

**“Response of the US Labour Movement to the Economic Crisis”**  
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The American labour movement has, like progressive movements across the world, attempted to mount an effective response to the economic crisis that began in 2008. American unions and their allies have tried to promote a social and economic agenda that has emphasized the role of the state in protecting domestic jobs and social programs. This includes promoting state intervention to protect the manufacturing sector, and greater regulation of the financial sector. These efforts have often been pursued through the labour movement’s traditional political alliance with the Democratic Party. Labour’s agenda has borne decidedly mixed results.

When considering how American unions have responded to the economic crisis, it is important to emphasize that it is difficult to refer one, large, collective American labour movement. This fact has shaped the manner in which American unions have responded to the current economic crisis. American unions are divided between two major federations: the AFL-CIO and the Change-to-Win Coalition. This division is further complicated by the fact that Change to Win is slowly disintegrating due to conflict between the unions that formerly comprised the service union UNITE-HERE, and as a result of conflict within the Service Employees’ International Union.

Each American state has a state-wide labour federation that is chartered by the AFL-CIO. However, those federations have widely differing levels of influence. This has particularly influenced the response of American unions to the economic crisis. As of the end of 2008, when the economic crisis began, approximately 12.4 percent of American workers belonged to unions. This totaled about 16.1 million workers. It is

important to note that unionized workers tend to be concentrated in a small number of states. New York State has the highest union density at 24.9 percent, while North Carolina has the lowest at 3.9 percent.<sup>1</sup>

Around half of American union members, 8 million people, live in just six states: California, New York, Pennsylvania, Illinois, Michigan, and Ohio.<sup>2</sup> Unions are virtually absent across the Southern and mid-Western states. This means that American unions essentially comprise a regionally-based movement that tries to exercise a national mandate. This demographic reality has circumscribed organized labour's ability to mount a broadly effective response to the economic crisis. Furthermore, the American labor movement is increasingly a public sector movement as 37.2 percent of public sector workers belonging to unions, while only 7.2 percent of private sector workers are unionized.<sup>3</sup>

Its regional concentration notwithstanding, the American labour movement is often able to influence national elections due to the effectiveness of its political apparatus. Political action committees abound in American politics, and the CIO created the first one in 1944. The AFL-CIO, the Change-to-Win Coalition, and their affiliates continue to be politically influential. American unions devoted both money and volunteers to electing Democrats in the 2006 mid-term elections, and in the 2008 presidential election. AFL-CIO president Richard Trumka announced in early September

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<sup>1</sup> Derived from the Bureau of Labor Statistics, [http://www.bls.gov/news.release/archives/union2\\_01282009.pdf](http://www.bls.gov/news.release/archives/union2_01282009.pdf), retrieved 30 August 2010.

<sup>2</sup> Ibid.

<sup>3</sup> Bureau of Labor Statistics, <http://www.bls.gov/news.release/union2.nr0.htm>, retrieved 30 August 2010.

that the federation would launch a “Labor 2010” campaign to mobilize workers across the country in anticipation of the upcoming November mid-terms.<sup>4</sup>

Organized labour is thus officially choosing to continue to support the Democratic Party, even though unions have not been entirely supportive of the party’s response to the economic crisis. Unions and other progressive groups had very high hopes that the Obama administration would implement policies that would favour them, while also countering the effects of the economic crisis. While there has been considerable criticism in progressive media sources about the administration’s policies, there is nonetheless evidence that some of those policies have worked. For instance, organized labour was bitterly disappointed that Congress did not pass the Employee Free Choice Act (EFCA). There has been voluminous writing on this act in the popular press, progressive blogs, and academic journals. Most analyses conclude that the EFCA would provide a useful regulatory method to make unionization easier.<sup>5</sup> EFCA did not pass, but the Obama administration has still made significant pro-labour appointments to federal government agencies. For instance, Craig Becker was appointed to the National Labour Relations Board in the face of determined opposition from the Republican Party and business lobby groups. Becker is a former counsel for the SEIU and AFL-CIO. Hilda Solis Doyle, a pro-labour former member of Congress from California, was appointed Secretary of Labour. These were both important appointments for the labour movement.

American unions support government intervention in the economy, although many union leaders argued for more economic stimulus spending than was actually

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<sup>4</sup> *Huffington Post*, [http://www.huffingtonpost.com/2010/09/01/afl-cio-labor-day-tea-parties\\_n\\_701713.html](http://www.huffingtonpost.com/2010/09/01/afl-cio-labor-day-tea-parties_n_701713.html), retrieved 2 September 2010.

<sup>5</sup> For an example of this type of analysis, see Bruce Nissen, “Would the Employee Free Choice Act Effectively Protect the Right to Organize?: Evidence from a South Florida Nursing Home Case” *Labor Studies Journal* vol 34, no 1 (March, 2009), 65-90.

provided by Congress and the Obama administration. Unions also wanted a so-called public option in the federal health care legislation passed early this year. On the other hand, the administration has successfully pushed through successive unemployment benefit extensions for displaced workers, which is a policy decision strongly supported by unions. President Obama and Secretary Solis-Doyle both appeared at a Labour Day with the AFL-CIO leadership. The administration and the labour movement thus hope to fully cooperate going into the November elections, and to otherwise continue to pursue policies that will mitigate the effects of the economic downturn.<sup>6</sup>

My discussion so far has focused on broader national trends. There are two events that I will discuss in greater detail that show how American unions have responded to the economic crisis on a regional basis. These events illustrate both the American labour movement's weaknesses and strengths. I am going to first talk about the public sector in New York; the state with the highest union density. I will then discuss the impact of the economic downturn on the domestic automotive industry which is primary based in Michigan.

Every state in the United States has a lower and upper legislative chamber, with the exception of Nebraska. There is considerable variation between states when it comes to how their legislatures interact with their state executive branches. The nature of New York State's political system helped set the parameters of a long debate over the state's budget. The state is dominated by Democrats. The party controls the state assembly, senate, and executive branch. Furthermore, the speaker of the assembly, the senate majority leader, and the governor each wield considerable influence over the legislative

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<sup>6</sup> *The Hill*, <http://thehill.com/blogs/blog-briefing-room/news/116435-obama-will-appear-labor-day-alongside-afl-cio-chief>, retrieved 2 September 2010.

process. At this particular moment, New York State is led by a comparatively weak governor named David Patterson, a senate president pro tempore of middling ability named Malcolm Smith, and a highly-skilled speaker of the assembly named Sheldon Silver. Silver is arguably the most politically influential of the three leaders.

Governor Patterson indicated in fall 2009 that the state budget would have to be cut due to a \$13.7 billion deficit.<sup>7</sup> This concern about budget deficits has been exhibited across the world, and has become a topic of increasing policy debate across the United States. For instance, there are numerous websites that show that the total US national debt is approximately \$13.4 trillion dollars.<sup>8</sup> The Republican Party, which presided over a massive expansion of public debt during the years of the presidency of George W. Bush, has fixated on this number. Republicans invariably call for cuts to social programs rather than any type of tax increase. They remarkably continue to suggest that cutting taxes – particularly on the wealthy – will actually increase government revenues. In fact, the tax structure in the United States is now such that 43 percent of Americans either pay no federal income tax, or pay negative taxes and receive rebates.<sup>9</sup>

Many Democrats have also fixated on debt levels. This concern about mounting debt led Governor Patterson to suggest the need for significant spending cuts across the state budget. Many Democrats in both the state assembly and senate opposed those reductions and supported some tax increases, although the Republicans uniformly opposed any tax increases. The resulting legislative impasse led to the state's budget

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<sup>7</sup> New York State Department of Budget, [http://www.budget.state.ny.us/pubs/press/2008/press\\_release08\\_eBudget0910-1.html](http://www.budget.state.ny.us/pubs/press/2008/press_release08_eBudget0910-1.html), accessed 30 August 2010.

<sup>8</sup> As an example, see [usdebtclock.org](http://www.usdebtclock.org), <http://www.usdebtclock.org/>, accessed 2 September 2010.

<sup>9</sup> Tax Policy Center, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?Docid=2276&DocTypeID=7>, accessed 27 August 2010.

being approved 125 days late.<sup>10</sup> The new budget included spending reductions, but also included \$1 billion in new revenue that would be partially derived from new taxes. The fact that the budget included some tax increases, and did not lead to massive public sector wage reductions, was partially due to the effective response of New York unions to the crisis.

Governor Patterson proposed to open union contracts and freeze wages. The state legislature actually approved furloughs, or unpaid time off, for state employees in May of this year.<sup>11</sup> A coalition of public sector unions, including the Civil Service Employees Association (CSEA) and the New York State Union of Teachers (NYSUT), sued the state government and overturned the furlough legislation.<sup>12</sup> Wage increases were restored, and early retirement provisions were instead introduced to help reduce the need for redundancies. The state budget was consequently not balanced on the backs of public sector workers.

The second issue that I wish to turn to is the government restructuring of General Motors and Chrysler. Both of these firms went into bankruptcy protection in 2009. The Bush administration appeared willing to let those companies slide into bankruptcy without government intervention. The Obama administration, in conjunction with Democrats in Congress, essentially nationalized General Motors and Chrysler in 2009. This was often denounced as Socialism in the right-wing media in the United States.<sup>13</sup>

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<sup>10</sup> *New York Times*, <http://www.nytimes.com/2010/08/04/nyregion/04albany.html>, accessed 30 August 2010.

<sup>11</sup> *New York Times*, <http://www.nytimes.com/2010/05/11/nyregion/11furlough.html>, accessed 30 August 2010.

<sup>12</sup> New York State Union of Teachers, [http://www.nysut.org/mediareleases\\_15156.htm](http://www.nysut.org/mediareleases_15156.htm), accessed 29 August 2010.

<sup>13</sup> As an example see CSN News, <http://www.csnnews.com/public/content/article.aspx?RsrcID=49007>, accessed 2 September 2010.

Right-wing think-tanks such as the Cato Institute referred to General Motors as Government Motors.<sup>14</sup>

The Obama administration's decision to assist General Motors and Chrysler was shaped by a range of factors, principally the impact that further massive job losses would have had on states such as Michigan and Ohio. Those are two of the states that have higher union density. They are also states that already have high unemployment rates. The state government in Michigan, which also has a Democratic governor named Jennifer Granholm, lobbied the Obama administration and Congress in order to get financial support for GM and Chrysler. The federal government in Canada and the government of the province of Ontario also committed to helping the two companies. The United Auto Workers (UAW), a union which is now a much diminished version of what it used to be, also lobbied governments at all levels for government assistance for GM and Chrysler.

Michigan, which currently has the second highest unemployment rate in the United States at 13.1 percent, would almost certainly have had even worse unemployment had GM and Chrysler not been able to continue operating without government assistance.<sup>15</sup> The UAW, which is now down to 390,000 from a peak membership of over 1.5 million in the early 1970s, would probably not have survived the loss of GM and Chrysler in its current form<sup>16</sup> Both companies, particularly GM, are now in much better financial shape and are beginning to hire more workers. The Obama administration has now claimed that assisting GM and Chrysler was the correct decision to make. On May 30th this year, President Obama told an audience in Hamtramck,

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<sup>14</sup> The Cato Institute, <http://www.cato-at-liberty.org/government-motors/>, accessed 28 August 2010.

<sup>15</sup> Bureau of Labor Statistics, <http://www.bls.gov/news.release/laus.nr0.htm>, accessed 2 September 2010.

<sup>16</sup> United Auto Workers, <http://www.uaw.org/node/39>, accessed 28 August 2010.

Michigan that “it’s estimated that we would have lost another million jobs if we had not stepped in.” However, the survival of the UAW meant the acceptance of major bargaining concessions. UAW members are now covered by two-tier wage agreements at GM, Chrysler, and Ford.<sup>17</sup>

This decision to accept two tier wage scales led to rank-and-file revolts. Delegates to the UAW’s 35<sup>th</sup> convention in Detroit, Michigan challenged the decision by then union president Ron Gettelfinger to accept drastic concessions. Rank-and-file members were not consulted during the union’s negotiations with the government and the auto makers. A new worker hired at GM will now make half of what a long-service worker is paid, and will not have either health insurance or access to a company pension plan. The American domestic auto industry has survived, but at a huge cost to unionized workers.<sup>18</sup>

There are both similarities and differences between how the UAW responded to the auto industry crisis, and how public sector unions in New York state responded to government efforts to freeze their members’ wages and force them to take unpaid time away from work. These were both responses to the loss of unionized wages and, in the case of the UAW, to threats to the union’s survival. However, the UAW accepted concessions that New York’s public sector unions did not accept. The fact that public sector unions in New York State did not accept concessions in response to the economic crisis can be attributed to the fact New York has the highest unionization rate, and that its unions wield considerable political influence. In this instance, we also see the greater strength of public sector unions in comparison to their private sector counterparts. We

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<sup>17</sup> White House, <http://www.whitehouse.gov/the-press-office/remarks-president-general-motors-hamtramck-auto-plant-hamtramck-michigan>, accessed 27 August 2010.

<sup>18</sup> *Labor Notes* #376 (July, 2010), 8-9.



additionally see the challenges that unions face even when negotiating with governments led by Democrats rather than Republicans.

In both cases, unions operated within the capitalist free market framework that dominates social and economic discourse in the United States. The same is true of how the American labor movement has responded to the economic crisis across the country. Labour leaders are not actively attempting to remake the free market system, and have instead sought to ensure that the rewards of capitalism are more equitably distributed. For instance, unions and progressive groups are now preparing to oppose possible changes to the Social Security system that provides supplemental retirement benefits to Americans.<sup>19</sup>

The American labour movement has thus opposed the economic crisis through its link to the Democratic Party, and through various campaigns to promote social justice such as advocating health care reform and the protection of Social Security. The Employee Free Choice Act was not passed in the Senate. Health care legislation did not include the public option that unions wanted, and organized labour would have preferred stronger regulatory reform of the financial industry. On the other hand, Democrats have successfully implemented a significant economic stimulus package, made important pro-labour appointments to federal agencies, and at least began the process of improving access to health care in the United States. Indeed, Barack Obama signed the Lily Ledbetter Fair Pay Act shortly after being sworn in as president. That particular act made it easier for workers to file equal pay lawsuits.<sup>20</sup>

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<sup>19</sup> See *Labor Notes* #378 (September 2010) and Alliance for Retired Americans, <http://www.retiredamericans.org/issues/social-security>, accessed 2 September 2010.

<sup>20</sup> White House, <http://www.whitehouse.gov/video/EVR012909>, accessed 30 August 2010.

The coming November mid-term elections constitute the greatest challenge for the American labor movement. The Democratic Party will continue to be successful in states with higher union density. The political situation is much more tenuous in states with lower union density. There is a clear correlation, because states with lower density are more likely to elect Republican candidates. Concomitantly, states in which the Democrats are successful are also more prone to have higher union density. A Republican takeover of either or both houses of Congress will make it much more difficult to appoint any more progressives to either the courts or to federal regulatory agencies. It will also eliminate the possibility of further stimulus spending. Instead, a situation not unlike what happened following the 1994 Republican takeover of Congress will most certainly ensue. As Paul Krugman recently noted in the *New York Times* Republicans are:

Gearing up for a repeat performance of the 1990s, with a ‘wave of committee investigations’ — several of them over supposed scandals that we already know are completely phony. We can expect the G.O.P. to play chicken over the federal budget, too; I’d put even odds on a 1995-type government shutdown sometime over the next couple of years.<sup>21</sup>

Krugman further suggests that:

The 1990s were a time of peace and prosperity; this is a time of neither. In particular, we’re still suffering the after-effects of the worst economic crisis since the 1930s, and we can’t afford to have a federal government paralyzed by an opposition with no interest in helping the president govern. But that’s what we’re likely to get.<sup>22</sup>

The path ahead for the American labour movement is consequently unclear. The movement will continue to be strong in certain parts of the country, particularly the

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<sup>21</sup> *New York Times*, <http://www.nytimes.com/2010/08/30/opinion/30krugman.html?scp=5&sq=krugman&st=cse>, accessed 2 September 2010.

<sup>22</sup> *Ibid.*

North-East and California. It will continue to be an increasingly public sector movement. Unions will maintain their support for the Democratic Party in the absence of a viable third party alternative, even though they have occasionally found themselves in conflict with Democratic administrations at the federal and state levels. The circumstances of American working people will unfortunately continue to decline. It will take a determined effort that involves unions, other social movements, and left-leaning political groups in order to more fully counteract the long-term effects of the economic crisis.