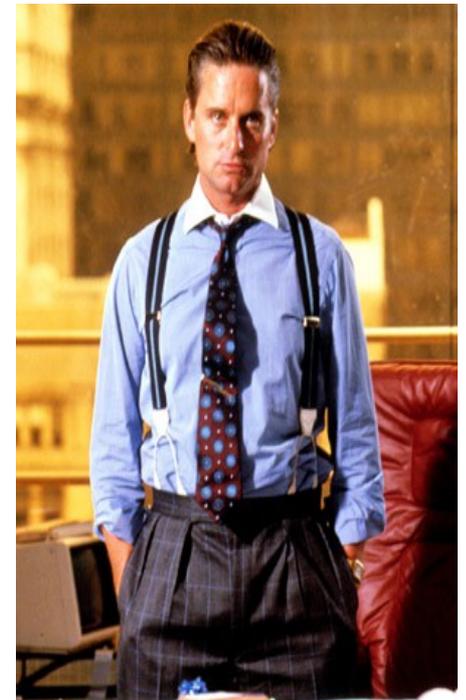
Complexity of greed and cooperation

On the one side, we have Individual incentives and behavior – rational optimizer – “greedy man”

Key Theorem of Rational Optimizer



Greed, for lack of a better word, is good.
Greed is right.
Greed works.
Greed clarifies, cuts through and captures the essence of the evolutionary spirit.



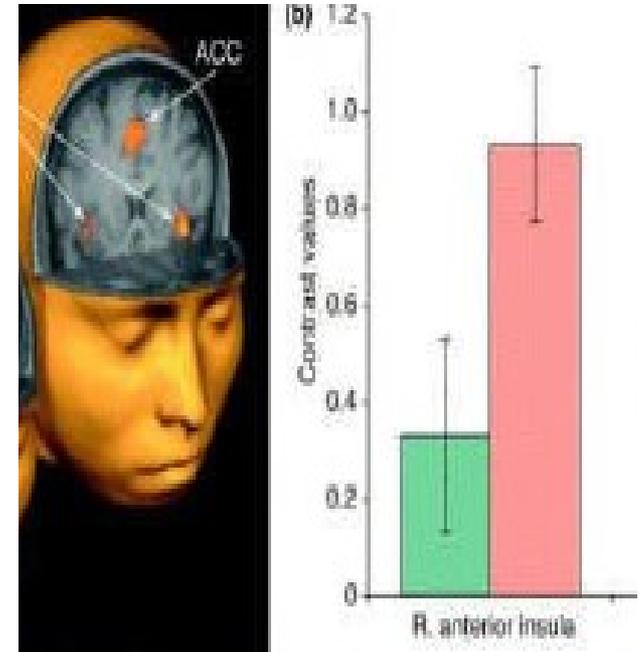
On other side, human concern over fairness

- **Ultimatum Game:** Give \$100 to Boss to divide with Worker. If Worker accepts offer, both keep money. If worker refuses, the Boss returns \$100. Rational for Boss? Give worker \$0.01

But no one chooses rational solution. Why? They KNOW the Worker will reject. Studies in diverse countries, US, EU, Japan, Indonesia find offers between 40% and 50%

When offer .01, brain scans show that blood flows to **Anterior Insula** and Worker says NO!

Expect same behavior in purchases, strikes, politics



“You learn more about the underlying nature of economies and societies from responses to crisis than from normal day to day functioning”

What the Global Crisis Showed

- Resilience of finance
- Weakness of unions
- Dominance in idea policy space: “leech doctors” without new ideas jump from Keynesian boosts to austerity fear of debt. Absence of new ideas from trade unions or left parties. Some new interesting ideas from conservatives.
- Better recovery of developing countries
- European acceptance of new economic order?

2. Changing Labor Relations

- Where will future of labor unions and relations be decided?

Advanced countries? US falling density → new efforts to create non-collective bargaining movement. EU continued collective bargaining

Developing/transition countries? China militant workers, labor contracts and official unions. Brazil and “el faro” minimum wages.

Advanced countries

In US unions go from “Big Labor” ~ 40% of private sector -- to 6.6% in 2012; total density at 11.3%; public sector under attack. 2012 Republican Platform has anti-union goals: nationwide "right-to-work" law; repeal Davis-Bacon Act; prohibit public sector using dues for politics without authorization; agreeing to dues check-off; granting teachers tenure; voluntary "card check". “We salute Republican governors and state legislators who have saved their states from fiscal disaster by reforming their laws governing public employee unions.”

Non-EU advanced OECD countries – Canada, Japan density fall 4 to 8 pts; Australia, NZ fall 21 to 27 pts; John Howard's anti-union “Work Choices” loses election despite full employment but no union recovery afterward

EU advanced countries – Mandatory extension keeps CB high but density falls, 1990-2010: Scandinavia, -3-13 pts; Germany, -13 pts; Greece, -10 pts UK, -12 pt; Italy – 4pt; France, -3 pt; Austria, -19 pts,

Forbids firms from agreements that strengthen collective action

YOU CANNOT: *entitle employees to paid or unpaid trade union training leave; indicate how a future agreement should be renegotiated; enable a union to participate in a dispute resolution procedure in its own right (even in a union collective agreement); provide for right of entry for union officials; restrict or regulate the conditions of independent contractors and labour hire workers; provide for information about employees to be given to unions (other than where legislatively required); allow industrial action; **provide a remedy for unfair dismissal on the basis that it is harsh, unjust or unreasonable**; directly or indirectly restrict the ability of a person bound by the agreement to offer, negotiate or enter into an AWA; or deal with matters that do not pertain to the employment relationship*

Work Choices Bill, John Howard's Law that got him tossed from office

China?

China's new pro-union/worker policies

- 1) Big reform 1: 2007-08 Contract Labor Law --Designed to give migrant workers written contracts to protect their rights; move informal workers to formal status as they gain tenure. HUGE DEBATE
- 2) Big reform 2: Encourage Collective Bargaining;Strengthen ability of ACFTU to organize workplaces, bargain collectively
- 3) Big reform 3: Large increases in minimum wages, city/province

Increased % reporting medical insurance, social security, injury insurance, unemployment insurance and decreased % rights violation

	2006	2008	2009
Contract coverage	42.80%	60.50%	62.40%
Union coverage	19.20%	24.20%	22.20%
Medical insurance	33.00%	47.10%	52.30%
Social Security	21.90%	34.60%	37.90%
Injury insurance	42.90%	56.00%	56.80%
Unemp insurance	8.30%	13.50%	20.50%
Rights violation	23.70%	7.70%	5.70%



“In all of the more than 60 conflicts in Guangzhou this summer, negotiated settlements were achieved ...no striking worker was dismissed and not one worker was arrested by the police, although the strikes included tens of thousands of workers.”

In the strike at Honda Nanhai,”The workers did not accept the trade union as their representative ... As the strike went on, the union wavered between management and the workers, and it saw itself as a mediator. Standing between the two sides is the worst position... After the incident (workers attacked by goons), the trade union issued a letter of apology in an effort to calm the situation. Writing such a letter was equivalent to admitting people were beaten. In the labour conflicts at Honda’s suppliers ... in the Nansha district, our approach was very different and the trade union behaved proactively ... **we have educated the trade union cadres that they must represent the workers and not play the middleman. In the event of a strike, even very short ones, the trade unions have to be on the side of the workers** – Chen Weiguang, Chairman, Guangzhou Federation of Trade Unions, Vice Chairman, People's Congress of Guangzhou April 2011.

Han Dongfang

I repeat: workers in China are no longer victims but fighters. They are not only fighting back instinctively, they are now more organized and in the future will be more strategic in their approach. They are no longer satisfied with just fighting for a one-off deal, but are starting to fight for a long-term solution.

And that solution is an effective trade union.

The Chinese government is now taking a backseat in labour disputes. And the ACFTU is struggling to keep up with all these new developments.

For the ACFTU, two important tasks remain: 1; building a trade union education system to train workers' representatives and turn them into union officials and 2; restructure the union from the organizational mirror of the government it currently is into a real industrial union and create a collective bargaining-oriented trade union federation.

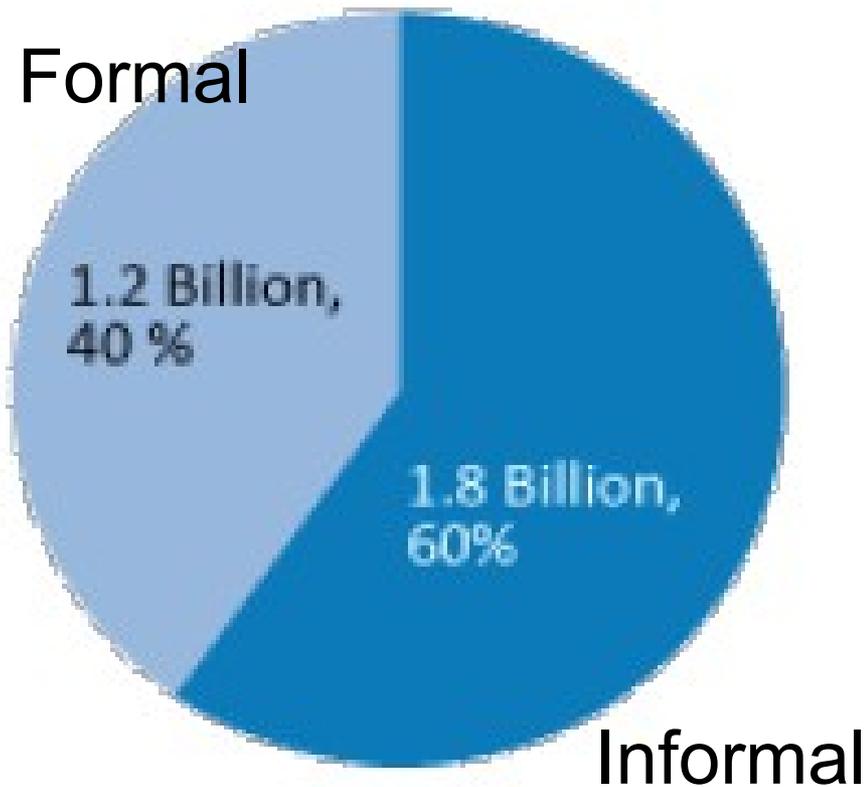
I am sure that the workers' movement in China will lead to the development of a strong trade union. Workers need a proper trade union to represent them and eventually they will get what they want.

The impact of the workers' movement will not only be limited to workers' rights. It will also affect the social, economic and political development of China and the rest of the world.

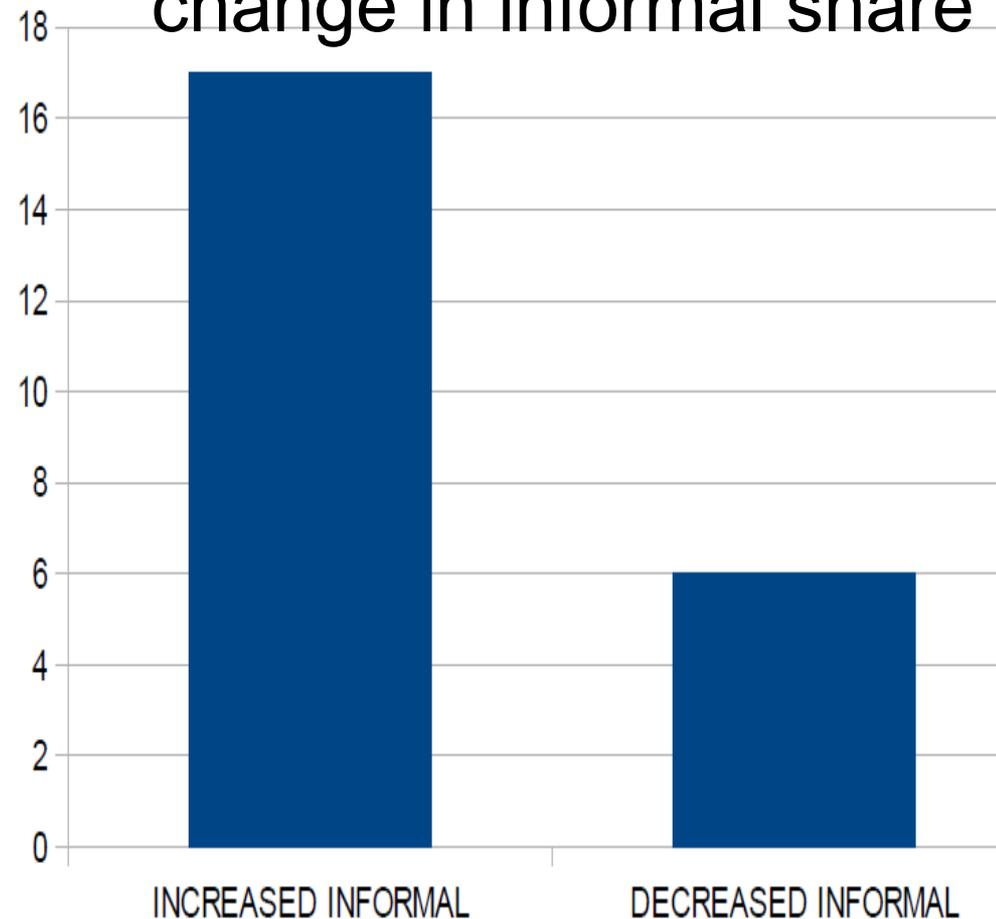
The rise of China's trade union movement will have a profound impact on the re-emergence of the international labour movement.

The “Wild Card” – the untapped majority Informal Work Force

Division of World Workforce



Number of Countries by change in informal share



Source:OECD Is Informal Normal?

100 years of union history says: Unions stagnate or decay then spurt in crisis

- Depression striking example – unions grew
- Great recession – might expect burst of unionism but does not happen. In US % of nonunion workers who said they would vote for unions, which topped 50%, before 2008, fell to about one-third. Republican war on public sector collective bargaining largely succeeded
- Why not?

Workers did not see them as having any solutions?

The Greatest Danger

Credit Default swaps in action, Christmas 2009



December 2009, YRC, the largest trucking firm in the US with over 30,000 truck drivers was close to bankruptcy. The firm owed \$1.6 billion in loans and bonds for acquisitions it made in 2003 and 2005. To survive, YRC had to convince bondholders to swap bonds for equity.

Before financialization, bondholders would inevitably have made the exchange since bankruptcy makes bonds worthless. But Wall Street had issued CDSs against YRC bonds. Investors with CDSs who bought bonds and voted against restructuring would make more from the CDSs than they would lose from bankruptcy.

In 2009 Goldman Sachs ran a market in YRC bonds and CDSs, soliciting bonds for clients who would benefit from a failed exchange and bankruptcy. In early December the percentage of creditors who agreed to the exchange dropped from 75% to 57%, and the value of YRC's notes due in April fell to 59.75 cents on the dollar. YRC extended the deadline for the debt exchange and lowered the minimum participation rate of bonds tendered for the restructuring from 95 to 80 per cent, but seemingly to no avail. YRC seemed doomed.



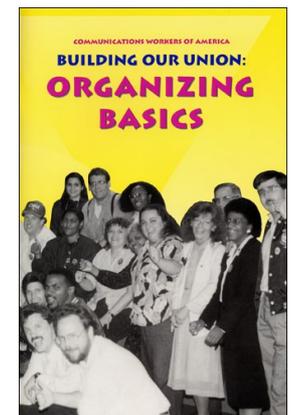
Fast-forward six months. To the surprise of Wall Street and the business press, YRC escaped bankruptcy. Goldman Sachs changed direction and induced bondholders to accept the restructuring. Others on Wall Street also agreed to swap bonds for equity.

The bankers' change of heart was not sparked by Christmas sentiment.

The Teamsters Union, representing the truck drivers, had begun to raise a public stink about the impact of the CDSs on jobs. Thousands of truck drivers might descend on Wall Street and Park Avenue and highlight the divide between finance and Main Street at a time when the public was furious at the bankers and the Congress and Administration were considering ways of reforming finance.

3. Labor Strategies and Policies

Unions cannot meet the challenge of modern time with normal union activity



Traditional Union Services

- 1) Information about the employer and the job market—believable because union is agent of workers**
- 2) Represent individual workers who have grievances about how employer treated them**
- 3) Represent workers in dealing with collective problems at workplace**
- 4) Monitor firm compliance with legal regulations**
- 5) Form community with solidarity for dealing with employer**
- 6) Lobby for the interests of workers in politics**

Collective bargaining over wages and working conditions (dues check off)

Weaknesses

US: Cannot sign up members over opposition of employers; Abandon members who lose jobs

EU: Bargain with membership falling

Germany: Workers identify more with WC than with trade union; Growth of “non-CB unions” – Canada, Denmark, US public sector

Worldwide: Occupy did more to direct attention at inequality than unions, but did about the same as unions on inequality: zip

Capital is global, unions are local

Structural Problems

- Unions are political organizations with “one-party” and no renewal from start-ups
- Business is renewed by new entrants/start-ups
- Unions protected but also limited by labor laws based on old model. US NLRB is 1930s regulation → legalistic behavior.
- Unions linked to political parties, while ~40% of members vote for other party.
- Not dynamic innovative institution

Alternative: REDEFINE MEMBERSHIP AND SERVICE

- 1. Sign up workers outside of CB; Get email contact information; Charge little/nothing;**
- 2. Deliver information/advice over Internet and deliver some services at the workplace --organize minority in firms (alliance@IBM)**
- 3. Use area organization as “muscle”**
- 4. Combine offline/online activities**
- 5. Identify and create local leaders to form new activist community**

Can unions/labor groups deliver services workers want without the power of CB?

Without CB over wages/conditions, get only limited dues; cannot fund large expert staff/activities

But without CB avoid employer 'veto' of organization

CAN DELIVER SERVICES BY USING LOW COST OF INTERNET TO COMMUNICATE AND EMPOWER LOCAL VOLUNTEERS/ACTIVISTS

Need some mix of off-line and on-line organization

Need to have members/volunteers do work

ALTERNATIVE MODEL: largest citizen organization in US with no CB nor democratic representation AARP

www.workingamerica.org/

“community affiliate” of AFL-CIO; Began in summer 2004, with offices in 10 cities in five states, and 400 people knocking on doors daily to sign people up.

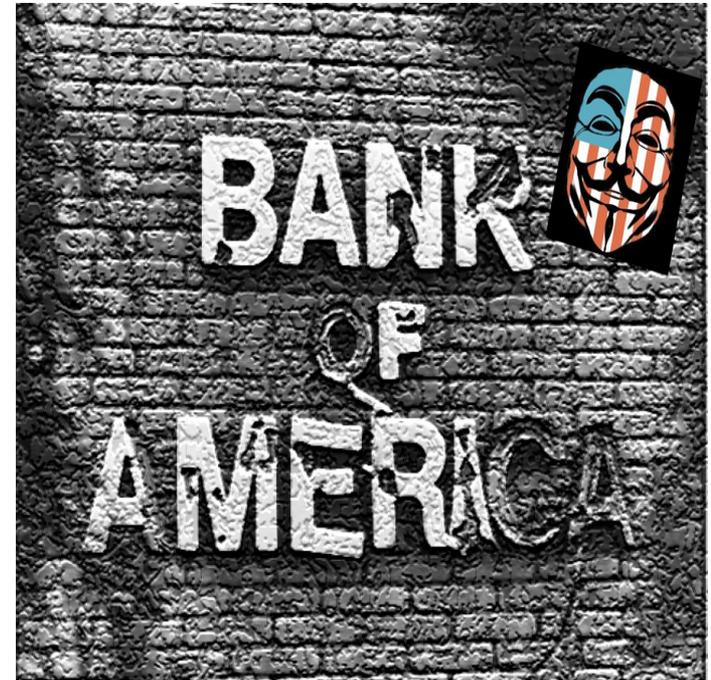
Around 3 million members large % of members from traditional non-union groups: evangelicals, Republicans,

Avoided getting name of employer, no workplace organization.

Largely used to get votes in political campaigns, but Citizens United ended this rationale

Bigger role coming.

Activism, the Molly Katchpole Petition Way (www.change.org, but there are other sites)



Fall 2011, Bank of America added monthly fees to low income customers for using their debit cards. Customer Katchpole placed a petition on <http://www.change.org/> asking BOFA to rescind the policy.

Brian T. Moynihan, President and CEO, Bank of America

I'm writing to express my deep concern over Bank of America's decision to charge customers \$5 a month to use their debit cards when making purchases.

The American people bailed out Bank of America during a financial crisis the banks helped create. You paid zero dollars in federal income tax last year. And now your bank is profiting, raking in \$2 billion in profits last quarter alone. How can you justify squeezing another \$60 a year from your debit card customers? This is despicable.

American consumers can't afford these additional fees. We reject any claims by BofA that this latest fee is somehow necessary.

Please, do the right thing. Reverse your decision to charge customers \$5 each month for using their debit cards to make purchases.

Sincerely,

Table 1. Three Types of New Non-collective Bargaining Labor Organizations in the US

Institution	Organization	Problem Addressed	Activity
Society Based			
Occupy movement	Diverse, many college grads	Inequality; finance issues; varies by region	Publicity; demonstrations
Internet petition sites (change.org ³¹ ; signon.org, and others)	For profit business	User determined	Publicity via petitions
Working America	AFL-CIO community affiliate	Local issues; electoral information; links to Unionplus benefits	Ballot box
Occupation/Industry Based-- Immigrant Centered			
Worker Centers; National Domestic Workers; NY Taxi-Workers alliance.	NGO, religious, foundations, fund raising; non, CB union	Workplace issues, accessing benefits, immigrant rights; domestic workers, taxi	Help with "grievances" expose bad practices, advocacy, targeting employers
Freelancersunion ³²	NGO, foundation support. Sells low cost health insurance	Worker health insurance; wage arrears problems	Provide health insurance benefits; information
Employer-based			
OUR Walmart ³³	NGO, with UFCW support	Improve pay and conditions in big profitable firm where many workers on public benefits	Publicity; demonstrations;
Public Sector Unions in Non-CB states	Unions	Wages, benefits, work conditions	Politics, lobbying, meet and confer agreements

4. Where are We Going to End up: New Economic Feudalism or Inclusive Capitalism



“We may have democracy, or we may have wealth concentrated in the hands of a few, but we can't have both” – Justice Brandeis

As Gordon says, “We make the rules, pal ... you're not naive enough to think we're living in a democracy If you're not inside, you're 'outside'. (psst, Tell Barack, the Street wants xxx)”



Toward Economic Feudalism

In the councils of government, we must guard against the acquisition of unwarranted influence by Wall Street and the super-wealthy in a highly unequal economy . The potential for the disastrous rise of misplaced power exists and will persist... Only an alert and knowledgeable citizenry can provide the countervailing power to assure that the country prospers together.

The prospect of public discourse controlled by an ideological communication media and the funding of research by foundations supported by the wealthy few is gravely to be regarded ... public policy could itself become the captive of a wealthy elite who see the preservation of the status quo of inequality as the appropriate goal for the nation.

“Dwight Eisenhower Military-Industrial Complex speech (Jan 26, 1961 updated for May 2, 2012)

Meet your Masters:

Forbes March 2012, 1236 billionaires worldwide, 477 in US, just 46 in UK, 220 finance/investment

Rank	Name	Net Worth	Age	Source	Country of Citizensh	Rank	Name	Net Worth	Age	Source	Country of Citizensh
1	 Carlos Slim Helu & family	\$69 B	72	telecom	Mexico	6	 Larry Ellison	\$36 B	67	Oracle	United States
2	 Bill Gates	\$61 B	56	Microsoft	United States	7	 Eike Batista	\$30 B	55	mining, oil	Brazil
3	 Warren Buffett	\$44 B	81	Berkshire Hathaway	United States	8	 Stefan Persson	\$26 B	64	H&M	Sweden
4	 Bernard Arnault	\$41 B	63	LVMH	France	9	 Li Ka-shing	\$25.5 B	83	diversified	Hong Kong
5	 Amancio Ortega	\$37.5 B	75	Zara	Spain	10	 Karl Albrecht	\$25.4 B	92	Aldi	Germany

Inclusive capitalism

