

# WebMemo



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## Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act

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### What Does the Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act Do?

- The RAISE Act would allow employers to pay individual workers more than the union contract specifies. This is currently illegal without first bargaining with the union.
- Employers could *not* selectively give raises to anti-union workers to undermine the union, consistent with current federal law. Under the RAISE Act, it would remain illegal to discriminate against workers on the basis of union membership.
- Unions were originally established to protect workers from making too little money, not too much. The RAISE Act would still allow union contracts to set the minimum that workers can earn.

### Why Is It Needed?

- Currently union contracts set both a wage floor and a wage ceiling. Unionized employers may not give productive workers pay raises without negotiating them with the union.
- Unions usually resist individual raises. They typically demand that employers reward workers for “time served” rather than hard work.
  - Unions have successfully fought bonuses to hard-working employees. The National Labor Relations Board has ruled that they constitute illegal “direct dealing,” which collective bargaining law forbids.

- This means that in many unionized companies, a worker cannot earn higher wages than what his union contract specifies—no matter how hard he or she works.
  - This “seniority ceiling” keeps union members from reaching their full potential, since there is no incentive for outstanding performance or ability to move up the ladder.
- Current law caps the wages of 8 million American union members. The RAISE Act would restore the inherent American right to earn individual raises through individual efforts to millions of union members.

### Economic Effects:

- The RAISE Act would allow unionized employers to give performance-based pay to deserving workers.
- Economic research shows that the average worker’s earnings rise 6–10 percent when the pay is performance-based. This is an average figure—industrious and enterprising workers will earn larger raises while lazy employees earn less.
- Performance pay allows workers to earn more by becoming more productive. At companies that

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offered performance pay, the typical union member earned between \$2,600 and \$4,300 more per year in performance-pay bonuses and merit raises.

- With millions of American families struggling to get ahead financially in the recession, Congress

should lift the ceiling on workers' pay immediately. This is the right kind of stimulus that will add billions of dollars to the economy.

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