

Unions, Jobs and Airline Alliteration

Andrew Oswald
Professor of Economics
University of Warwick, UK

andrew.oswald@warwick.ac.uk

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They are going, but not quietly.

In the United States, trade unions now represent only one person in ten. From a figure of two thirds of the workforce as recently as the 1970s, union membership is down to just 30% in the United Kingdom. Yet the trouble at the airline catering company named (apparently without any irony) Gate Gourmet has illustrated that unions are still capable of making headlines.

A recent interchange in the Financial Times raised the important general question of what trade unions do, and should do, in the modern world. This debate was provoked by the dispute at Heathrow Airport which began when the American-owned gourmets sacked 670 staff members. A small hurricane then blew up. According to British Airways, a sympathy strike by a fairly small number of their baggage handlers has by now gone on to cause the airline company to lose £30 million. And, on one estimate, 100,000 travellers' lives have so far been disrupted.

This whole area of debate is amazingly emotive. To some, no criticism of trade unions is ever justified. To others, unions are villainous through and through.

However, we must surely be guided principally by the patterns in the data. I argued in the FT, as below, and later in the United States, that there is a great deal of accumulated statistical work showing (largely) deleterious impacts of trade unions. Whatever post-modernist philosophers or old members of the Socialist Workers Party may believe, the researchers who wrote the relevant journal articles did not know how their statistical tests would come out. To the best of my knowledge, those researchers simply reported what they found.

I am aware that some of the results may be uncomfortable evidence for anyone whose political leanings are to the left. But that is just too bad,

presumably.

My own very first work in economics, written up in a PhD a quarter of a century ago, was about trade unions, and at that stage I was a rather strong advocate of the principles of unions. Since then, a lot of data have spoken.

Sir

The current industrial conflict involving British Airways, the Transport Workers' Union and a catering company provides an arresting example of the economics of union power. It is natural to use it to ask an important and general question: are trade unions a good thing in today's world?

Although the work is probably not widely known outside universities, there has been careful research on this question. It comes from all over the world. It has been done by disinterested statisticians and economists, or often even by academic researchers who are sympathetic to the ideals of unionism. It has appeared in large numbers of journals and been checked by anonymous referees.

One statistical finding seems of particular interest. After factoring out other influences, the existence of a trade union has been shown to slow the rate of employment growth, in a typical Western workplace, by approximately 3 percentage points per year.

In less considered language, the evidence is that unions kill future jobs at a dramatic rate.

Sincerely

Andrew Oswald

In response to a question I have since been asked, the research I had in mind, when writing the letter, and which in my judgment paints a rather consistent picture, includes the following:

For California

J. Leonard "Unions and Employment Growth", Industrial Relations, 1992, 33, 80-94.

For Canada

R. Long "The Effects of Unionization on Employment Growth of Canadian Companies", Industrial and Labor Relations Review, 1993, 46, 691-703.

For Great Britain

D. Blanchflower, N. Millward and A. Oswald "Unionism and Employment Behaviour", Economic Journal, 1991, 101, 815-834.

S. Fernie and D. Metcalf "Participation, Contingent Pay, Representation and Workplace Performance: Evidence from Great Britain", British Journal of Industrial Relations, 1995, 33, 379-415.

J. Addison and C. Belfield "Updating the Determinants of Firm Performance: Estimation Using the 1998 UK Workplace Employee Relations Survey", British Journal of Industrial Relations, 2001, 39, 341-366.

J. Addison "Unions and Employment Growth: The One Constant?", University of North Carolina working paper and IZA Discussion Paper #479, 2002.

For the United States

S. Bronars, D. Deere and J. Tracy "The Effects of Unions on Firm Behavior: An Empirical Analysis Using Firm-Level Data", Industrial Relations, 1994, 33, 426-451.

For Australia

M. Wooden and A. Hawke "Unions and Employment Growth: Panel Data Evidence", Industrial Relations, 2000, 39, 88-107.

Trade unions do, of course, have some effects that might be viewed as admirable. Other evidence suggests that they squeeze differentials, for instance, and thus ensure that inequality in certain spheres -- say between the highly skilled and the less skilled -- is lower than it would otherwise be. But these papers merit attention.