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## Trade Unions and Economic Stability: A Case Study of USA Based Auto Industry.

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### Abstract:

*This paper examines the relationship between trade unions and economic stability, focusing on the USA based auto industry as a case study. The study investigates the impact of trade unions on the economic stability of the auto industry, considering factors such as wages, working conditions, labor disputes, productivity, and overall industry performance. The research utilizes a mixed-method approach, incorporating both qualitative and quantitative analysis to assess the influence of trade unions on economic stability within the auto sector. Additionally, the paper explores the historical context of trade unionism in the USA, the evolution of labor relations in the auto industry, and the implications for economic stability. The findings of this study contribute to a deeper understanding of the complex dynamics between trade unions and economic stability, offering insights that can inform policy-making and industrial relations practices.*

### Introduction

The Trade Union Act 1926 defines a trade union as a temporary or permanent association formed for the principal purpose of regulating the relations between workers and employers,

workers and workers, employers and employers, or for the purpose of imposing restrictive conditions of employment. Carry on any trade or business, including association with two or more trade unions (Trade Union Act, 1926).

The nature of work is changing around the world. Employers try to get rid of the responsibility of providing health insurance, good pension insurance, reasonable working hours and workplace safety (Dal, 2015).

Unions play an important role in employment law by advocating for workers' rights, promoting fair practices, and contributing to the development and enforcement of workplace regulations (Rowland, 2023).

## **Discussion**

Unions influence wages, and their bargaining power determines whether a union succeeds in raising the wages of its members. Bryson 2007 argues that the bargaining power of trade unions increases as they employ workers in a firm relative to the number of workers in the firm (Bryson, 2007).

Bryson 2007 explains how the effects of union wages create wage differentials between unionized and nonunionized sectors for mainly three reasons. First, and uniquely among unionized sectors, unions struggle with downward wage pressure during recessions. Second, unions receive higher wages in their companies, which prevents entry into union territory because companies can spend more money on labor, making workers less competitive in non-member areas. This increased competition for small jobs at non-union companies is driving down wages at these companies. And third, which increases the wage gap between members and non-members, but not to reduce the gap, employers in non-member areas often face threats to their employees' ability to join a union, so they raise wages to to have . there is no reason to organize. (Bryson, 2007).

In addition to the benefits that unions provide to their members, some economists argue that union activity increases the number of workers in other firms that may not be influenced by established firms (Zucker, 2014).

When it comes to employment, Freeman says unionized workers have greater job security than non-union workers. However, they point out that during economic crises, cooperative societies are able to implement temporary layoffs and lower wages than non-cooperative societies (Freeman 2005). Therefore, although unions can positively influence wages by maintaining the first level of downtime, they can reduce the productivity of job seekers in the company (Zucker, 2014).

## **United Automobile Workers of America (UAW)**

The UAW is one of the largest and most diverse labor unions in North America, with members in every sector of the economy. The workplaces represented by the UAW range from

multinational corporations, small manufacturers, and state and local governments to colleges and universities, hospitals, and nonprofit organizations (uaw.org, n.d.).

### **UAW and Detroit Automakers – The New York Times**

In 2023, Boudette N. reported that the UAW and three Detroit auto companies were negotiating new labor contracts and the strike was intensifying. Union president Shawn Fain warned the union to move forward if demands for higher wages and benefits were not met. A lawsuit against the company could cause economic chaos in the Midwestern state and affect the profits of General Motors, Ford Motor and Stellantis. Fain is expected to make a decision against all three this year (Boudette, 2023).

Currently, automakers are spending billions of dollars to transition to electric cars, which require fewer workers to assemble than gasoline-powered cars and trucks. The terms of the new agreement will determine how carriers and automotive companies will fare in an industry focused on electric vehicles. Significant increases in wages and benefits could boost the union movement, which is gaining strength in many industries. There is also a political dimension, with President Biden announcing that the U.A.W. they deserve contracts that support the middle class (Boudette, 2023).

Sam Fiorani, vice president of global automotive forecasts at Auto Forecast Solutions, a market analyst, said: “President Fain has declared war, and that usually means there will be war and there will be war. U.A.W. Officials in their positions will show their members that they are fighting with them, making a strike unlikely to occur.”(Greenfield, 2023).

Ford gave the employee a 9% raise and a bonus, which resulted in a 15% increase in earnings over the course of the four-year contract. U.A.W. Ford also disagreed with profit sharing, part-time work, living wage increases, and retiree health care (Boudette, 2023).

In August 2023, Fain sent a list of demands to all companies, including wage increases, better benefits, a cost of living increase and an end to a pay system that keeps the number of new hires below the three current employees. He proposed a 40 percent pay increase, citing significant pay increases over the past four years. He also called for collective bargaining agreements that would require automakers to pay workers for community service if their factories close (Boudette, 2023).

### **General Motors (GM) Detroit and Workers:**

GM workers at the Detroit Electric Company staged protests and rallies to prepare for pickets, and the union raised \$825 million in strike money to cushion the impact of the shutdown. The union plans to pay sick workers \$500 a week and cover the cost of their health insurance while they are away from work. In a rare move, team leader Fain joined the group to negotiate with the riders. He recently participated in negotiations with Stellantis, where tensions

between both sides were high (Boudette, 2023).

Today, the group is small, employs approximately 150,000 people and represents more than 40% of all cars and trucks sold in the US market. However, the group entered this year's negotiations in a more difficult negotiation situation than in previous years, because the Detroit Company competed with foreign competitors and had high prices (Boudette, 2023).

The fact that auto workers in the United States are well compensated for their work is due to the strength of the UAW union. If it were not for the UAW, there is no reason to expect that prices would be lower or production more efficient (Career, n.d.).

### **The Trade Unions' Effect on The Prices Of The Products:**

Union leaders tried to raise wages beyond what employers were offering. Unions often maximize wages by raising union wages above market prices (Lewis, 1963).

As the cost of living increases, protecting the living standards of workers and their families has become a primary responsibility of trade unions. Employees will play an important role in planning and implementing measures to address cost of living issues and participate in decision-making. This means a strong social dialogue that engages a group of members – at the national, departmental and corporate levels – in managing change and creating a fair and structured negotiation process (Lynch, 2022).

According to Harvard economists Richard Freeman and James Medoff, who take a positive view of unions, “most, if not all, unions have exclusive rights. These rights can be used to raise wages above competitive levels” (Freeman, 1984, p. 6). . . Lawmakers are encouraged to support labor unions because unions increase productivity and equalize income distribution.

The automotive industry's unified status allows the UAW to control costs regardless of cost. Evidence from many studies indicates that without mergers, concentrated firms could have achieved higher profits, not lower prices, in favor of consumers (Career, 1988).

Career found that the group was responsible for a related loss by the U.S. companies and companies were responsible for the losses. While this suggestion seems reasonable on the surface, visual inspection offers little support.

Critics argue that unions make workers less competitive by raising wages and making it harder for workers to fire them, cutting jobs by cutting jobs, and raising the cost of living by employers forced to increase the prices of goods and services. Increased wages. At the same time, labor unions extended working hours, thereby increasing economic growth even at high unemployment rates (Potter, 2023).

### **Conclusion and Future Recommendations:**

Based on the above discussion supported by secondary data, the researchers conclude that trade unions are effective in creating economic stability in the country. When members support entrepreneurial opportunities, they play an important role in the development of the group to

achieve growth and profitability. While the prevailing belief within the union is that inflation is rising due to higher union wages, it is also true that the union sometimes ignores the impact of inflation on society on the whole and then the members speak. Create adequate conditions to ensure that wages are maintained at a level that will enable workers to live normally.

In future research, researchers should focus on generating more contact information for such studies, which would increase the sample size. It would be useful to direct this research to the NAFTA sector as well, rather than conducting the research only in the United States.

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