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April Jobs Report Doesn't Rain on Sunny Economy

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Today, the Department of Labor released its April jobs report. According to the report, employment increased by 88,000, but the unemployment rate ticked up slightly, to 4.5 percent from 4.4 percent. While this job growth is slightly below the consensus forecast of 100,000 new jobs, fears of recession appear to be overblown at this time. Congress should be careful, however, not to enact any measures that could slow economic growth, such as proposals that would empower unions at the expense of workers and employers.

Solid Economic Performance. The economy posted solid job growth in April. The economy grew at a preliminary rate of 1.3 percent, hampered by the housing market, and created 88,000 new jobs, with large gains in the education, health, and professional and business services sectors.[1] Reflecting the slump in the housing market and unseasonably cool weather, the construction sector lost jobs, and manufacturing employment continued its gradual decline.

Though job growth in April was slower than in the first quarter, the labor market is still doing well. Employers have created over 1.8 million new jobs in the past 12 months, and the unemployment rate is still historically low. Except for the tech bubble and earlier in this recovery, the unemployment rate has not been below the current level of 4.5 percent since the early 1970s. While the unemployment rate did increase by 0.1 percent from March, this increase was not statistically significant, according to the Labor Department. The number of long-term unemployed has remained unchanged from April 2006 to April 2007.

Average hourly wages rose four cents to $17.25 an hour in March, and have risen 3.7 percent over the last 12 months.[2] This is a slower increase than earlier in the year but still well above average wage growth since the September 11 attacks. The economy has cooled slightly but is still going strong.

Cartels Will Not Help Workers. Despite the economy's solid growth, some commentators, especially those with ties to organized labor, argue that workers would do better if they belonged to a labor union.[3] They note that unionized workers earn 30 percent more than non-union workers and contend that widespread collective bargaining would raise wages and living conditions throughout the economy.

These commentators are mistaken. A union is essentially a cartel; it raises wages for its members by reducing the amount of labor supplied. Employers with the most pressing needs for workers pay a premium to hire unionized workers and pass the costs on to their customers, while other employers must leave their jobs unfilled. Widespread cartelization, with less work being done and consumers paying higher prices, will not lead to widespread prosperity. Labor monopolies are no better for living standards than business monopolies are.

And unions can no longer deliver higher wages for their members. Because of widespread deregulation and free trade, unions have lost most of their power to protect their members from competition.

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In many industries, they can no longer force businesses to pay higher wages at the expense of consumers, because competition would lead consumers to take their business elsewhere.

One recent study found that the wages of workers who voted to join a union did not rise relative to those who voted to stay non-union.[4] To the extent that union members earn higher wages, this is due to the fact that unions organize high-wage sectors and higher skilled workers, such as those found in manufacturing.[5]

Employee Free Choice Act Takes Away Workers' Rights. Unions understandably want to recruit new members. They cannot operate without the 1 to 2 percent of union members' salaries that they collect in dues, but fewer and fewer workers want to join a union in the modern economy.

Consequently, organized labor is attempting to persuade Congress to pass the misnamed Employee Free Choice Act (EFCA, H.R. 800), which has already passed the House of Representatives. Unions argue that the EFCA would raise standards of living by increasing union membership.

The bill would increase union membership, but only by taking away workers' democratic rights. The EFCA abolishes workplace organizing elections. Instead of voting in privacy, workers would join a union when union organizers collect a majority of workers' signatures on publicly signed union authorization cards.

By taking away workers' privacy, the EFCA would make it much easier for unions to recruit new members. In these "card check" campaigns, union organizers come to a worker's home, give a one-sided sales pitch on the benefits of unionizing, and then press the worker to commit immediately.[6] If the worker holds off, the organizers often return to his home repeatedly until he signs. In extreme cases, union organizers threaten workers who refuse to sign union cards.[7]

Unsurprisingly, when workers lack privacy, unions usually have little difficulty obtaining their signatures. But this does not mean those workers want to belong to a union, a fact that organizers privately acknowledge.[8]

Workers have a fundamental right to privacy and a right to vote. Congress should not take away these rights. Congress should recognize misleading arguments about the economic benefits of higher union membership for what they are: a self-interested attempt by unions to make it easier to recruit new dues-paying members.

Conclusion. Economic growth has cooled slightly along with the housing market. Despite the slower growth, employment continues to be robust, with a very low unemployment rate. As the housing market stabilizes and then recovers, economic growth will rebound. Congress should not interfere in the economy by ending secret ballots and removing workers' right to privacy. Instead, Congress should ensure that job growth continues by rejecting policies that would put workers and employers at a disadvantage in the free market.

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1. Department of Labor, "The Employment Situation: April 2007," May 4, 2007, at *www.bls.gov/news.release/pdf/empsit.pdf*.
2. *Ibid.*
3. AFL-CIO, "Why Workers Need the Freedom to Form Unions and Bargain," at *www.aflcio.org/joinaunion/voiceatwork/efca/whyunion.cfm* (May 4, 2007).
4. John E. DiNardo and David S. Lee, "Economic Impacts of Unionization on Private Sector Employers: 1984-2001" NBER *Working Paper* No. W10598, July 2004, at *http://ssrn.com/abstract=563042*.
5. Barry T Hirsch and Edward J Schumacher, "Unions, wages, and skills," *The Journal of Human Resources*, Winter 1998, p. 201. This study finds union wage effects on the order of 8 percent after controlling for switches between industry and measures of worker ability.
6. James Sherk, "How Union Card Checks Block Workers' Free Choice," Heritage Foundation *WebMemo* No.1366, February 21, 2007, at *www.heritage.org/Research/Labor/wm1366.cfm*.
7. *Ibid.*
8. James Sherk, "Unions Know that Card Check Does Not Reveal Employees' Free Choice," Heritage Foundation *WebMemo* No. 1386, March 7, 2007, at *www.heritage.org/Research/Labor/wm1386.cfm*.