

Effect of labor union in 1990 essay

[Business](#), [Company](#)



Labor union is an association of employees formed with a main objective of improving members' welfare (Peruek, 5). Over the years the labor union has developed into various forms which are mainly influenced by the economic, social and political changes (Besley, 9). The duties and activities of the labor union vary depending on the sector which the members of the union are drawn from.

Despite undertaking different activities, the major goals of any trade union are a right to collective bargain for the welfare of its members and the right to call for industrial action in case they disagree with the employers (Besley, 34). Union members are also protected when undertaking any industrial actions, such as striking in order to achieve their goals such as salary increment or improved working condition (Vedder, 23).

In 1990s there was a massive decline in the membership of the union members, for example in united state the union density drop from 22. 3% in 1980s to 15. 6% in 1990s which represent about 30% decline (Perusek, 23). The main reason that can be attributed to this decline in membership is; changes in economic variables which led to economic downturns thus leading to reduction in profits of the corporation which they also reacted by laying off employees so as to survive the economic down turn. This led to high massive unemployment in the economy which also affected the membership of the unions.

The effect of globalization which also happen in 1990s affected the activities of the trade union . During the 1990s there was emergence of multinational corporation which further weakens the powers of the trade union, the multinational companies started relocating to the countries with cheap labor

and avoiding countries which has high labor cost which is mainly caused by the wage rigidity caused by the labor union (Vedder, 46). This changed the duties of the labor union from fighting for higher wages to agitating for higher productivity among the workers.

The shift to service industry employment in 1990s was also another blow to the labor union especially in united state (Besley, 26). Many people embraced self employment and part time job which led to a further decline in members of the trade union thus making trade unions even weaker.

Despite these challenges that were faced by the labor unions in the 1990s, they continued to fight for the rights of their members, and below are the effects of their activities;

- INCREASED UNEMPLOYMENT

The labor union was blamed for massive unemployment in 1990s; many employees lost their job due to the actions of the trade unions (Perusek, 34). During the economic downturns the corporation proposed to reduce the wages of its employees so as to remain in operation and avoid massive loss, but the unions are always against this proposal and they even agitate for more salary increment so that their members can sail through hard economic time, this led to major disagreement between employers and union which resulted into a major disruption of the activities of the companies. Many companies therefore collapsed due to this action which rendered the employees jobless.

2. COST-PUSH INFLATION

The action of the trade unions to fight for higher wages so as compensate their members in time of economic recession led to cost-push inflation.

Salary increment led to increase in the cost of the production which in turn led to the increase in the price of goods and services. This increase in price lead to a devaluation of the country's currencies and also worsened the balance of payment the country.

The intensity of the cost -push inflation depends on the competitiveness of the market in which the firm operates, if the firm operates in a monopoly market they will pass the cost of salary increment to the consumers but if the firm operates in a competitive market only a small portion of increase in the cost of production is transferred to the consumers.

3. INCREASED PRODUCTIVITY

4. REDUCTION IN INVESTMENT

Many researchers concluded that the action of the labor union in 1990s led to reduction in investment in the economy (Besley, 89). They argued that the demand by the labor unions for salary increment led to reduction of the amount of resources available for the research and development for a company, which in turn reduces the amount of investment in an economy and also reduces the degree of innovativeness and creativity in a country. The union action also led to relocation of many big companies thus reduces the level of investment in the country. Due to globalization which was largely contributed by eradication of trade barriers by many countries, the companies take the advantage of it to relocate to countries with low labor cost and to avoid the high wage rate that was demanded by the labor unions (Vedder, 23).

Many other companies also collapsed due to inability sustain the high wage rate that was demanded by the labor union. This eroded investor's

confidence as many investors kept away from investing due to the high wage rate thus reducing investment rate in economy

5. SLOW ECONOMIC GROWTH

Labor union prefers layoffs of the employees rather than reduction in wages of its members; the unions are more concerned with the wage rate of the employees rather than the job security of its employees. This lead to a loss of job which led to slow economic recovery during the 1990s.

Unions also reduce the company's profitability which in turn reduces investment in the economy this also slowed pace for the economic recovery.

6. ENHANCED EQUITY

During 1990s there emerged unions which championed for the right of minorities and marginalized people in the work place. These unions ensured that there is equity in the work place when it comes to promotion and the remuneration of staffs. They ensured that the most qualified person is chosen for any promotion available and that the compensation of the employees is based on the work done.

The unions also ensured that the needs of the physically challenged people are adequately catered by the organization and that they don't face any form of discrimination at the work place.

CONCLUSION

In conclusion the powers of the labor unions have reduced in 1990s, and its action has led to many negative effects such; job loss, reduced economic growth and reduction in investment. But it also has many positive effects such as increasing the welfare of employees and facilitating equity at work place.

REFERENCES

- Perusek, Glenn W. Trade Union Politics: American Unions and Economic Change, 1960s-1990s. Atlantic Highlands, NJ: Humanities Press, 1995. Print.
- Besley, Timothy. Development Challenges in the 1990s: Leading Policy Makers Speak from Experience. Washington, DC [u. a.: World Bank [u. a., 2005. Print
- Vedder, R G. L. The Economic Effects of Labor Unions Revisited. , n. d.. Print.