UNIT 5: FOUNDATIONS OF ECONOMICS
CHAPTER 14 – BASICS OF OUR ECONOMIC SYSTEM
SECTION 3 – LABOR IN THE AMERICAN ECONOMY

The Growth of Wage Labor

Workers and employers represent two sides of a free market trade in labor. Business owners want to keep costs low and profits high. Workers, on the other hand, want to earn the highest possible wages for their labor.

- American labor has changed from farmers, blacksmiths, shoemakers, or skilled craftspeople until the age of industrialization. During the 1800's rapid industrialization led to wage labor. Wage laborers worked in mines, factories, and workshops.
- Business owners often took advantage of this labor by paying very low wages and if workers complained they could be fired. The factory jobs were often monotonous, poorly paid, and dangerous. Children and young adults included in this new working class often endured 12-16 hour work days.

The Rise of Labor Unions

Workers realized that alone they could not make many changes to the new forms of employment; however, in a large group they could generate change and influence employers.

- **Labor Unions** – organizations of workers that seek to improve wages and working conditions and to protect members' rights.
- **Noble Order of the Knights of Labor (1886)** – tried to bring the entire working class of skilled and unskilled laborers under one union. Was not successful.
- **American Federation of Labor (AFL)** – united smaller trade unions made of skilled laborers. The goal was to force employers into a collective bargaining agreement.
    - **Collective Bargaining** – process by which representative s of the unions and businesses try to reach agreement about wages and working conditions.
- **Weapons of Labor** – Unions used many methods to try to force employers to meet their demands.
    1. **Slow Down** – workers stay on the job but did their work much more slowly
    2. **Sit Down** – workers stopped working but refuse to leave the factory, so the employer could not replace them with nonunion workers
    3. **Boycott** – refusal to buy an employer's product
    4. **Strike**- workers refuse to work unless employers meet certain demands
- **Weapons of Business** – Business owners responded to strikes in various ways
    1. **Strikebreakers** – "scabs" or nonunion workers to hire to cross a picket line to replace the striking workers and keep a factory or other business running.
    2. **Lockouts** – management refuse to let union members enter the factory, replacing them with "scabs"
    3. **Yellow dog contracts** – employers force workers to sign a contract stating that they will not join a union before they are hired by the company
    4. **Blacklists** – names of union members and supporters are circulated around to other business so that they cannot be hired
- **Gains and Losses** – regardless of which tactics were used by employers and employees, both sides suffered. Owners of businesses lost money and the ability to earn a profit and workers did not receive the paychecks that were necessary to feed their families.

Labor Unions Since 1930

National Labor Relations Act (Wagner Act), 1935 – required employers to bargain with unions that represent a majority of a firm's employees.

Taft-Hartley Act, 1947 and **Landrum-Griffin Act, 1959** – placed limits on the powers of unions and union leaders.

Industrial Unions were also growing and becoming stronger. Industrial unions included all workers in a particular industry – both skilled and unskilled.

Committee of Industrialization (CIO), 1935 – rival to the AFL. In 1955 they joined forces created the AFL-CIO which is the most powerful voice of organized labor in the United States. It has more than 10 million members.

Today's Labor Force

The American labor force has gone through many changes in its history. Farming, at one time made up the largest demographic of workers, is now just 3 percent of the labor force. Manufacturing has created a rapid growth in the American economy. Today, services, technology, and the internet make up a large sector.