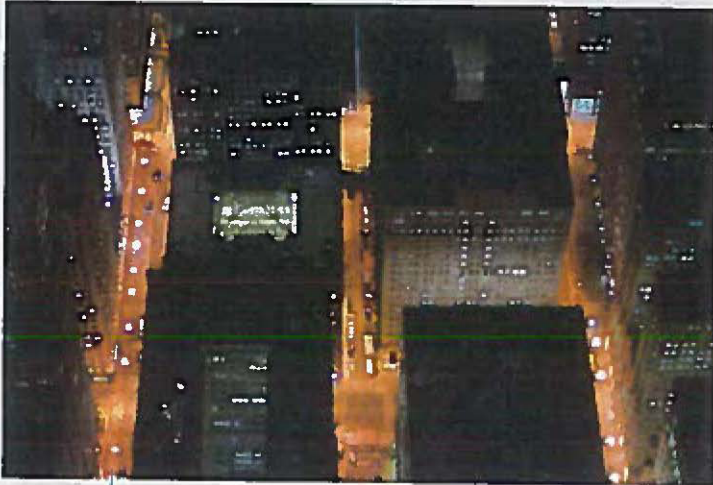


# REFLECTIONS ON WORK

IN THE DOG DAYS OF SUMMER



**W**hen it comes to labor markets, the United States is virtually unique among western economies. “At-will” is the most prevalent form of contract here but prohibited in many countries, plus, we are the only advanced economy without mandatory paid leave (four-week minimum throughout Europe). Some complementary points to ponder at the beach or a barbecue:

## Prices and Pay

If McDonald’s or Macy’s suddenly decided to double the price of Quarter Pounders or sweaters, respectively, apart from a few newspaper and television reports, not much would happen. Except for some possible Congressional grandstanding, the government would stay on the sidelines. Customers would flock to Wendy’s or Burger King, or Nordstrom or Sears. End of story.

Why? Because people would perceive that they had alternative places to eat lunch or buy clothing. Why doesn’t McDonald’s or Macy’s “double up”? Because they too perceive that their customers have alternatives and that raising prices would lower profits.

But what if one day these same two firms decided to cut their employees’ wages by 50 percent? Politicians would preen; picketers would, well, picket; it might violate minimum wage laws; and unions would certainly jump into the fray. Even if these firms could act with abandon, they would be reluctant to pull such a stunt. Apart from morale issues, they assume that their employees have alternatives and would quit and work elsewhere, (if only unemployment weren’t so high).

Why come to the aid of workers but not consumers? If anything, I assume McDonald’s and Macy’s have slightly more market power in selling goods than in hiring and retaining

employees. And while collusion among firms to raise prices or hold down wages would be a violation of antitrust and labor laws, collusion by workers – in the form of union protection and actions – is not.

## Clocking in—and Out

The fact that Americans work longer hours than Europeans has far more to do with lower U.S. tax rates—and a desire on the part of workers here to capture substantial returns on their human capital investments. Firms compete for talent on the basis of pay, benefits and other dimensions; if workers didn’t want to put in long hours, an employer who insisted would have a permanent “Help Wanted” sign in the window.

Thirty years ago, hours of work were about the same here as in Europe, so if the French have found the good life, it is a recent discovery. In addition, if we measure work a percent of total lifetime hours, then we are actually at the office less now than ever before, owing to a later entry into the labor force, earlier retirements, and reduced mortality.

## The U Boat

The oft-cited figure that union membership in the United States has fallen to around 12 percent and continues to decline is very misleading, one of those statistics where the mean is quite meaningless. First of all, it is only 8 percent in the private sector but 37 percent—and growing—in the public sector. And in major urban areas seemingly every aspect of daily life involves unions. (Public-sector unions—SEIU, AFSCME, AFT, NEA—are increasingly powerful politically and economically. More than half of all U.S. union members now work for some governmental unit.)

The overall drop in union membership—in this country and elsewhere—is largely the result of changes in the industrial structure from manufacturing to services—and increasing competitiveness in markets, which has meant less largesse for unions to expropriate, and also, then, less of an incentive for workers to want a union. Republican hostility and anti-union legislation have relatively little to do with the observed declines, and they certainly cannot account for nearly identical international trends.

Recent high-profile skirmishes over public-sector employees (and their pensions) in nearby states made for good newspaper copy and telegenic fodder for the evening news. Ditto for labor-management stand-offs in professional football and basketball. Perhaps not surprisingly, union growth and power are only occurring where there is little outside competition—the public sector and professional sports leagues.

The case for unions is far more difficult to make in the 21st century than it was 50 years ago. Maybe it’s time to level some playing fields, and bring more competition to both sides of these markets. □

PHOTOGRAPH BY JOON HAN