

WebMemo



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Heritage Employment Report: This Labor Day, No New Jobs, High Unemployment

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The Bureau of Labor Statistics (BLS) reported that in August, United States employers added no net new jobs, and the unemployment rate stayed the same at 9.1 percent. Overall, the private sector added 17,000 jobs, but that was totally offset by declines in public-sector employment. This troubling report also contains downward revisions to previous jobs estimates this year and declines in other measures of labor utilization, such as the number of hours worked.

Everyone who cares about the future of this economy will spend some of their Labor Day weekend asking why it is that this great engine of prosperity has now apparently ground to a near standstill. The answer, however, is increasingly clear: New government regulations and massive growth of unproductive government programs have made it harder for the labor market to recover.

The August Report. In August, the labor market did not create or lose any additional jobs. However, BLS estimates that the Verizon strike temporarily reduced employment in the communications industry by 45,000 jobs. Overall, the rate of job creation has continually eroded for the past several months. Furthermore, BLS revised downward job estimates of previous months by 58,000.

The household survey for August did not report a change in the unemployment rate.¹ The household survey also reported an increase in the labor force participation rate, with 366,000 more

adults in the labor force. Most of the new workers reported that they had jobs, which is why the unemployment rate remained the same despite growth in the labor force. It is likely that this relative good news is a correction to the previous month's report, which showed a startling decline in the labor force and number of employed workers.

The payroll survey's analysis is very troubling, as there are indications that the labor market's stall may be turning into a slight decline. Manufacturing employment (-3,000) and construction (-5,000) both declined in August. The service sector (20,000) had some job growth but mainly in health care and social assistance (35,500). The bright spot in the payroll report was a slight uptick in temporary workers (4,700).

Other signals of labor market demand declined, with the average number of weekly hours falling from 34.3 to 34.2. Average hourly earnings also showed an alarming decline by 3 cents, which reduced the average weekly earnings for existing workers.² In short, jobs are not being created, and existing workers earned less last month.

This paper, in its entirety, can be found at:
<http://report.heritage.org/wm3350>

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Unions Reduce Job Growth. Despite the weak economy, the Administration has put the task of satisfying interest groups above job growth. The latest example comes from the federal govern-

ment's National Labor Relations Board (NLRB), which issued several rulings recently undermining employer and employee rights.

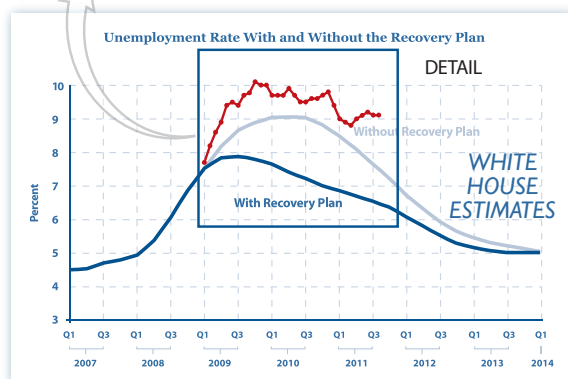
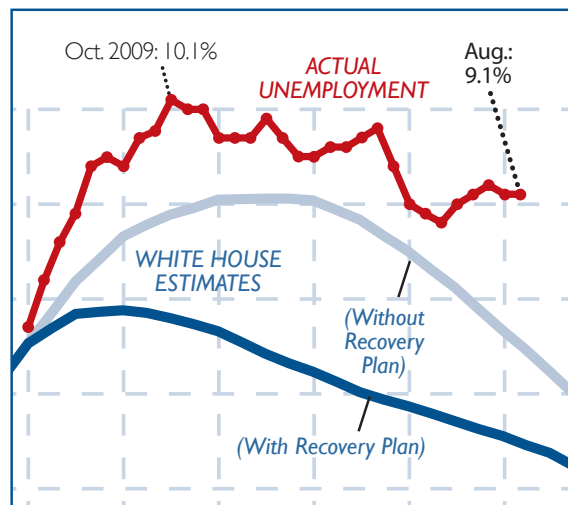
Unions make businesses less competitive and discourage investment. This reduces job growth. Studies show that jobs fall by 5–10 percent at newly organized firms.³ Going forward, employment grows by three to four percentage points more slowly at unionized businesses than at otherwise identical non-union companies.⁴

This can significantly affect employment. For example, unionized manufacturing employment fell by 80 percent between 1977 and 2010. Non-union manufacturing employment decreased by 6 percent over that same time period. In the aggregate, almost all net manufacturing job losses have come from unionized companies.

If private-sector workers feel they need a union for protection, they have that right. Management gets the union it deserves. But if workers do not want a union, the government should not make that choice difficult. The economy performs better

Unemployment Rate: August 2011

President Obama promised that government spending would “stimulate” the economy and quell rising unemployment by “creating or saving” millions of jobs. In January 2009, Obama’s advisers produced a chart (bottom) visualizing the positive results of his recovery plan. But actual unemployment (below, detail from box at bottom) has far exceeded the White House estimates.



Sources: Unemployment data from the Bureau of Labor Statistics; original chart from Christina Romer and Jared Bernstein, “The Job Impact of the American Recovery and Reinvestment Plan,” January 10, 2009.

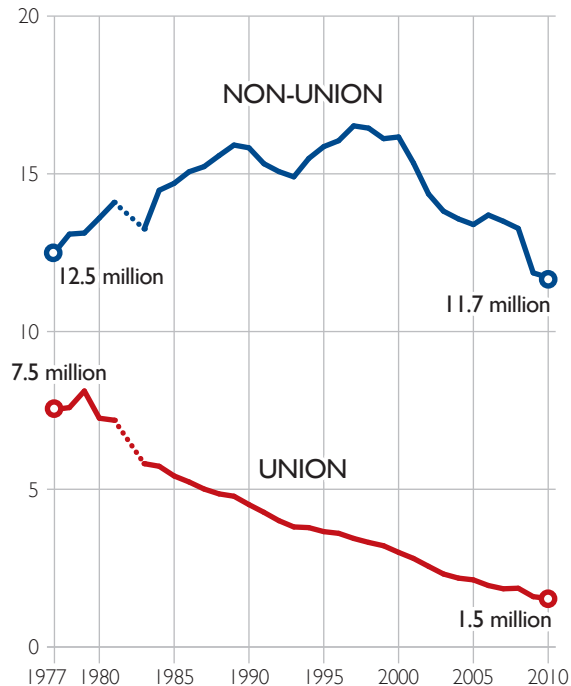
Chart 1 • WM 3350 heritage.org

1. BLS uses this monthly survey by the Bureau of the Census to determine who is working in a randomly selected cross section of the country’s households. The household survey is a volatile survey with a relatively small sample size. It uses another survey—the establishment or payroll survey—to estimate the number of jobs created in total and by industry group.
2. Average hourly earnings rarely decline.
3. Robert J. Lalonde, Gerard Marschke, and Kenneth Troske, “Using Longitudinal Data on Establishments to Analyze the Effects of Union Organizing Campaigns in the United States,” *Annales d’Economie et de Statistique*, Vol. 41–42 (January–June 1996), pp. 155–185; Richard B. Freeman and Morris M. Kleiner, “The Impact of New Unionization on Wages and Working Conditions,” *Journal of Labor Economics*, Vol. 8, No. 1 (January 1990), pp. S8–25.
4. David G. Blanchflower, Neil Millward, and Andrew J. Oswald, “Unionization and Employment Behavior,” *Economic Journal*, Vol. 101, No. 407 (July 1991), pp. 815–34; Jonathan S. Leonard, “Unions and Employment Growth,” *Industrial Relations*, Vol. 31, No. 1 (Winter 1992), pp. 80–94; Richard J. Long, “The Effect of Unionization on Employment Growth of Canadian Companies,” *Industrial and Labor Relations Review*, Vol. 46, No. 4 (July 1993), pp. 691–703.

Vast Majority of Manufacturing Job Losses Are Union Jobs

In the manufacturing sector, union job losses account for more than 88 percent of all losses since 1977.

Manufacturing Employment, in Millions



Note: Data for 1982 not available from Bureau of Labor Statistics.

Source: Heritage Foundation calculations based on data from Barry T. Hirsch and David A. Macpherson, "Union Membership and Coverage Database from the Current Population Survey," at <http://www.unionstats.com> (September 2, 2011). "Union" refers to union members and non-union members covered by collective bargaining agreements. "Non-union" refers to workers not covered by collective bargaining agreements.

Chart 2 • WM 3350  heritage.org

when unions organize only those companies with employees who believe they need them.

Unions Lobby Government to Reverse Their Decline. This truth directly conflicts with the desires of the union movement. Surveys show that only one in 10 unorganized workers want a union.⁵ The labor movement has failed to persuade workers that union representation would improve their workplaces. As a result, private-sector union membership has fallen below 7 percent.⁶

The union movement wants the government to reverse their decline by making it harder for workers to remain non-union. Unions lobbied Congress and the Administration to replace secret ballot organizing elections with publicly signed cards.⁷ This legislation failed. The union movement now wants the government to unionize through regulation.

Snap Elections. The Obama NLRB complied. Obama's appointees have begun rulemaking to dramatically shorten the timeframe for union elections. Employers are often unaware that an organizing drive is taking place until after the union calls for a vote. Currently the median election takes place about a month after the union calls for it.⁸ That time gives employers a chance to present their side and inform workers of the downsides of unionizing that organizers avoided mentioning.⁹ Having heard both sides, employees make an informed choice.

The NLRB proposes to shorten the election period to as little as 10 calendar days.¹⁰ Such snap elections would deny employers the time needed to make their case and ensure that workers vote having heard primarily arguments for unionizing.

5. Press release, "Union Members—2010," U.S. Department of Labor, Bureau of Labor Statistics, January 21, 2011, at <http://www.bls.gov/news.release/pdf/union2.pdf> (September 2, 2011).
6. Rasmussen Reports, "Just 9% of Non-Union Workers Want to Join Union," March 16, 2009, at http://www.rasmussenreports.com/public_content/business/jobs_employment/march_2009/just_9_of_non_union_workers_want_to_join_union (September 2, 2011).
7. The Employee Free Choice Act.
8. Lafe E. Solomon, "Summary of Operations (Fiscal Year 2010)," memorandum to all employees, National Labor Relations Board, Office of the General Counsel, January 10, 2011, at <http://mynlrb.nlr.gov/link/document.aspx/09031d4580434379> (September 2, 2011).
9. See, for example, the testimony of Jennifer Jason, statement in hearing, *Strengthening America's Middle Class Through the Employee Free Choice Act*, Subcommittee on Health, Employment, Labor, and Pensions, Committee on Education and Labor, U.S. House of Representatives, 110th Cong., 1st Sess., February 8, 2007, p. 30, at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_house_hearings&docid=f:32906.pdf (September 2, 2011).
10. National Labor Relations Board, notice of proposed rulemaking, *Federal Register*, Vol. 76, No. 120, p. 36831.

No Secret Ballot. Federal law does not guarantee workers a secret ballot before their company unionizes. An employer may voluntarily recognize a union if a majority of its workers publicly sign union authorization cards (i.e., card-check). Some unions have enough leverage to pressure employers to accept card-check. However, the law gave employees an important protection: If a company recognized a union without a vote, employees could petition for a secret ballot election to decertify the union.

The NLRB just removed this safeguard.¹¹ Now employees cannot file for a vote for six months to a year after card-check recognition. If by that point the union has negotiated a contract, the employees cannot vote until the contract expires. Workers whom organizers pressured into signing a card can no longer privately vote against union representation.

Cherry-Picking Voters. The NLRB used to define a collective bargaining unit as all similarly situated workers at a company. For example, at a retail store, hourly employees like the cashiers, shelf-stockers, and greeters would traditionally form one unit. The NLRB just changed this rule to permit unions to cherry-pick which workers to include in the bargaining unit.¹² For example, unions could organize just the cashiers and exclude the shelf-stockers. Only the union's desired workers would get to vote. However, a strike or union-induced bankruptcy

harms all the workers at a company. The new NLRB rules effectively disenfranchise employees who do not want their company unionized.

The President has put satisfying unions above reducing unemployment.

Choosing Unions over Employers. Worrying about the labor market's slow recovery has changed into worrying about the labor market declining. Projections of future employment growth by both government and private forecasters have been downgraded in the past few months. The President's forecasting body, the Office and Management and Budget, revised its projected unemployment rate in the week before Labor Day.

In this report, there are more signs of a declining labor market than there are of a recovery. However, the President's Administration is making it tougher for businesses to expand and hire new workers. Many decisions by the NLRB will reduce the demand for labor and keep businesses from expanding and hiring new workers. Policymakers in Washington should seek to help businesses and the labor market instead of viewing businesses as the enemy.

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11. *Lamons Gasket Company*, 357 N.L.R.B. No. 72.

12. *Specialty Healthcare and Rehabilitation Center of Mobile*, 357 N.L.R.B. No. 83.