

Labor Market Trends

- **How do economists define the labor force?**
- **What occupational trends exist in the U.S. economy?**
- **What is temporary employment?**
- **What are the current trends in wages and benefits?**



The United States Labor Force

Economics define the **labor force** as all nonmilitary people who are employed or unemployed.

Employment

- People are considered employed if they are 16 years or older and meet at least one of the following requirements:
- They worked a least one hour for pay within the last week; or
- They worked 15 or more hours without pay in a family business; or
- They held jobs but did not work due to illness, vacations, labor disputes, or bad weather.

Unemployment

- People are considered unemployed if they are 16 years or older and meet the following criteria:
- They do not have a job; and
- They have actively looked for work in the prior 4 weeks; and
- They are currently available for work.



Occupational Trends

A Changing Economy

- The economy of the United States has transformed from a mainly agricultural economy in the 1800s, to an industrial giant in the 1900s.
- The computer chip has revolutionized the economy since its introduction in the late 1900s.

Fewer Goods, More Services

- Overall, the United States is shifting from a manufacturing economy to a service economy.
- As service jobs increase, the nation is losing manufacturing jobs.
- Demand for skilled labor is rising, and the supply of skilled workers is increasing to meet the demand.



The Changing Labor Force

College Graduates at Work

- The **learning effect** is the theory that education increases productivity and results in higher wages.
- The **screening effect** theory suggests that the completion of college indicates to employers that a job applicant is intelligent and hard-working.

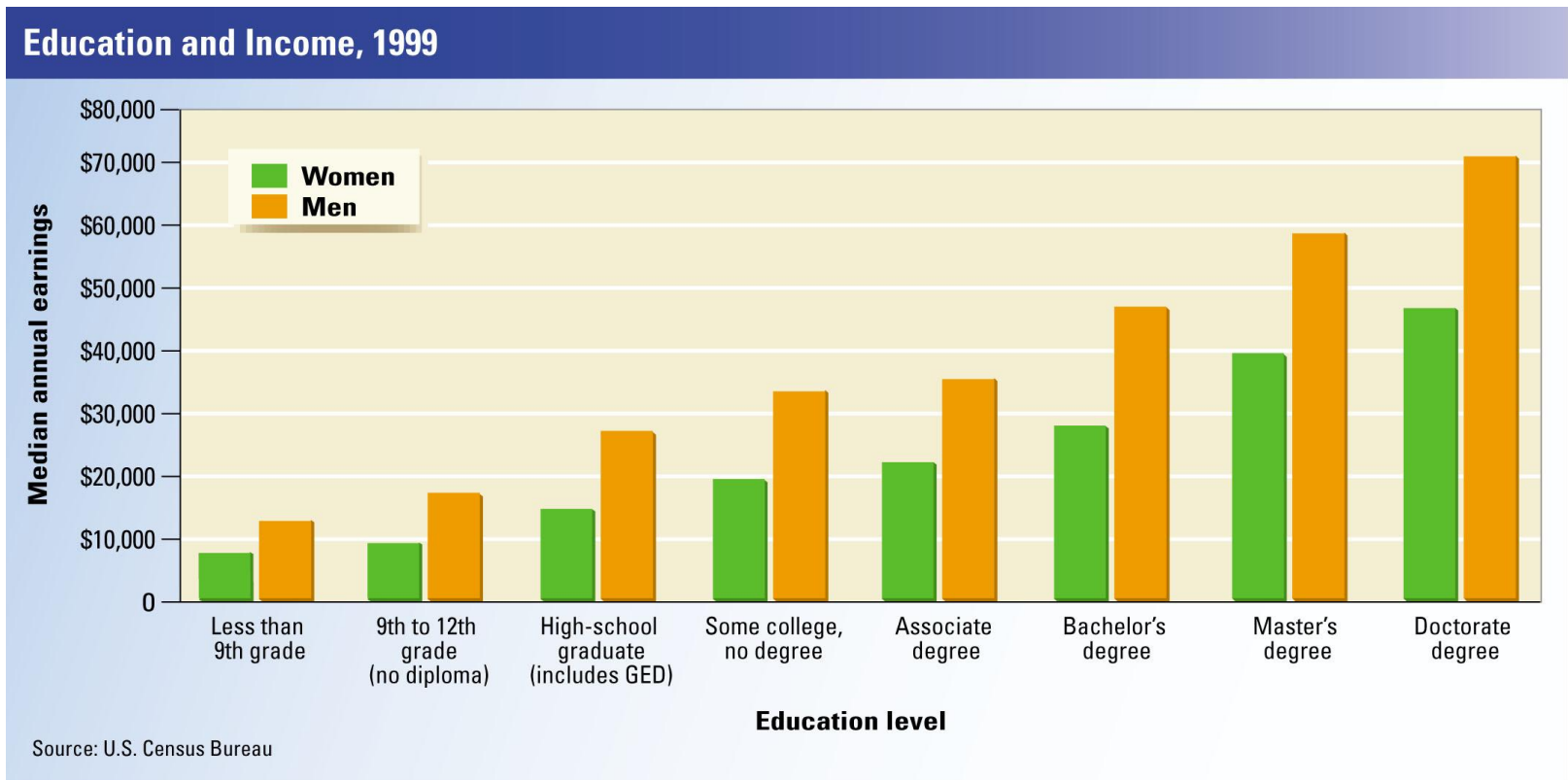
Women at Work

- Overall, the number of women in the work force has increased from about 38 percent of all women in 1960 to about 58 percent of all women in 1995.



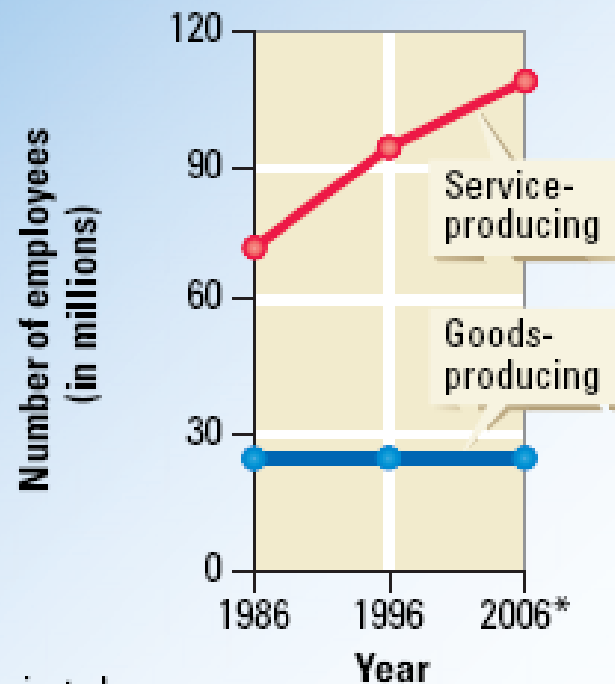
Education and Income

- Potential earnings increase with increased educational attainment.



Changing Employment

Figure 9.2 Changes in Employment, by Industry



*Projected

Source: *Statistical Abstract of the United States*

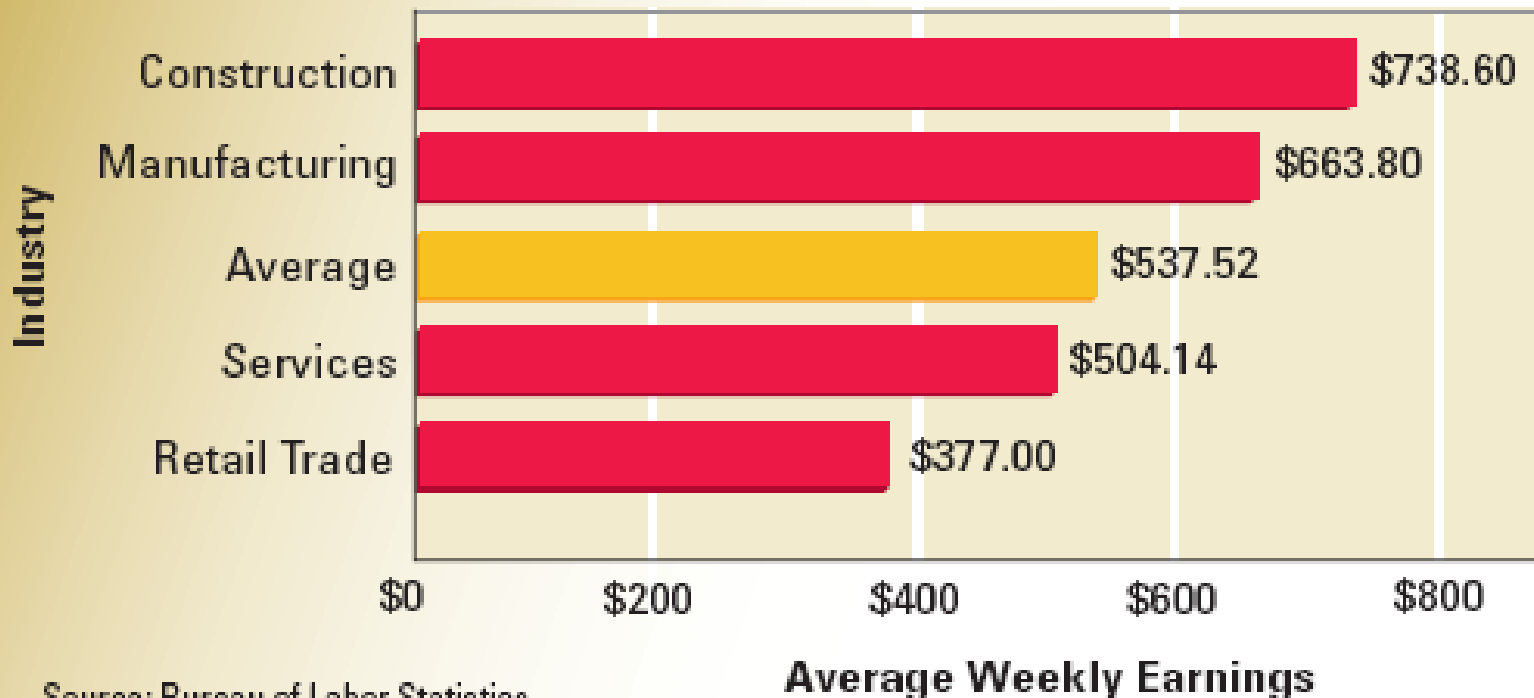
Earnings

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Figure 9.11 Earnings for U.S. Workers, 2005



Temporary Employment

Contingent employment is temporary or part-time employment.

Temporary employees offer firms some of the following benefits:

1. Flexible work arrangements.
2. Easy discharge due to the lack of severance pay for temporary workers.
3. Temporary workers are often paid less and receive fewer benefits than their full-time counterparts.
4. Some employees prefer temporary arrangements.



Trends in Wages and Benefits

Earnings Up for Some, Down for Others

- Earnings for college graduates have increased, while earnings for workers without college degrees have decreased.
- Average weekly earnings in the United States decreased from \$275 in 1980 to \$271 in 1999, as measured in inflation-adjusted dollars.

Cost of Benefits Rises

- Benefits now make up about 28 percent of total compensation in the economy.
- For employers, rising benefits costs raise the cost of doing business and decrease profits. Many firms are turning to contingent employment to curb benefits costs.



Section 1 Assessment

1. How have the earnings of U.S. workers changed over the last 20 years?
 - (a) Average wages of all workers have gone up.
 - (b) Average wages of all workers have gone down.
 - (c) Average wages of college graduates have gone up.
 - (d) Average wages of non-college graduates only have gone up.
2. Which of the following is not a reason firms hire temporary workers?
 - (a) Temporary workers sometimes receive lower wages and benefits.
 - (b) Some employees prefer temporary working conditions.
 - (c) Demand for temporary workers is low.
 - (d) Temporary workers usually have more flexible working arrangements.

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Labor and Wages

- **How do supply and demand interact in the labor market?**
- **How are wages and skill levels related?**
- **What forms of wage discrimination still exist?**
- **What other factors affect wages?**



Supply and Demand in the Labor Market

Labor Demand

- The higher the wage rate, the smaller the quantity of labor demanded by firms and government.

Labor Supply

- As wages increase, the quantity of labor supplied also increases.

Equilibrium Wage

- The wage rate that produces neither an excess supply of workers nor an excess demand for workers in the labor market is called the equilibrium wage.

Effects of Wage Increases

A new restaurant opens in town, offering higher wages for cooks.



Other restaurants must raise wages for cooks in order to compete for scarce labor.



Restaurants increase the price of meals to cover their increased labor costs.



When the price of meals increases, consumer demand decreases.



As business decreases, restaurants' demand for cooks decreases.



Wages and Skill Levels

- Wages vary according to workers' skill levels and education. Jobs are often categorized into the following four groups:

Unskilled Labor

- **Unskilled labor** requires no specialized skills, education, or training. Examples: waiters, messengers, janitors

Semi-Skilled Labor

- **Semi-skilled labor** requires minimal specialized skills and education. Example: fork-lift operator

Skilled Labor

- **Skilled labor** requires specialized skills and training. Examples: auto mechanics, plumbers

Professional Labor

- **Professional labor** demands advanced skills and education. Examples: lawyers, doctors, teachers



Wage Discrimination

Laws Against Wage Discrimination

- The Equal Pay Act of 1963 declared that male and female employees in the same workplace performing the same job had to receive the same pay.
- Title VII of the Civil Rights Act of 1964 forbids job discrimination on the basis of race, sex, color, religion, or nationality.

Pay Levels for Women

- Despite these protections, American women today earn about 75 percent of what men earn.

Pay Levels for Minorities

- As the figure to the right shows, racial minorities tend to earn lower pay than white men.

Median Earnings for U.S. Workers, by Gender and Ethnicity, 1999



Section 2 Assessment

1. The higher the wage rate

- (a) the lower the quantity of labor supplied.
- (b) the higher the quantity of labor supplied.
- (c) the lower the quantity of labor demanded.
- (d) the higher the number of people in the labor force.

2. Which of the following falls in the category of skilled worker?

- (a) doctor
- (b) waiter/waitress
- (c) auto mechanic
- (d) teacher

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Organized Labor

- **What is a labor union?**
- **How did unions gain influence?**
- **Why has union membership declined?**
- **How does collective bargaining work?**
- **How are settlements reached during a strike?**



Occupational Trends

A **labor union** is an organization of workers that tries to improve working conditions, wages, and benefits for its members.

- **Less than 14 percent of U.S. workers belong to a labor union.**



Labor Force Trends

- The union movement took shape over the course of more than a century.
- The 1935 National Labor Relations Act, also known as the Wagner Act, gave workers the right to organize and required companies to bargain in good faith with unions.

Key Events in the U.S. Labor Movement

Year	Event
1869	Knights of Labor founded
1911	Fire in the Triangle Shirtwaist Factory in New York kills 146, spurring action on workplace safety
1932	Norris-La Guardia Act outlaws “yellow dog” contracts, gives other protection to unions
1935	Wagner Act gives workers rights to organize
1938	AFL splinter group becomes the independent Congress of Industrial Organizations (CIO), headed by John L. Lewis
1955	AFL and CIO merge to create AFL-CIO
1970s	Rise in anti-union measures by employers
1990s	Increase in public-sector unions, including teaching assistants at some universities



Declines in Union Membership

- Several factors have led to declines in union membership since the 1950s:

“Right to Work” Laws

- The Taft-Harley Act (1947) allowed states to pass **right-to-work** laws. These laws ban mandatory union membership at the workplace.

Economic Trends

- Unions have traditionally been strongest in the manufacturing sector, representing **blue-collar workers**, or workers who have industrial jobs. Blue-collar jobs have been declining in number as the American economy becomes more service-oriented.

Fulfillment of Union Goals

- With the government setting standards for workplace safety, and with more benefits being provided by both private and government sources, some claim that the union membership has decreased simply because their goals have been fulfilled by other organizations.



Collective Bargaining

Collective bargaining is the process in which union and company representatives meet to negotiate a new labor contract.

Wages and Benefits

- The Union negotiates on behalf of all members for wage rate, overtime rates, planned raises, and benefits.

Working Conditions

- Safety, comfort, worker responsibilities, and other workplace issues are negotiated and written into the final contract.

Job Security

- One of the union's primary goals is to secure its members' jobs. The contract spells out the conditions under which a worker may be fired.

Labor Strikes and Settlements

Strikes

- If no agreement is met between the union and the company, the union may ask its members to vote on a strike. A **strike** is an organized work stoppage intended to force an employer to address union demands. Strikes can be harmful to both the union and the firm.

Mediation

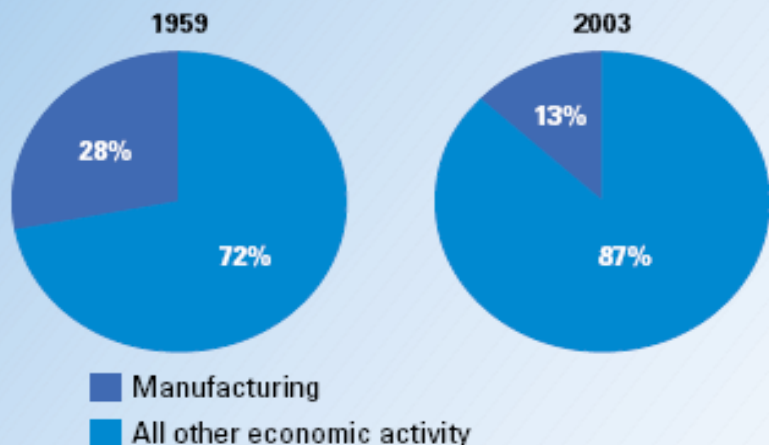
- To avoid the economic losses of a strike, a third party is sometimes called in to settle the dispute. **Mediation** is a settlement technique in which a neutral mediator meets with each side to try and find an acceptable solution that both sides will accept.

Arbitration

- If mediation fails, talks may go into **arbitration**, a settlement technique in which a third party reviews the case and imposes a decision that is legally binding for both sides.

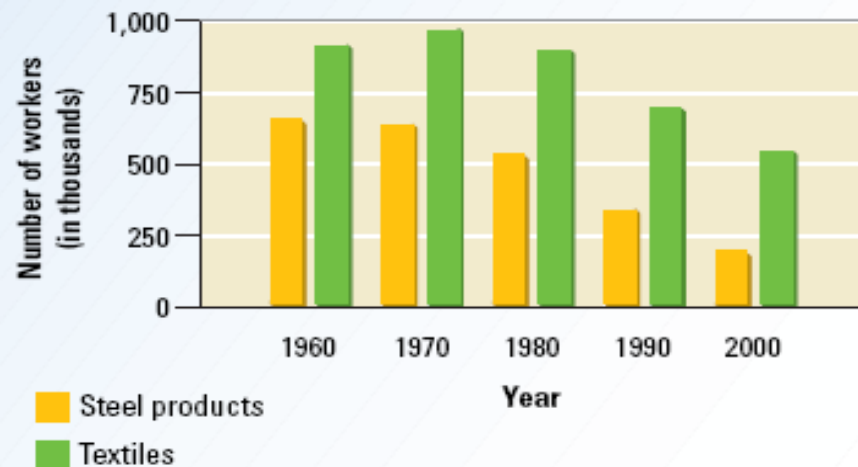


A U.S. Economic Activity as Percent of GDP, 1959 and 2003



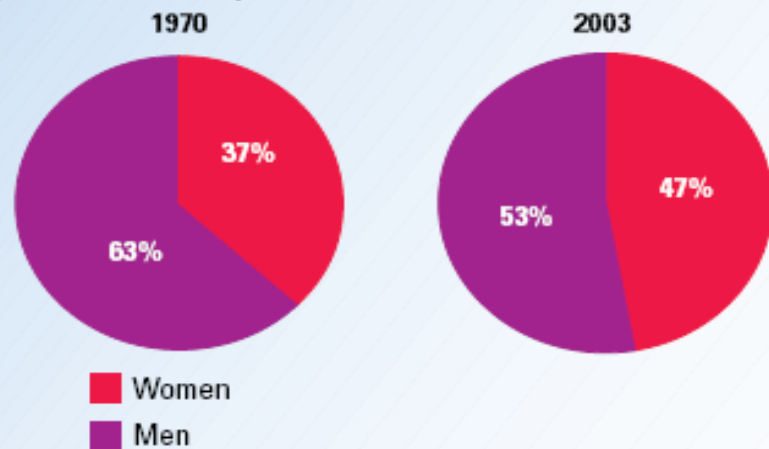
Source: *Economic Report of the President* 2004 and 2005

B Employment in Key Union Industries, 1960–2000



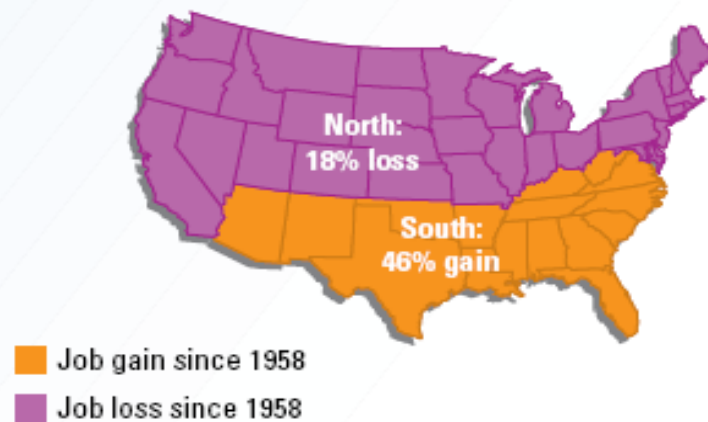
Source: U.S. Department of Labor

C Gender Makeup of the U.S. Labor Force, 1970 and 2003



Source: *Statistical Abstract of the United States*

D Manufacturing Job Migration, 1958 to 1998



Source: U.S. Department of Labor

Section 3 Assessment

1. Which of the following is not a goal of unions?
 - (a) increase job security
 - (b) take control of company ownership
 - (c) higher wages for employees
 - (d) increase worker benefits
2. What has been the pattern of union membership in recent years?
 - (a) growth of private sector union membership only
 - (b) decline of overall union membership
 - (c) steady increase of overall membership
 - (d) decline of public sector union membership only

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