

# ***PERSONALLY SPEAKING***

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## **EMPLOYEE FREE CHOICE ACT: GOOD THING OR BAD?**

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In urging support for the Employee Free Choice Act Dennis Hallack asserts in his recent letter to the *News-Star* that “inflation adjusted wages paid to American workers have remained flat and even decreased for decades as productivity of American workers and corporate profits have increased.” Halleck’s statement is true but misleading.

Since 1992 output per labor hour, according to the Bureau of Labor Statistics, has climbed by 42 percent. This improvement in productivity reflects advances across the whole range of inputs used in the production process including work force effort, technological change, capital investment, organization of production, managerial skill, and utilization of capacity, energy, and materials. The annual improvement in Clinton’s eight years as president averaged 2.0 percent. For Bush II it was 3.2 percent.

Output per labor hour measures how efficiently the business sector is utilizing resources to produce the entire spectrum of goods and services made in the United States. The efficiency gains from productivity improvement help U.S. producers become more competitive against foreign producers because they allow U.S. companies to cut prices and prompt them to hire more workers in order to increase production for their growing export markets. Similarly, productivity improvement at a U.S. firm makes it more competitive against its domestic rivals by allowing it to cut prices and *at the same time increase both wages and profits.*

Before-tax corporate profits, according to the Bureau of Economic Analysis, jumped from \$479 billion in 1992 to \$1.5 trillion in mid-2008. Over that same period, however, taxes on corporate profits increased from \$149 billion to \$407 billion. Taking into account dividends paid to stockholders, corporations were retaining approximately \$280 billion in mid-2008.

In inflation-adjusted dollars (1982=100), average hourly earnings in private nonagricultural industries rose from \$7.55 in 1992 to only \$8.17 in mid-2008. However, using the broader measure of real compensation per hour which includes not only wages but also other forms of labor compensation such as vacation and sick leave, there has been a 22 percent increase in compensation during the 16-year period ending in 2008.

Labor and management can relate to one another in one of two ways: contentiously or cooperatively, as adversaries or partners. A union can make the first way even worse or the second even better. It can foster contentiousness by targeting profits and insisting that

higher profits represent a brake on wages. Or it can encourage cooperation by targeting productivity improvement and negotiating gain-sharing agreements with management in which the greater gains from improved efficiency are shared freely and equitably by everyone involved. If the Employee Free Choice Act becomes law and more employees choose union membership, union leaders then will have to choose between contentiousness and cooperation. The choice they make -- to be an adversary or a partner -- will determine whether the EFCA is a good thing or bad.

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