

STUDY GUIDE Chapter 8, Section 1

For use with textbook pages 193-198

THE LABOR MOVEMENT

KEY TERMS

- macroeconomics** The branch of economics that deals with the economy as a whole, including employment, Gross Domestic Product, inflation, economic growth, and the distribution of income (page 193)
- civilian labor force** Men and women 16 years old and over who are either working or actively looking for a job (page 193)
- craft union/trade union** An association of skilled workers who perform the same kind of work (page 195)
- industrial union** An association of all the workers in a given industry, regardless of the job each person performs (page 195)
- strike** To refuse to work until certain demands are met (page 195)
- picket** A parade in front of the employer's business carrying signs about a dispute (page 195)
- boycott** A mass refusal to buy products from targeted employers or companies (page 195)
- lockout** A refusal to let employees work until management demands are met (page 195)
- company union** A union organized, supported, and run by employers (page 195)
- Great Depression** The greatest period (1929–1939) of economic decline and stagnation in United States history (page 196)
- right-to-work law** A state law making it illegal to force workers to join a union as a condition of employment even though a union may already exist at the company (page 197)
- independent union** A union that does not belong to the AFL-CIO (page 198)

DRAWING FROM EXPERIENCE

Have you ever been part of a group that tried to convince someone in authority, such as a scout leader or coach, to do something differently than before? Would it have worked better if only one person in your group made the attempt? What does this teach you about strength in numbers? How do you think this lesson applies to labor unions?

This section focuses on labor unions and their development.

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STUDY GUIDE (continued) **Chapter 8, Section 1**

ORGANIZING YOUR THOUGHTS

Use the chart below to help you take notes as you read the summaries that follow. Think about the changes in the U.S. labor movement from the end of the Civil War up until World War II.

Event	Description
Civil War ends (1865)	
United Hatters Union strike (1902)	
Clayton Act passes (1914)	
Great Depression (1929–1939)	

READ TO LEARN

■ **Introduction** (page 193)

The study of labor is part of *macroeconomics*, the branch of economics that deals with the economy as a whole. The *civilian labor force* is made up of men and women 16 years or older who are either working or looking for a job.

Unions are important because:

- A. They have pushed for laws that affect pay levels and working conditions for all people.
- B. With over 16 million members, unions are a force in the economy.
 1. Why are unions important even though the percentage of workers who are members is small?

■ **Early Union Development** (page 194)

The development of unions in the United States began in colonial times. Even so, public opinion was against unions until the Civil War. In 1865, after the Civil War ended, two types of unions existed. One type was the *craft* or *trade unions*, which are groups of skilled workers in the same trade. The other type was *industrial unions*, which are groups of all workers in a specific industry. Unions tried to help workers by trying to get companies to give workers higher pay, better hours and working conditions, and job security. If management and the unions could not agree, the workers could *strike*, or refuse to work. Some striking workers could *picket*, or parade in front of the employer's business carrying signs about the disagreement. A union might also organize a *boycott*, in which a large number of people refuse to buy products from an employer or company. Sometimes employers fought unions with *lockouts*. The employers locked the doors to the factories and did not let the employees work. Some owners even set up *company unions*, which were organized, supported, and run by employers.

In 1902 the United Hatters Union called a strike against a hat manufacturer. The manufacturer sued the union. The hat company claimed that the union was breaking the law under the Sherman Antitrust Act by making trade hard to carry out. The Supreme Court decided that the

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hat manufacturer, not the union, was right. In 1914, however, Congress passed the Clayton Act. This stated that companies could not use the Sherman Act to sue labor unions.

- 2. Did unions become stronger or weaker between 1865 and 1914? Explain.

● Labor During the Great Depression (page 196)

The period of very bad economic problems known as the **Great Depression** began in 1929. By 1933 factory wages had fallen from 55 cents an hour to 5 cents an hour. New laws helped labor. The Norris-LaGuardia Act of 1932 forced companies to work with their unions to try to solve problems rather than take the unions to court. In 1935, the National Labor Relations Act, or Wagner Act, gave unions the right of collective bargaining, which means that union members can get together in a group and try to talk their managers about improving working conditions. The Wagner Act also created a board to stop unfair labor practices, such as treating union members poorly. The Fair Labor Standards Act (1938) fixed a federal minimum wage for many workers (a minimum wage is the lowest wage that a company is allowed to pay a worker). The Fair Labor Standards Act also made it illegal for companies to hire children under the age of 16. In addition, the law said that when workers worked more than 40 hours a week, companies had to pay the workers one and a half times their usual wages for the extra hours.

- 3. How did government show support for unions during the Great Depression?

● Labor Since World War II (page 196)

After World War II, people began to feel that management, not labor, was the victim. The Taft-Hartley Act of 1947 limited what unions could do in labor-management disagreements. For example, one part of the Taft-Hartley Act allowed states to pass **right-to-work laws**, making it illegal to make workers join a union in order to be hired. In 1959 the Landrum-Griffith Act tried to protect union members from unfair treatment by union officials. The law made unions report to the government about how they managed their money. The law also said that union officials had to be elected by secret ballot, so that union leaders could not tell how each member voted. Still, the large group of unions called the American Federation of Labor and Congress of Industrial Unions (AFL-CIO) is a major force in the economy today. Also important are **independent unions**, which did not belong to AFL-CIO. The Brotherhood of Locomotive Engineers is an example of an independent union.

- 4. How did the federal government try to limit unions after the end of World War II?

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STUDY GUIDE Chapter 8, Section 2

For use with textbook pages 200–203

RESOLVING UNION AND MANAGEMENT DIFFERENCES

KEY TERMS

- closed shop** A situation in which the employer agrees to hire only union members (page 200)
- union shop** An employment situation where a worker does not have to belong to the union to be hired but must join soon after and remain a member for as long as he or she keeps the job (page 201)
- modified union shop** Under this arrangement, workers do not have to belong to a union to be hired and cannot be made to join one to keep their jobs (page 201)
- agency shop** An agreement that does not require a worker to join a union as a condition to get or keep a job, but does require the worker to pay union dues to help pay collective bargaining costs (page 201)
- grievance procedure** A contract provision for resolving issues that may come up later (page 202)
- mediation** The process of bringing in a neutral third person or persons to help settle a dispute (page 202)
- arbitration** A process in which both sides agree to place their differences before a third party whose decision will be accepted as final and binding (page 202)
- fact-finding** An agreement between union and management to have a third neutral party collect facts about a dispute and present nonbinding recommendations (page 202)
- injunction** A court order not to act (page 203)
- seizure** A temporary takeover of operations (page 203)

DRAWING FROM EXPERIENCE

Has your favorite pro-ball team ever missed a game or games because of a problem with the team’s management? Do you know the issues that were involved? How were these issues resolved? In the last section, you read about the development of labor unions. This section focuses on ways labor and management try to solve their differences.

ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes as you read the summaries that follow. Think about the different kinds of labor unions.

Kinds of Labor Unions			
Closed Shop	Union Shop	Modified Union Shop	Agency Shop

STUDY GUIDE (continued) **Chapter 8, Section 2**

READ TO LEARN

● **Kinds of Union Arrangements** (page 200)

The labor movement has organized workers in various ways to deal with management better. In the **closed shop**, the employer agrees to hire only union members. In the **union shop**, workers do not have to belong to the union to be hired. However, they must join the union soon after they are hired and continue to be members to keep their jobs. In the **modified union shop**, workers do not have to belong to a union to be hired or to keep their jobs. However, if they join the union, they must remain members as long as they hold their jobs. In the **agency shop**, workers do not have to join a union. However, they have to pay union dues to help pay the cost of collective bargaining.

1. Why do you think nonunion workers in an agency shop are required to share in the cost of collective bargaining?

● **Collective Bargaining** (page 202)

During collective bargaining, representatives from labor and management meet. If their talks are successful, both parties agree on basic issues such as pay, working conditions, and fringe benefits. To take care of future problems, the final agreement between the two also may include a **grievance procedure**. A grievance procedure sets up steps to follow to solve disagreements that may come up later.

If labor and management cannot agree, there are several ways in which they might try to overcome their differences:

- A. **Mediation** is the process of bringing in a third party (an “outside” person or group who will not be affected by the decision). The third party looks at both sides of the argument and helps settle the differences.
- B. **Arbitration** is a process in which both sides agree to place their differences before a third party whose decision will be accepted as final.

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- C. **Fact-finding** is an agreement between union and management to have a third party collect facts about a disagreement and offer solutions.
- D. Either labor or management might try to get an **injunction**, which is an order from a law court not to take some action. For example, management might get an injunction ordering labor not to strike, making it illegal if they do.
- E. **Seizures** are government takeovers of operations. This helps the government work with the union.
- F. The president can step in to help both parties settle their problems. The president can also use emergency powers to end strikes.

2. How is mediation different from arbitration?

STUDY GUIDE Chapter 8, Section 3

For use with textbook pages 205–209

L ABOR AND WAGES

KEY TERMS

unskilled labor Those who work primarily with their hands because they lack the training and skills required for other tasks (page 205)

semiskilled labor Workers with enough mechanical abilities and skills to operate machines that require a minimum amount of training (page 206)

skilled labor Workers who are able to operate complex equipment and can perform their tasks with little supervision (page 206)

professional labor Those individuals with the highest level of knowledge-based education and managerial skills (page 206)

noncompeting labor grades Broad categories of labor that do not directly compete with one another because of experience, training, education, and other human capital investments (page 206)

wage rate A standard amount of pay given for work performed (page 207)

traditional theory of wage determination The theory that states the supply and demand for a worker's skills and services determine the wage or salary (page 207)

equilibrium wage rate The wage rate that leaves neither a surplus nor a shortage in the labor market (page 207)

theory of negotiated wages The theory that states that organized labor's bargaining strength is a factor that helps determine wages (page 208)

seniority The length of time a person has been on the job (page 208)

signaling theory Theory that states that employers are usually willing to pay more for people with certificates, diplomas, degrees, and other indicators or "signals" of superior ability (page 208)

labor mobility The ability and willingness of workers to relocate in markets where wages are higher (page 209)

DRAWING FROM EXPERIENCE

What kind of job do you hope to have someday? What do you think you need to qualify for that job?

In the last section, you read about how labor and management try to solve their differences. This section focuses on why wages differ from job to job and place to place.

STUDY GUIDE (continued) **Chapter 8, Section 3**

ORGANIZING YOUR THOUGHTS

Use the chart below to help you take notes as you read the summaries that follow. Think about how education affects the different types of labor.

Examples of the Different Types of Labor			
Unskilled Labor	Semiskilled Labor	Skilled Labor	Professional Labor
1.	1.	1.	1.
2.	2.	2.	2.
3.	3.	3.	3.

READ TO LEARN

▣ **Categories of Labor** (page 205)

Unskilled labor includes people who work primarily with their hands because they don't have the training and skills for other jobs. Unskilled workers do jobs such as digging ditches, picking fruit, and mopping floors. They earn some of the lowest wages, or pay. **Semiskilled labor** includes workers who have a little bit of training to operate machines such as electric floor polishers, dishwashers, and lawnmowers. **Skilled labor** includes workers who can operate complex equipment. These include workers such as carpenters, typists, and computer technicians. **Professional labor** includes persons with the highest level of education and management skills. Examples are doctors, lawyers, and business executives. Professionals generally have the highest incomes.

1. In which categories of labor would you place chefs, cleaning crews, and scientists?

▣ **Noncompeting Labor Grades** (page 206)

Noncompeting labor grades are broad categories of workers who do not directly compete with one another for jobs. For example, unskilled workers generally do not compete with skilled workers, and skilled workers do not usually compete with professional workers.

Most people do not go from one category to another for the following reasons:

- A. Cost of education and training
 - B. Lack of opportunity—for example, living in an area where there are no colleges
 - C. Not willing to put forth the effort
2. Beth is a bright, hardworking cleaning woman in a college town. Which reason above most likely explains why she does not follow her dream of becoming a doctor? Explain.

STUDY GUIDE (continued) **Chapter 8, Section 3**

● **Wage Determination** (page 207)

A **wage rate** is a base amount of pay given for a job.

Differences in wage rates are explained in three ways:

- A. The **traditional theory of wage determination** states that supply and demand help decide what workers earn. This explains the high salaries of professional athletes. Since teams have a high demand for talented players and the supply of good athletes is small, professional athletes usually earn a lot of money. The **equilibrium wage rate** is the pay rate at which there are neither too many nor too few people in the labor market.
 - B. The **theory of negotiated wages** states that organized labor’s bargaining strength helps decide wages. One factor involved in this theory is **seniority**—the length of time a person works on a job. Workers with more seniority generally receive higher negotiated wages than others who do the same work.
 - C. The **signaling theory** states that employers generally pay more when people have certificates, diplomas, and degrees. People who have these things give the impression, or “signal,” that they have a good ability to learn things and work hard.
3. Tim, a college graduate, gets a promotion and a raise in the Oak Park fire department before Jim, who has only a high-school education and has served in the department five years longer. What theory of wages accounts for Tim’s raise?

● **Regional Wage Differences** (page 209)

Wages can be different for the same job from one part of the country to another. Why?

One reason is that there are more skilled workers in some parts of the country than in others.

Labor mobility—the ability and willingness of workers to move to a different area for higher wages—can reduce these differences. Another factor that affects wages is cost of living. For example, the cost of living is higher in Alaska than in southern states, so employers tend to offer higher wages in Alaska. Location can also make a difference. Some workers think certain places are so attractive they are willing to work for less to live there.

4. What is the most likely reason that a worker who enjoys fishing would leave a high-paying job in New York for a low-paying job in Montana? Explain.

STUDY GUIDE Chapter 8, Section 4

For use with textbook pages 211–218

EMPLOYMENT TRENDS AND ISSUES

KEY TERMS

- giveback** A wage, fringe benefit, or work rule given up when a labor contract is negotiated (page 212)
- two-tier wage system** A system that keeps high wages for current workers but has a much lower wage for newly hired workers (page 212)
- glass ceiling** An invisible barrier that obstructs the advancement of women and minorities up the corporate ladder (page 214)
- comparable worth** The principle stating that people should receive equal pay for equal work that is different from, but just as demanding as, other types of work (page 215)
- set-aside contract** A guaranteed contract reserved exclusively for a targeted group (page 215)
- part-time workers** Those workers who regularly work fewer than 35 hours a week (page 216)
- minimum wage** The lowest wage that can be paid by law to most workers (page 216)
- current dollars** Dollars that are not adjusted for inflation (page 218)
- real/constant dollars** Dollars that are adjusted in a way that removes the distortion of inflation (page 218)
- base year** A year that serves as a comparison for all other years (page 218)

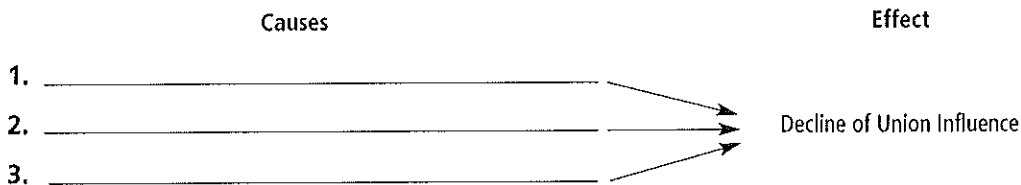
DRAWING FROM EXPERIENCE

Do you know someone who earns a larger or smaller allowance than you do for about the same amount of work? Do you think this is fair? Why or why not?

In the last section, you learned about why wages are different. This section focuses on employment issues that affect today's worker.

ORGANIZING YOUR THOUGHTS

Use the diagram below to help you take notes as you read the summaries that follow. Think about the factors that caused the decline of unions.



STUDY GUIDE (continued) **Chapter 8, Section 4**

READ TO LEARN

☐ **Decline of Union Influence** (page 211)

The membership and influence of labor unions are going down today, and this affects the economy. There are three reasons for this change:

- A. Many employers tried hard to keep unions out of their businesses.
- B. Many new workers—especially women and teenagers—are not interested in unions. These workers are often not the main source of the family’s income. For that reason, they may be willing to work for low pay.
- C. Many unions raise wages so high that companies have to charge high prices for the products that these workers make. Expensive products do not sell as well as cheap products. Companies are forced to cut back on production and lay off workers.

One way employers have been able to reduce the money they pay to union workers is by asking for givebacks. **Givebacks** are wages or other benefits that union members agree to give up when they are trying to get a new labor agreement. Union workers agree to givebacks because they are afraid that if they don’t agree, the company may go out of business. Another way that some employers get rid of labor contracts is by proving that the company is bankrupt. (Bankruptcy is a situation in which a company cannot pay its bills.) If a company can prove that union wages helped make it become bankrupt, federal courts may let the company go back on its agreements with union workers. An additional way that companies reduce union salaries is by using a two-tier wage system. A **two-tier wage system** keeps high wages for people who are already working for the company.

- 1. Name three ways employers use to lower union salaries.

☐ **Lower Pay for Women** (page 213)

In general, women earn less money than men. Some of this difference occurs because, on the whole, women have fewer skills and less job experiences than men. In addition, more men than women look for certain high-paying jobs, such as those in the construction (building) industry. More than one-third of the difference is due to discrimination in the labor market. Women and minorities often hit a **glass ceiling**, or invisible barrier that keeps them from moving up in companies.

The federal government has tried to end discrimination in the workplace. The Equal Pay Act of 1963 states that companies must give the same pay to different people who have the same kind of job. The Civil Rights Act of 1964 set up the Equal Employment Opportunity Commission, and one of the jobs of this commission is to investigate job discrimination. The principle of **comparable worth** states that people should receive equal pay for work that is different from, but just as demanding as, other types of work. Another way of correcting job discrimination is the use of set-aside contracts. **Set-aside contracts** are job contracts set aside for a certain group such as minority-owned businesses.

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STUDY GUIDE (continued) **Chapter 8, Section 4**

2. What are three ways the federal government tries to fight discrimination in the workplace?

■ **Part-Time Workers** (page 216)

Part-time workers regularly work fewer than 35 hours per week. The odd hours many part-time workers have give them the opportunity to do other things, such as attend college, during the standard 40-hour work week. Part-time workers also give employers flexibility in scheduling. However, part-time employee wages and benefits average slightly more than \$10 per hour—less than one half of the amount per hour spent on full-time workers. Unions are against part-time jobs because many workers who want to work full time are scheduled for part time and get less pay.

3. What is an advantage and a disadvantage of part-time work for an employee?

■ **The Minimum Wage** (page 216)

The **minimum wage** is the lowest legal wage that employers can pay to most workers. Supporters of the minimum wage argue that it is necessary to help certain workers. Some people are against the minimum wage because it limits economic freedom. Viewed in **current dollars**, or dollars that are not adjusted for inflation, minimum wages from 1939 to 1997 seemed to have greatly increased. However, economists change current dollars into **real** or **constant dollars**, which reflect the actual buying power of inflated dollars over the years. This involves using a **base year**, which serves as a comparison for all the other years. As long as the minimum wage remains unchanged, and as long as inflation continues, the buying power of minimum wage earners will go down. Some people want to link the minimum wage to inflation, so that the wage will automatically rise when prices rise.

4. Why do economists change current dollars into constant dollars to compare the purchasing power of the minimum wage over time?
