

McMASTER UNIVERSITY

Department of Economics

ECONOMICS 782: Part 3 (three weeks)

Unions and the Economy

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These three weeks of Economics 782 focus on the impact of unionism on the economy. In addition to this substantive issue, I shall also attempt to convey a sense of how labour economists formulate and solve research questions, and of how the literature on a topic evolves by refining, replicating, and sometimes refuting the methodologies, results and questions of earlier studies. By understanding this process it is hoped that students will develop a sense of how to formulate research and thesis topics in the future.

To attain these goals, the course will begin with a three-hour lecture covering the basic issues of unions' effects on wages and employment. Each of the following two classes then examines the most recent literature on other questions about unions. This will involve presentations and critiques of the articles by students in class; your mark for this portion of the course will be based on your presentation of the material. Much of the course will use my recent overview article:

Kuhn, P. "Unions and the economy: what we know, what we should know", *Canadian Journal of Economics* 31 (November 1998): 1033-1056.

as a framework for organization.

The readings relevant to each class are:

WEEK 1 (MARCH 2) UNIONS' EFFECTS ON WAGES AND EMPLOYMENT

1. Wages

(a) Early studies

Lewis, H. G. *Union Relative Wage Effects: A Survey*. Chicago: University of Chicago Press, 1986.

Freeman, R. "Union Wage Practices and Wage Dispersion within Establishments", *Industrial and Labor Relations Review*, Oct. 1982.

(b) Self-selection models

Robinson, C. "The Joint Determination of Union Status and Union Wage Effects: Some Tests of Alternative Models" *Journal of Political Economy* 97(3), June 1989, pages 639-67.

(c) Panel estimates

Freeman, R. B. "Longitudinal Analysis of the Effects of Trade Unions", *Journal of Labor Economics* 2 (January 1984): 1-26.

Jakubson, G., "Estimation and Testing of the Union Wage Effect Using Panel Data," *Review of Economic Studies*, October 1991, 971-992.

Card, D. "The Effect of Unions on the structure of wages: a longitudinal analysis", *Econometrica* 64 (July 1996): 957-79.

Lemieux, T. "Estimating the Effects of Unions on Wage Inequality in a Panel Data Model with Comparative Advantage and Nonrandom Selection", *Journal of Labor Economics* 16 (April 1998): 261-291.

Kuhn, P. and A. Sweetman, "Vulnerable Seniors: Unions, Tenure and Wages following Permanent Job Loss". *Journal of Labor Economics* 17(4(1)) (October 1999): 671-693.

(d) Before-after studies of firms

Freeman, R. and M. Kleiner, "The Impact of New Unionization on Wages and Working Conditions" *Journal of Labor Economics* 8 (January 1990, part 2): S8-S25.

2. Employment

a. Theory

Dunlop, J. *Wage Determination Under Trade Unions* Oxford: Basil Blackwell, 1950 (chapters III-VI).

Oswald, A. J., "The Microeconomic Theory of the Trade Union," *Economic Journal*, September 1982, 576-95.

Kuhn, P., "A Nonuniform Pricing Model of Union Wages and Employment," *Journal of Political Economy*, June 1988, 473-508.

Booth, A. *The Economics of the Trade Union*, Oxford: Clarendon Press, 1995.

b. Evidence

Dertouzos, J. and J. H. Pencavel, "Wage and Employment Determination under Trade Unionism: The International Typographical Union," *Journal of Political Economy*, October 1978, 923-42.

Brown, J. and O. Ashenfelter, "Testing the Efficiency of Employment Contracts," *Journal of Political Economy*, June 1986 (Special Issue).

MaCurdy, T. E. and J. H. Pencavel, "Testing Between Competing Models of Wage and Employment Determination in Unionized Markets," *Journal of Political Economy*, June 1986 (Special issue).

Boal, W. and J. Pencavel, "The Effects of Labor Unions on Employment, Wages, and Days of Operation:

Coal Mining in West Virginia" *Quarterly Journal of Economics* 109 (Feb. 1994): 267-298.

Blanchflower, David G.; Millward, Neil; and Oswald, Andrew J. "Unionism and Employment Behaviour" *Economic Journal* 101(407), July 1991, pages 815-34..

WEEK 2 (MARCH 9): PATTERNS AND TRENDS IN UNION MEMBERSHIP

1. Description and Structural Approaches

Galarneau, D. "Unionized Workers", *Perspectives on Labour and Income* 8 (Spring 1996): 43-52.

Dickens, W. and J. Leonard, "Accounting for the Decline in Union Membership, 1950-1980", *Industrial and Labor Relations Review*, April 1985.

Blanchflower, D. "The Role and Influence of Trade Unions in the OECD". mimeo, Dartmouth College, September 1996.

2. Effects of Legislation

Kehoe, F., and M. Archer, *Canadian Industrial Relations: Text, Cases and Simulations* (eighth edition). Oakville, Ont.: Twentieth Century Publications, 1996. chapters 8-10, and 13 (Organizing a Union, Certifying a Union, Unfair Labour Practices, and Union Security).

Weiler, P. "Promises to Keep: Securing Workers' Rights to Self-Organization under the NLRA", *Harvard Law Review* 96 (June 1983): 1769-1827.

Neumann, G. and E. Rissman, "Where Have All the Union Members Gone?", *Journal of Labor Economics*, April 1984.

Ellwood, D. and G. Fine, "The Impact of Right-to-Work Laws on Union Organizing", *Journal of Political Economy*, April 1987.

Riddell, C. "Unionization in Canada and the United States: A Tale of Two Countries", in D. Card and R. Freeman, eds., *Small Differences that Matter: Labor Markets and Income Maintenance in Canada and the United States*. Chicago: University of Chicago Press, 1993.

Riddell, Chris, "The Impact of Union Suppression Practices and Specific Strategies on Certification Success: Canadian Evidence from a Quasi-American Legislative System". Unpublished paper, McMaster University, 1997.

Johnson, S. "The Effect of Labour Legislation on Union Certification Success: A cross-section time-series analysis". mimeo, McMaster University, February 1999.

3. Effects of Product Markets:

Rose, Nancy L. "Labor Rent Sharing and Regulation: Evidence from the Trucking Industry" *Journal of Political Economy* 95(6), December 1987, pages 1146-78.

Troy, L. "Is the U.S. Unique in the Decline of Private Sector Unionism?", *Journal of Labor Research* 11 (Spring 1990): 111-143. .

Abowd, J. M. and T. Lemieux, "The Effects of International Competition on Collective Bargaining Outcomes: A Comparison of the United States and Canada". in J.M. Abowd and R. B. Freeman, eds, *Immigration, Trade, and the Labor Market*. Chicago: University of Chicago Press, 1991.

Abowd, J. M. and T. Lemieux, "The Effects of Product Market Competition on Collective Bargaining Agreements: The Case of Foreign Competition in Canada", *Quarterly Journal of Economics* 108 (November 1993): 983-1014.

WEEK 3 (MARCH 16): PROFITS, PRODUCTIVITY AND INVESTMENT

1. Profits

Ruback and Zimmerman, "Unionization and Profitability: Evidence from the Capital Market", *Journal of Political Economy*, Dec. 1984.

Abowd, J. M., "The Effect of Wage Bargains on the Stock Market Value of the Firm," *American Economic Review*, 79, September 1989, 774-809.

2. Total Factor Productivity

Freeman, R. and J. Medoff, "The Two Faces of Unionism," *The Public Interest*, Fall 1979, 69-93.

Brown, C. and J. Medoff, "Trade Unions in the Production Process," *Journal of Political Economy*, June 1978, 355-78.

Clark, K. "Unionization and Productivity: Micro-Econometric Evidence", *Quarterly Journal of Economics*, Dec. 1980, 613-639.

Clark, K. "Unionization and Firm Performance: The Impact on Profits, Growth, and Productivity" *American Economic Review*; 74(5), (December 1984): pp. 893-919.

Black, Sandra and L. Lynch, "How to Compete: The Impact of Workplace Practices and Information Technology on Productivity", NBER working paper no. 6120, August 1997.

Hoxby, C. M. "How Teachers' Unions Affect Education Production", *Quarterly Journal of Economics* 111 (August 1996): 671-718.

Brown, W. and P. Ryan, "Decentralized Pay setting and productivity: issues and evidence" mimeo, University of Cambridge, May 1998.

3. Investment

Grout, Paul A. "Investment and Wages in the Absence of Binding Contracts: A Nash Bargaining Approach" *Econometrica* 52 (March 1984): 449-60.

- MacLeod, B. and J. Malcomson, "Investments, Holdup, and the Form of Market Contracts" *American Economic Review*; 83(4), September 1993, pages 811-37.
- Bronars, Stephen G.; Deere, Donald R. "Unionization, Incomplete Contracting, and Capital Investment" *Journal of Business*; 66(1), January 1993, pages 117-32.
- Bronars, Stephen G.; Deere, Donald R.; Tracy, Joseph S., "The Effects of Unions on Firm Behavior: An Empirical Analysis Using Firm-Level Data" *Industrial Relations*; 33(4), October 1994, pages 426-51.
- Bronars, Stephen G.; Deere, Donald R. "The Threat of Unionization, the Use of Debt, and the Preservation of Shareholder Wealth" *Quarterly Journal of Economics* 106(1), February 1991, pages 231-54.
- Machin, S. and S. Wadhani, "The Effects of Unions on Investment and Innovation: Evidence from WIRS", *Economic Journal* 101 (1991): 324-330.
- Odgers, C. and J. Betts, "Do Unions Reduce Investment? Evidence from Canada" *Industrial and Labor Relations Review*, October 1997.
- Holmes, Thomas J. "The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders", *Journal of Political Economy* 106 (August 1998): 667-705.
- Menezes-Filho, N.; D. Ulph, and J. van Reenen, "R&D and Union Bargaining: Evidence from British Companies and Plants", *Industrial and Labor Relations Review* October 1998.

4. Productivity Growth

- Mansfield, E. "Basic Research and Productivity Increase in Manufacturing", *American Economic Review* 70 (December 1980): 863-873.
- Maki, D. "The Effects of Unions and Strikes on the rate of growth of Total Factor Productivity in Canada", *Applied Economics* 15 (February 1983): 29-41.
- Hirsch, B. T. and A. N. Link, "Unions, Productivity, and Productivity Growth" *Journal of Labor Research* 5 (Winter 1984): 29-37.
- Addison, J. and B. Hirsch, "Union Effects on Productivity, Profits, and Growth: Has the Long Run Arrived?" *Journal of Labor Economics* 7 (January 1989): 72-105.
- Hirsch, B. T. *Labor Unions and the Economic Performance of Firms* Kalamazoo, Mich.: Upjohn Institute for Employment Research, 1991.
- Gregg, P., S. Machin, and D. Metcalf, "Signals and Cycles? Productivity Growth and Changes in Union Status in British Companies, 1984-9", *Economic Journal* 103 (July 1993): 894-907.