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Heritage Jobs Report: February Employment Losses Would Be Worse with Card Check

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February continued the miserable string of poor employment reports by the Bureau of Labor Statistics. The most jarring number is the unemployment rate, which increased by a half a percentage point to 8.1 percent. The payroll survey reported that non-farm employment fell by 651,000 jobs, roughly in line with expectations.

February Report. Job losses were deep and widespread in February, with almost every sector shedding jobs. The unemployment rate climbed to 8.1 percent, the highest level since 1983. The current economic downturn is very severe, and its magnitude is similar to the 1981–82 recession. If these similarities hold true, unemployment may continue to climb and even peak after the recession has ended, as it did in the early 1980s when the unemployment rate reached its high of 10.8 percent after the recession was officially over.

The large increase in the unemployment rate is the result of several factors. First, the labor force grew rapidly by almost 500,000 workers, offsetting January's decrease in workers; much of this is likely due to statistical variation and weather patterns (very few of these entrants to the labor market found work, and this increased the unemployment rate by 0.2 percentage points). Second, there was a large spike in the number of workers who reported unemployment. The household survey, which provides data for the unemployment rate, reported a whopping increase in unemployment of 851,000. This increase in Americans reporting job losses accounted for 0.5 percentage point increase in the unemployment rate.

The unemployment rate climbed for all workers regardless of sex, race, or education. Male workers over 20 have an unemployment rate of 8.1 percent, compared to 6.7 percent for women over 20. Teenagers have an unemployment rate of 21.6 percent.

Job losses in the service industry (–375,000) constituted over half the total amount of job losses. Construction (–104,000) and manufacturing (–168,000) continued to reduce employment. Only government (9,000) and health care (30,400) added jobs while professional business services (–180,000) had its sharpest contraction yet. Job losses in high-skill areas such as architecture and law accelerated.

Another indicator of the labor market's bleak condition is that the percent of workers unemployed longer than 15 weeks hit an all-time high. Long-term unemployed workers now account for 41.7 percent of all unemployed workers—up from 32.1 percent in 2008. The median duration of unemployment has steadily increased over the past year, from 8.4 weeks in February of 2008 to 11 weeks in February of 2009.

Card Check on the Agenda. In this weak economy Congress should remember to "first, do no

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harm." Union leaders boast that the misnamed Employee Free Choice Act (EFCA) will help the labor markets. But this legislation would replace secret ballot organizing elections with publicly signed union cards, allowing union organizers to deceive, harass, and threaten workers into signing these cards.

Workers would not even have to know about the organizing drive. Once organizers had collected cards from a majority of employees the employer would have to recognize the union as representing all workers, even if the rest of their employees knew nothing about the organizing drive. They would show up to work and discover they had union representation whether they wanted it or not.

EFCA is designed to force workers into unions. The AFL-CIO estimates that passing EFCA would increase union membership rates by at least 5.0 percentage points.[1] Under EFCA at least 7.1 million Americans would be pressured into unions.[2] This would do wonders for union finances, but it would also further devastate labor markets.

Unions Are Cartels. Such labor market devastation does not occur simply because unions bankrupt businesses—such as General Motors or the airlines. Unions are monopoly cartels. They intend to restrict the number of jobs in the economy to get higher wages for their members. In this they operate like any other cartel—the Organization of Petroleum Exporting Countries (OPEC) is one such cartel. OPEC nations, such as Saudi Arabia and Venezuela, cut oil production in order to decrease the supply and raise the price of oil. When they succeed, Americans pay higher prices at the pump but OPEC cartel members reap a financial windfall. The economy overall weakens, but OPEC benefits.

Unions work in the same way. Consider the United Auto Workers (UAW), which represents the workers at Ford, Chrysler, and General Motors. They demanded exorbitant compensation for their members. Until recently the average UAW worker at the Big Three earned triple the compensation of the average private sector worker—over $70 an hour in wages and benefits.[3] The Detroit automakers raised prices and passed those costs onto consumers. GM's gold-plated health benefits alone added $1,200 to the cost of each vehicle produced in 2007.[4] Because these cars cost more, consumers bought fewer Detroit-manufactured cars. Fewer cars produced results in fewer jobs in the auto industry. Unions are monopolies: They win benefits for their members by raising prices and removing job opportunities for everyone else.

Union Cartels Kill Jobs. Most economists agree that unions harm the economy. In the words of one leading labor economist, "the large majority of economists remain convinced that economic theory points to a net negative impact of unions on resource allocation and economic efficiency."[5] Study after study consistently shows that greater unionization leads to fewer jobs.[6] One study of American manufacturing companies found that unionized employers cut jobs by 11 percent two years after a union organized their workplace. Job losses were largest at the smaller businesses particularly vulnerable to EFCA organizing.[7] Studies also show annual job growth in unionized companies of

1. Sheldon Friedman, *The Limits of NLRB Certification and its Alternatives*, discussion during Labor and Employment Relations Association: Proceedings of the 58th Annual Meeting 2006, at *http://www.press.uillinois.edu/journals/lera/proceedings2006/friedman.html* (March 6, 2009).
2. Heritage Foundation calculations based on data from the Department of Labor, Bureau of Labor Statistics, News release "The Employment Situation," March 6, 2009.
3. James Sherk, "Auto Bailout Ignores Excessive Labor Costs," Heritage Foundation *WebMemo* No. 2135, November 19, 2008, at *http://www.heritage.org/Research/Economy/wm2135.cfm*.
4. *Ibid.*
5. Bruce E. Kaufman, "What Unions Do: Insights from Economic Theory," *Journal of Labor Research*, Vol. 25, No. 3 (July 2004), pp. 351–382.
6. Barry T. Hirsch, "What Do Unions Do for Economic Performance?," *Journal of Labor Research*, Vol. 25, No. 3, (July 2004), pp. 415–56; Peter D. Linneman, Michael L. Wachter, and William H. Carter, "Evaluating the Evidence on Union Employment and Wages," *Industrial and Labor Relations Review*, Vol. 44, No. 1 (October 1990), pp. 34–53.

between 3 and 4 percent less a year than non-union companies.[8]

A conservative estimate is that if Congress passed card check, the expanded unionization would reduce employment opportunities by 765,000 potential jobs in the economy within two years.[9] Other studies estimate even greater effects.[10]

This is the wrong way to stimulate the economy. Economists now estimate that the rapid expansion of union cartels in the 1930s contributed significantly to the severity of the Great Depression.[11] Congress should not pass laws that will remove even more jobs from the economy.

Strengthen the Labor Market. As the economic downturn continues, the labor market continues to deteriorate. Unemployment will continue to rise even as the overall economy improves. Congress and the President should take action to strengthen the labor market instead of weakening it. Unfortunately new proposals such as EFCA and the President's proposed tax increases on capital will only further weaken the job market and delay recovery. Instead, Congress and the President should look toward easing regulations and tax burdens for businesses that hire workers and avoid imposing legislation that would undermine democracy in the workplace and reduce employment.

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7. Robert LaLonde and Kenneth Troske, "Using Longitudinal Survey Data on Establishments to Analyze the Effects of Union Organizing Campaigns in the United States," *Annales D'Economie et De Statistique*, January–June 1996, Table 3.
8. Richard J. Long, "The Impact of Unionization on Employment Growth of Canadian Companies," *Industrial and Labor Relations Review*, Vol. 46, No. 4 (July 1993), pp.691–703; David G. Blanchflower, Neil Millward, and Andrew J. Oswald, "Unionism and Employment Behaviour," *Economic Journal, Royal Economic Society*, Vol. 101, No. 407 (July 1991), pp. 815–34.
9. Heritage Foundation calculations based on the assumption of a 10.8 percent employment decline and the 7.1 million new workers the AFL-CIO estimates would organize under EFCA.
10. Anne Layne-Farrar, "An Empirical Assessment of the Employee Free Choice Act: The Economic Implications," Law and Economics Consulting Group, March 3, 2009, at *http://ssrn.com/abstract=1353305* (March 6, 2009).
11. Harold L. Cole and Lee E. Ohanian, "New Deal Policies and the Persistence of the Great Depression: A General Equilibrium Analysis," *Journal of Political Economy*, Vol. 112 No. 4 (August 2004), pp. 779–816.