ECONOMICS U$A
21ST CENTURY EDITION

PROGRAM #9
LABOR AND MANAGEMENT

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(MUSIC PLAYS)

NARRATOR: FUNDING FOR THIS PROGRAM IS PROVIDED BY ANNENBERG LEARNER

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FRANK STASIO: The Economics USA: 21^{st} Century Edition audio supplement is designed to explore 21^{st} century challenges to micro and macroeconomic principles. The subject of this edition is labor management relations. My guest is David Zonderman. Dr. Zonderman is a Professor of History at North Carolina State University. I'm Frank Stasio.

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FRANK STASIO: Professor Zonderman, welcome.

DAVID ZONDERMAN: Thank you. Glad to be here.

FRANK STASIO: The American workplace changed dramatically in the last half of the 20^{th} Century. Some of the biggest changes began in the 1980's. Can you give us an overview, an overview of the way things changed?

DAVID ZONDERMAN: I think the biggest change was the shift from a more manufacturing-based economy to a service-based economy, and I think another huge shift was the rapid growth of the financial industry as well; banking insurance, quote on quote financial products, things of that sort. I think in both cases it produced a kind of almost two- directional change in the income and wage structure as well. A lot of the people who found jobs in the financial industry actually became quite wealthy, whereas a lot of people working in the service sector often took very low jobs, low skill jobs, fast food operations, hotel maids, hospital orderlies, things of that sort.

FRANK STASIO: What impact did that have on organized labor?

DAVID ZONDERMAN: Organized labor, I think, unfortunately missed the boat for quite awhile. I think now they are starting to make some in-roads into the service economy, but for at least a couple of decades, organized labor was slow to realize just how fast jobs were growing in the service sector, and also how fast jobs were being lost in manufacturing; auto, textiles, industries like that were just hemorrhaging jobs out of the United States into other areas of the world, and I think the labor movement was slow to understand and slow to realize that you have to use a little bit different model to organize service sector workers then you might say autoworkers, or steelworkers.

FRANK STASIO: There are some who would say that the reason those jobs were going overseas was precisely because organized labor kept wages artificially high.

DAVID ZONDERMAN: That's a classic argument. The problem with that argument, there are several problems with that argument. One would be, that argument doesn't seem to understand that workers are not only workers, but consumers as well, and when you drive down worker's wages you're driving down their buying power as well, and eventually that's going to reduce the consumer demand in the economy, and that's part of the reason why we are right now today in 2011 still suffering the effects of the great recession of 2008-2009. It's still going on for millions of people. The other argument with that is when capital searches for truly low wages, it really doesn't matter in this country whether it is unionized or not. A very good example is the southern textile industry. The majority of southern textiles were never organized, and the wage levels there were much lower than they were in say a unionized auto plant, or steel mill, and yet most of those textile jobs have now left the south, because the wages in Asia and in Latin America are so much lower.

FRANK STASIO: Now let's take a look at the other side of that theory, which is, that if capital drives prices too low or drives wages too low; they also start to hurt consumption. That was happening in the 1980's. We saw less, and less organized labor, more jobs flying over seas, and yet consumption remained relatively strong. How is that possible?

DAVID ZONDERMAN: In recent years, I guess we could say that the middle class and working class consumption was sustained by amassing more personal debt. What really maintained consumption, especially in the past decade, real wages adjusted for inflation for an average worker have been almost flat for the past 30 years, even as productivity in the economy has gone up an average of anywhere between 2-4% annually. Now back, before the 1980's, productivity gains, and wage gains, tended to track each other. They haven't. Now, to come back to that question, how then were people continuing to still buy? Again, there are several reasons why. In some cases families sent more workers into the work force, i.e., very often women were entering the workforce, increasing the numbers, including married women with young children under the age of six. The rate of their employment has gone up steadily in the past three decades; and the other thing is people started to work more jobs. People would sometimes take on second and third, jobs; so number of hours worked in certain areas went up, and the third is the accumulation of debt. People start putting more, and more stuff on credit cards. If people owned homes they were often taking out second and third mortgages, being told, "Oh, the value of your home will always go up. Don't worry if you have a third mortgage." Again, what is driving the lingering effects of the great recession that are linked to this? When the housing market collapsed, millions of people found themselves either foreclosed, or what we call under water, under their mortgages. They couldn't borrow anymore, they'd maxed out their credit cards, so now we're in a situation where your wages aren't going up, so you can't consume. You have maxed out your debt load, so you can't consume based on debt, so consumption, consumer demand has really fallen.

FRANK STASIO: And I suppose it is no coincidence that at that same period when we saw labor as a force in the market place become weaker, we also saw a much more aggressive marketing of credit cards.

DAVID ZONDERMAN: Absolutely. Credit cards, consumer loans, as I said, second, and third mortgages on homes were all aggressively marketed, particularly to lower income people.

FRANK STASIO: Now Adam Smith imagined a world in which the price of labor was worked out based on those invisible market forces that acted equally on labor and management, but the fact is, it did take a fair amount of legislation, government intervention, to protect the rights of workers to organize, to achieve equilibrium. I mean, is that true?

DAVID ZONDERMAN: Yes, absolutely. In this country it wasn't until the 1930's that workers got any kind of national federal protection, for the basic rights of organizing, and collective bargaining."

FRANK STASIO: So, has there been a change then in the government's role in labor management relations?

DAVID ZONDERMAN: I think what we have seen, again particularly since the 1980's, and maybe even before that, is the government stepping out of more, and more, labor management relations. In some cases quite deliberately, in other cases I think it has been a part of a business aggressively attacking unions. What goes on today very often, not always, but very often when companies try to undermine unions they are actually doing it illegally, but the problem is the laws are so weak. For example, workers cannot go to court and get an injunction to stop a company from engaging in illegal labor practice. They have to actually go through the National Labor Relations Board, and the entire hearing and appeal process can often take three to five years, and meanwhile they can, so, the example I will give you is, it is against the law to fire somebody for trying to organize a union, every year, hundreds upon thousands, of people lose their jobs for that reason. Now the company will always make up another reason; you're a minute late, you took two cups of coffee at the coffee break, whatever it is. Workers then challenge that firing, and again, they cannot go to court, and the court cannot order them rehired while the hearing is pending. There is no what's called injunctive relief, under the law in this particular case. So, that worker stays fired, has to go try and find another job, and as I say, if the company really wants to fight it, you can not only go through the various National Labor Relations board levels, you can go all the way through the federal courts, and eventually three to five years later the worker may get a ruling in his or her favor, but meanwhile, they've been out of a job, and they've had to find another job.

FRANK STASIO: So has that changed overtime? Has there been erosion in protections?

DAVID ZONDERMAN: The law has not changed. Its management, sort of willingness to openly flout the law, and that's a very good question that scholars should have asked. Why is it that up until approximately the 1970's, 1980's, why was business more likely to abide by the law, if the law even then didn't have a lot of teeth in it? There are a couple theories offered. One that's often offered is Ronald Reagan's breaking of the Air Traffic Controller Strike in 1981, the PATCO strike, and there are some theories that Reagan sent the kind of message to the private sector, "Open season on unions. If I can do it you can do it." Another reason is that by the 1980's, the entire sort of public, political climate in many areas was openly hostile to organized labor, and I think a number of unions in earlier times had the feeling that the boss won't try to fire us because the community won't like it. If we get one out to the community, people will be angry, people will boycott, they won't shop at that store, and they won't buy those products. When those firings happened in the 1980's these people didn't usually hear about it, they didn't react, businesses didn't really feel they were taking much of a risk.

FRANK STASIO: In the newly globalized economy, capital is free to cross international borders virtually unrestricted to find the best return. Labor is restricted by immigration laws, and other barriers. If that is true, then are we really operating under market principles?

DAVID ZONDERMAN: Well, obviously not any sort of perfect open market, because as you just said, there are barriers to labor migration, or ostensibly barriers to labor migration, that are not put up against capital migration, and frankly I think that if you look at even a broader sweep of American history, and even global history, there is a lot of myth of sort of market operation. I mean, you know, people often quote Adam Smith, but remember the model of markets work with a concept of what's called "perfect information," in other words, for a market to truly work, for a free market to work, everyone who plays in that market should have the same information as anyone else, and so that everyone can kind of make a decision of their rational self interest based on knowledge that's sort of freely circulated, and we know that's simply not true. I mean people, you know, in some ways, it's human nature, I mean people keep secrets. People keep secrets to other people for mutual advantage, laws often function in ways to restrict the flow of knowledge, or information, or people, as you have said before.

FRANK STASIO: We are moving toward a globalized, a more globalized economy. There seems to be less impetus behind organized labor, how does that play out over time? Do workers start to organize over time, or do they just accept the wages they are paid?

DAVID ZONDERMAN: I think we're exactly seeing that right now. We are seeing a more and more globalized economy, with larger and larger, global capitalist players in it. Organized labor is almost always nationally-based. Now, right today, organized labor all over the world is talking about developing strong international networks, and I think there is an interest in it, and I think they see the need for it, because it's the only way to develop sort of a counter weight to the phenomenal wealth, and power, of globalized capital. So, I think they see it, and they see the need. Doing it is another matter. It is extremely difficult.

FRANK STASIO: There were triggers in the economy that allowed for the development and growth of labor unions in the late 19^{th} century, and early 20^{th} century. Things have changed. Are those triggers out in the future, or have workers decided this is the way it's going to be, and things have finally found their equilibrium?

DAVID ZONDERMAN: I think the best parallel is to look at of course today, and then to look back at the 30's, during the Great Depression, and it is one of the great questions in labor history. Why is it, usually if you look at labor history, in most periods when the economy is sinking, organizing weakens, because workers are afraid for their jobs. They don't want to go on the picket line. They think that there's all these unemployed workers outside the gate ready to take their job. The big exception is the 1930's, in the depths of the worst depression in American history, we had this phenomenal upsurge of labor. Why was that? Well, I think that it's a combination of three factors. It was sort of from the bottom up, a serious sense of militancy in activity that people have felt we have been pushed down so far we can't go any further down, and survive. We have to somehow take a stand. It was the rise of some new leaders, particularly leaders who saw the future in the industrial union model where you didn't divide workers among various narrow crafts, but tried to organize groups of workers in a large factory, and there were the changes in labor law, which were crucial to giving at least some small amount of legal protection when people obeyed the laws. The big question is today, O.K., we are in the worst recession since the Great Depression. Why haven't we seen a kind of labor upsurge, and I think it's again there are several factors at work? I think some of it is that the workers themselves, I mean there are some economists who argue the irony is things didn't get bad enough for people to really look around and say, "This system is broken." People look around now and many of them say, "Well, the systems kind of sputtering along, but I don't see any alternative, and I guess we will muddle through this," I think as I say on the legal side, the political side, there is less support for organized labor, certainly what's left of organized labor is outspoken, is aggressive, certainly the events in Wisconsin show that when people get pushed too far they do fight back, and they literally can bring hundreds of thousands of people into the streets, now is that energy going to maintain? I mean the two questions I have about the energy is that energy going to go back into building a labor movement? And is that energy going to go back into more aggressive progressive political mobilizing.

FRANK STASIO: Professor Zonderman, thank you very much.

DAVID ZONDERMAN: My pleasure, thank you.

(MUSIC PLAYS)

FRANK STASIO: I've been talking with David Zonderman, Professor of History at North Carolina State University, and author of Aspirations and Anxieties New England workers and mechanized factory system 1815 to 1850. And uneasy allies working for labor reform in 19th century Boston. I am Frank Stasio.

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