

# Economic Institutions and Issues

## UNIT PACING CHART

	Chapter 8	Chapter 9	Chapter 10	Chapter 11
Day 1	Unit Opener Chapter Opener Section 1	Chapter Opener Section 1	Chapter Opener Section 1	Chapter Opener Section 1
Day 2	Profiles in Economics Section 2 Case Study	Profiles in Economics Section 2 Case Study	BusinessWeek Newsclip Section 2 Case Study	Profiles in Economics Section 2 Case Study
Day 3	Section 3 BusinessWeek Newsclip	Section 3 BusinessWeek Newsclip	Section 3 Profiles in Economics	Section 3 BusinessWeek Newsclip
Day 4	Review Chapter Assessment	Review Chapter Assessment	Review Chapter Assessment	Review Chapter Assessment
Day 5	The Global Economy & You	Debates in Economics		



## Teacher to Teacher



**Lisa Ellison**  
Kokomo High  
School  
Kokomo, Indiana

**A Peek Into the Future** Give each student an index card. On the top line, have students write a career title they are considering. Below the title, draw a vertical line down the center of the card. Have students visit the Bureau of Labor Statistics ([http://stats.bls.gov/oes/current/oes\\_nat.htm](http://stats.bls.gov/oes/current/oes_nat.htm)) and click on the selected career. Have students label the left side of the card "National" and write the number of American workers in the occupation and the mean annual wage for the occupation.

Students can also find state information at the Bureau of Labor Statistics (<http://stats.bls.gov/oes/current/oesrcst.htm>). Students select their state, and then the occupation. Have students label the right column of their card as "State" and write the number of state workers in the occupation and the mean annual wage.

Have students compare the national and state average wages for the career. At the bottom of the card, have students explain in one sentence why they think wages in their state are higher or lower than the national average wages. Post the cards on a bulletin board for students to review.

## Author Note



### Dear Economics Teacher:

Government is one of the most frustrating topics for an economist to write about. On one hand, government is fascinating because it can do so many things well. For example, the U.S. system of laws, highways, and public education sets us apart from many other nations. Without government expenditures to improve and maintain our infrastructure, and without the support of government to keep the economy competitive, our world would be much different.

On the other hand, the government can also do many things poorly—as when leaders succumb to corruption or commit us to courses of action we may not agree with. How many times, for example, have you heard of massive budget overruns or a government expenditure that you think is unnecessary? All of these things are done with our money—yours, your students', and mine!

Because of problems like these, the “proper” role of government is often hotly debated, with some people wanting less government and others wanting more. In all honesty, even economists don’t know exactly how much government is necessary, let alone optimal.

So how do I write about something that can be both satisfying and frustrating? The short answer is to be as descriptive as possible, provide the facts, weigh the costs and benefits of different government activities separately—and then let people make up their own minds. Evaluating the role of government isn’t rocket science, although many people try to simplify the process by committing to an ideology of having either more or less government. As teachers, we must challenge our students to evaluate every situation on its own merits. We’re not trying to think for our students, but we must give them the background and facts to analyze problems, and the tools to help make the correct decision!

A handwritten signature in cursive script that reads "Gary E Clayton".

Gary Clayton, Ph.D.  
Author

# Economic Institutions and Issues

## Unit Objectives

After studying this unit, students will be able to:

- **Trace** the development and influence of labor unions.
- **Explain** how government raises revenues.
- **Explain** how government allocates expenditures.
- **Describe** the organization and role of financial markets.

## Unit Overview

**Unit 3** discusses the role of labor, government, and financial markets in the American economy.

**Chapter 8** describes organized labor in the United States and examines its influence on employment and wages.

**Chapter 9** focuses on how government raises revenue and discusses the nature of taxation.

**Chapter 10** details how government spends revenues.

**Chapter 11** explains the importance of savings to the economy and describes investments in financial assets, equities, and markets.

### CHAPTER 8

Employment, Labor, and Wages

### CHAPTER 9

Sources of Government Revenue

### CHAPTER 10

Government Spending

### CHAPTER 11

Financial Markets

► Congress approves the federal budget, while the executive branch administers revenue collection and spending.

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## Activity: Launching the Unit

**Economic Controversies** Have each student list what he or she thinks are the three most controversial topics in economics today. Call on volunteers to share their lists with the class, noting new issues on the board as they are offered. Circle topics such as labor unions,

taxes, government spending, deficit, national debt, social security, and so on. Then point out that the circled issues will be discussed at some length in Unit 3. **OL**





## Making It Relevant

**Ask:** **What are some positive uses of tax money?** (Students might mention education and public safety improvements.) Tell students that local, state, and federal taxes pay for items that are public goods and services. Ask students to list public goods and services that they use, such as road maintenance and police protection. Ask students to look at deductions from their paychecks or a generic paycheck to see how much money is deducted by each level of government. Tell students that in Unit 3 they will learn more about the ways that the government makes and spends money.

**OL**

## BusinessWeek **ONLINE**

To find up-to-date news and analysis on the economy, business, technology, markets, entrepreneurs, investments, and finance, have students search feature articles and special reports on the BusinessWeek Web site, [www.businessweek.com](http://www.businessweek.com).

## Extra Credit Project

Have students work in groups of five to prepare a two- or three-minute television newscast on labor in the United States. Some students might act as reporters, others might play experts or “people on the street,” and still others might take the role of news anchors. Suggest that students incorporate charts and

graphs to illustrate topics such as changes in the labor force, average wages over the years, union membership, and so on. Then allow time in class for groups to “broadcast” their news programs. **AL**




















# Planning Guide

## Key to Ability Levels

<b>BL</b> Below level	<b>AL</b> Above level
<b>OL</b> On level	<b>ELL</b> English Language Learners

## Key to Teaching Resources

 Print Material	 DVD
 CD-Rom	 Transparency





































Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
FOCUS										
BL	OL	AL	ELL		Daily Focus Skills Transparencies		39	38, 40	39, 41	
TEACH										
BL	OL		ELL		Guided Reading Activities*		p. 22	p. 23	p. 24	
BL	OL	AL	ELL		Economic Content Vocabulary Activities*		p. 8	p. 8	p. 8	
	OL	AL			Critical Thinking Activities		p. 13		p. 8	
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 64	p. 67	p. 70	
		AL			Enrichment Activities				p. 8	
	OL	AL			Free Enterprise Activities			p. 13		
BL	OL	AL	ELL		Primary and Secondary Source Readings				pp. 3, 25	
BL	OL	AL	ELL		Economic Cartoons			p. 1		
BL	OL	AL	ELL		Hands-On Economics			p. 14	p. 14	
BL	OL	AL	ELL		Economic Concepts Transparencies, Strategies, and Activities		p. 9		p. 19	
BL	OL	AL	ELL		Economics Forms and Financial Pages Transparencies, Strategies, and Activities			p. 7		
BL	OL	AL	ELL		Personal Finance Activities				p. 13	
BL	OL	AL	ELL		Reinforcing Economic Skills		p. 10		p. 5	
BL	OL		ELL		High School Reading in the Content Area Strategies and Activities	✓	✓	✓	✓	✓
BL	OL	AL	ELL		High School Writing Process Transparencies	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Writer’s Guidebook	✓	✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks Plus CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓

\*Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Economics & You videos

- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards tracking system

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
TEACH <i>(continued)</i>										
BL	OL	AL	ELL		Economics & You Video Program DVD— <i>The American Labor Force</i>					
BL	OL	AL	ELL		Graph Coach CD-ROM					
Teacher Resources					Differentiated Instruction Strategies					
					Success with English Learners					
					Presentation Plus! CD-ROM					
ASSESS										
BL	OL	AL	ELL		Section Quizzes and Chapter Tests		p. 97	p. 98	p. 99	pp. 101, 105
BL	OL	AL	ELL		Authentic Assessment Strategies and Activities		p. 13			
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		8-1	8-2	8-3	Ch. 8
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM		8-1	8-2	8-3	
CLOSE										
BL			ELL		Reteaching Activities*		p. 8	p. 8	p. 8	
BL	OL		ELL		Reading and Study Skills Foldables		p. 55	p. 55	p. 55	

\*Also available in Spanish

# Integrating Technology

## Activity Using Interactive Tutor Self- Assessment

### Electronic Quiz

#### Technology Product

Glencoe's Interactive Tutor Self-Assessment software allows students to assess their mastery of chapter content, taking as much time as they need to review each section of a chapter. The Interactive Tutor Self-Assessment

- contains quizzes for individual section of chapters, with section overviews covering important concepts and keywords;
- allows students to read overviews based on sections, chapters, or units before starting quizzes;
- lets students check their answers, receive feedback and hints, and identify content areas for review;
- permits student to move back and forth among the questions during a quiz;
- generates performance reports and graphs to monitor student progress section by section.


#### Objectives

Using the Interactive Tutor Self-Assessment allows students to

- assess their mastery of chapter content;
- identify chapter content they need to review.

#### Steps

- Install Interactive Tutor Self-Assessment.
- Register yourself and create classes.
- Register new students/users in the database, organized by classes. Assign individual passwords to students.
- Save student records to a location easily accessible to students.
- Assign section quizzes to students.
- Generate performance reports and graphs for individual students and classes.

			
	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
ePuzzles and Games	•		•
Concepts in Motion	•		•
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
Time Current Events	•	•	•
Teaching Today		•	
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	





## READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction passages written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.  
[www.jamestowneducation.com](http://www.jamestowneducation.com)

## Reading List Generator CD-ROM

## GLENCOE BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

### Leveled reading suggestions for this chapter:

#### For students at a Grade 10 reading level:

- ***The Rise of Industry: 1860–1900***, by Christopher Collier & James Lincoln Collier

#### For students at a Grade 11 reading level:

- ***The Great Depression***, by Jacqueline Farrell

#### For students at a Grade 12 reading level:

- ***The Great Depression and the New Deal: America's Economic Collapse and Recovery***, by Anne E. Schraff

\* Review suggested books before assigning them.



National Council on Economic Education

## Voluntary Standards Emphasized in Chapter 8

**Content Standard 10** Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

**Content Standard 13** Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

## Resources Available from NCEE

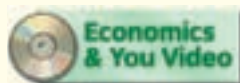
- Virtual Economics®: An Interactive Center for Economic Education Version 3.0
- Focus: Understanding Economics in U.S. History
- Advanced Placement Economics: Teacher Resource Manual, Third Edition
- Focus: Institutions and Markets

To order these materials, or to contact your State Council on Economic Education about workshops and programs, call 1-800-338-1192 or visit the NCEE Web site at [store.ncee.net](http://store.ncee.net).



## The BIG Idea

As students study the chapter, remind them to consider the chapter-based Big Idea. The **Essential Question** in the chapter launch activity below ties in to the Big Idea and helps students think about and understand important chapter concepts. In addition, the Hands-On Chapter Project relates the content from each section to the Big Idea. The steps in each section build on each other and culminate in the Wrap-Up Activity on the Visual Summary page.



To generate student interest and

provide a springboard for class discussion, access the Economics & You Topic 13 video, **The American Labor Force**, at [glencoe.com](http://glencoe.com) or on the video DVD.

### FOLDABLES<sup>®</sup> Study Organizer

#### Dinah Zike's Foldables

are three-dimensional, interactive graphic organizers that help students practice basic writing skills, review key vocabulary terms, and identify main ideas. Have students complete this chapter's Foldable activity or activities in *Dinah Zike's Reading and Study Skills Foldables* booklet. **OL**

### Economics ONLINE

Introduce students to chapter content and key terms by having them access **Chapter 8—Chapter Overviews** at [glencoe.com](http://glencoe.com).

## Why It Matters

Yesterday you found out that your first college choice has accepted you and offered you a scholarship to cover your tuition and books. You will still have to pay for your room and board. Today, your best friend announced that she has received a “full ride” basketball scholarship to the same college—all her expenses will be covered. Why do you think she received a larger scholarship even though your grades are much better than hers? Read Chapter 8 to find out more about labor and wages.

## The BIG Idea

The labor market, like other markets, is determined by supply and demand.

The more skills workers such as these construction workers have, the more they can expect to be paid.

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# Employment, Labor, and Wages



**Economics ONLINE Chapter Overview** Visit the *Economics: Principles and Practices* Web site at [glencoe.com](http://glencoe.com) and click on **Chapter 8—Chapter Overviews** to preview chapter information.

## Activity: Launching the Chapter

**Problem-Solving** Have students imagine that negotiations about pay and working conditions are about to take place at a fast-food restaurant. Ask one group to represent the workers and consider what they might ask for. Have another group represent the manager of the restaurant and consider what he or she might be willing to give. Ask students how workers and management might be able to bring what is being asked

for and what is being offered closer together. Guide students toward the idea of compromise. **Essential Question: How are work relationships governed by the law of supply and demand?** (*The supply comes from the workers who offer their services to employers, while the demand comes from employers who require workers.*) **OL**

## GUIDE TO READING

## Section Preview

In this section, you will find out that labor unions are organizations that attempt to improve the working conditions of their members.

## Content Vocabulary

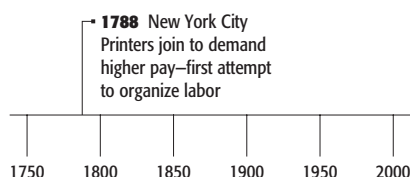
- craft union (p. 199)
- trade union (p. 199)
- industrial union (p. 199)
- strike (p. 199)
- picket (p. 199)
- boycott (p. 199)
- lockout (p. 199)
- company union (p. 199)
- Great Depression (p. 201)
- right-to-work law (p. 202)
- independent union (p. 203)
- closed shop (p. 203)
- union shop (p. 204)
- modified union shop (p. 204)
- agency shop (p. 204)
- civilian labor force (p. 204)

## Academic Vocabulary

- legislation (p. 198)
- prohibited (p. 201)

## Reading Strategy

**Sequencing** As you read this section, note major events in the history of the U.S. labor movement by creating a time line similar to the one below.



## ISSUES IN THE NEWS

—The Associated Press

## Restaurant Fined over Youth Program

Alex Ray, owner of the Common Man restaurants, has been fined by the government for a program that helped a dozen teenagers start and run their own business last summer.

Ray paid a \$2,000 fine after the Labor Department said the program violated child-labor laws. The teenagers, ages 13 to 15, worked at the Common Man Restaurant in Plymouth [New Hampshire], where they designed a business model, managed the business, scheduled fellow students to staff breakfast and made bank deposits.

Ray said the project through a program called Communities for Alcohol- and Drug-Free Youth was a huge success, but the Labor Department sent a violation notice, because kids under 16 worked before 7 A.M. ■



The restaurant owner in the news article did not intend to violate the Fair Labor Standards Act of 1938, but good intentions sometimes have unforeseen consequences. Even so, working is one of the single most important things we do. After all, how well we do, as measured by the satisfaction we get or the income we receive, affects virtually every aspect of our lives. Thus, in our

study of economics it is important to examine the way the “labor” factor of production earns its income.

We also want to study the labor movement because the United States has a rich and colorful labor history. The historical struggle between workers and employers has shaped today’s working environment, and the evolution is still continuing.

## Focus

## Bellringer

## Daily Focus Transparency 39



## GUIDE TO READING

## Possible Answers to Graphic:

**1820:** immigrants begin to arrive in large numbers

**1877:** Railroad strike

**1886:** Haymarket riot

**1914:** Clayton Antitrust Act

**1930s:** Great Depression

**1935:** Wagner Act

**1947:** Taft-Hartley Act

**1955:** AFL-CIO forms

**2005:** AFL-CIO splits

## Resource Manager

## R Reading Strategies

## Teacher Edition

- Outlining, p. 199
- Inferring, p. 201
- Sequencing Info., p. 203
- Summarizing, p. 204

## Additional Resources

- Guid. Read. Act., p. 22
- Read. Ess. & Note-Taking Guide, p. 64

## C Critical Thinking

## Teacher Edition

- Det. Cause/Effect, p. 198
- Defending, p. 200
- Ident. POV, p. 203
- Form. Quest., p. 205

## Additional Resources

- Authentic Assess., p. 13

## D Differentiated Instruction

## Teacher Edition

- Visual/Spatial, p. 200
- Adv. Learners, p. 201
- Interpersonal, p. 204

## Additional Resources

- Reteach. Act., p. 8
- Reinforcing Econ. Skills, p. 10

## W Writing Support

## Teacher Edition

- Expository Writing, p. 198
- Personal Writing, p. 202

## Additional Resources

- High School Reading in the Content Area Strat. and Act.

## S Skill Practice

## Teacher Edition

- Using Tables and Charts, p. 199
- Drawing Con., p. 202
- Analyzing Info., p. 206

## Additional Resources

- Reading and Study Skills Fold., p. 55
- Econ. Concepts Trans., Strat. & Act., p. 9



# Teach

## W Writing Support

**Expository Writing** Have students research how the U.S. job market has changed since the Industrial Revolution. Have them report on their findings in a short paper. At the end of the paper, have them predict how the job market will change by the year 2050. **OL**

## C Critical Thinking

**Determining Cause and Effect** **Ask:** *Why did unions have strong bargaining power even though only a small fraction of workers belonged to them?* (Possible answer: The service the workers provided was specialized, so the unions were in a strong bargaining position.) **OL**

### Economic Analysis

**Answer:** Trade unions represent workers who perform the same kind of work; industrial unions represent all workers in the same industry.

## Additional Support

### Skills Handbook

See page **R52** to learn about **Sequencing Events**.

## Colonial Times to the 1930s

**MAIN Idea** Early unions formed to negotiate terms for their members, but employers and courts opposed them.

**Economics & You** Do you or any members of your family belong to a union? Read on to learn about the early years of the American union movement.

**W** Today, only one out of every eight working Americans is a member of a labor union. Even so, unions are important because they played a major historical role in helping to create the **legislation** that affects our pay and working conditions today.

### Early Union Development

**C** In 1778 printers in New York City joined together to demand higher pay. This was the first attempt to organize labor in America. Before long, unions of shoemakers, carpenters, and tailors developed, each hoping to negotiate agreements that covered hours, pay, and working conditions. While only a small fraction of all workers belonged to unions, most unions were comprised of skilled workers and possessed strong bargaining power.

Until about 1820, most of America's workforce was made up of farmers, small business owners, and the self-employed.

Soon immigrants began to arrive in great numbers. Because they provided a supply of cheap, unskilled labor, they posed a threat to the unions that were working to preserve existing wage and labor standards.

In addition, public opinion was largely against union activity, and some parts of the country even banned labor unions. Labor organizers often were viewed as troublemakers, and many workers believed they could better negotiate with their employers on a one-to-one basis.

### Civil War to the 1930s

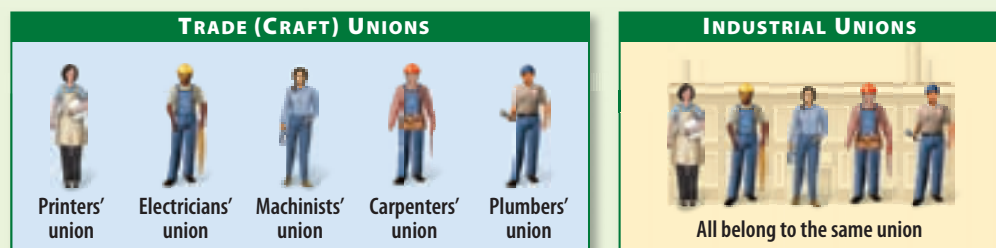
The Civil War led to higher prices and a greater demand for goods and services. Manufacturing expanded, and the farm population declined. Hourly workers in industrial jobs made up about one-fourth of the country's working population.

Working conditions in some industries were difficult, and hostile attitudes toward unions slowly began to soften. Many of the cultural and linguistic differences between immigrants and American-born workers began to fade, and the labor force became more unified.

### Types of Unions

In the industrial post-Civil War period, the two main types of labor unions shown in **Figure 8.1** dominated. The first was the

**Figure 8.1** ▶ **Trade (Craft) and Industrial Unions**



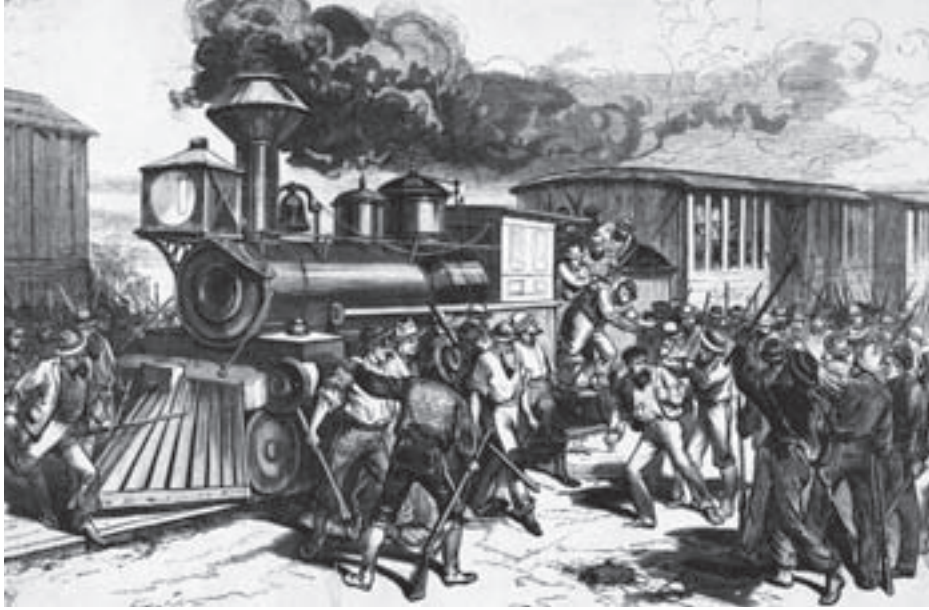
▶ Labor unions can be categorized as either trade or industrial unions.

**Economic Analysis** How do trade unions differ from industrial unions?

## Extending the Content

**A Union for Everyone** While almost all early unions represented only white men, the Noble Order of the Knights of Labor had a goal of bringing “men and women of every craft, creed, and color” into one big union. Founded in 1869, the Knights not only welcomed women workers but also gave them leadership roles. For example, Elizabeth Rodgers led a Chicago division of the Knights that represented about 50,000 male and

female workers. Married with a family, Rodgers listed her occupation as “housewife.” To emphasize its commitment to representing all workers, the organization held its 1886 meeting in Richmond, Virginia—which had served as the former capital of the Confederacy—and gave prominent roles to African Americans in the proceedings.



**Labor Strikes**  
This woodcut shows workers and firefighters during the Baltimore and Ohio Railroad strike of 1877. *What did unions try to accomplish with strikes?*

**craft union** or **trade union**, an association of skilled workers who perform the same kind of work. The Cigar Makers' Union, begun by union leader Samuel Gompers, is an example of this type of union.

The second type of union was the **industrial union**—an association of all workers in the same industry, regardless of the job each individual worker performs. The development of basic mass-production industries such as steel and textiles provided the opportunity to organize this kind of union. Because many of the workers in these industries were unskilled and could not join trade unions, they organized as industrial unions instead.

### Union Activities

Unions tried to help workers by negotiating for higher pay, job security, and better hours and working conditions. If an agreement could not be reached, workers would **strike**, or refuse to work until certain demands were met. Unions also pressured employers by having the striking workers **picket**, or parade in front of the employer's business carrying signs about the dispute. The signs might ask other workers not to seek jobs with the company, or they might

ask customers and suppliers to show union support by taking their business elsewhere.

If striking and picketing did not force a settlement of the dispute, a union could organize a **boycott**—a mass refusal to buy products from targeted employers or companies. When a boycott was effective, it hurt the company's business.

### Employer Resistance

Employers resented the strikes, pickets, and boycotts, so they fought unions in a number of ways. Sometimes the owners called for a **lockout**, a refusal to let employees work until they agreed to management demands.

At other times, management responded to a strike, or the threat of a strike, by hiring all new workers. Some owners even set up **company unions**—unions organized, supported, or run by employers—to head off efforts by others to organize workers.

### The Ludlow Massacre

Perhaps nothing typified such struggles more than a strike in Colorado. The United Mine Workers of America had organized a strike against a mining company owned by

**craft union** or **trade union** labor union whose members perform the same kind of work

**industrial union** labor union whose members perform different kinds of work in the same industry

**strike** union-organized work stoppage designed to make an employer meet union demands

**picket** demonstrate or march before a place of business to protest a company's actions

**boycott** refusal to buy products from an employer or company

**lockout** management refusal to let employees work until demands are met

**company union** union organized, supported, or run by an employer

## CHAPTER 8, SECTION 1

### S Skill Practice

**Using Tables and Charts** On the board, create a two-column table with the headings "Craft Unions" and "Industrial Unions." Then have students call out the names of unions that they find through print and online research, identifying them as either craft or industrial. Write each union's name in the appropriate column.

**OL**

### R Reading Strategy

**Outlining** Students may have difficulty understanding the types of labor unions that developed and how unions are organized. They may find it easier to comprehend the material if they outline the section. Suggest that they list the different types of unions, the levels of union operations, and the major characteristics of each. **BL**

**Caption Answer:** to pressure employers to meet their demands on pay, job security, hours, and working conditions

### Additional Support

### Activity: Collaborative Learning

**Illustrating** Organize students into several groups, and have groups create collages that illustrate the U.S. labor force. Have group members collect pictures of people at work from magazines, newspapers, and other media. Inform groups that jobs should range from blue-collar to white-collar and should include service workers. Have groups use

these pictures to create their collages. Point out that collages should show diversity in terms of occupations, types of employees, and types of locations. Have groups display their finished collages around the classroom. **BL**

### Teacher Tip

**Visual Learning** Use the collages to help students learn the content. You might ask students to categorize the types of work shown in the collages or speculate on the likelihood of jobs shown being outsourced or offshored.



**C Critical Thinking**

**Defending** Write the following question on the board: *Were better working conditions and wages for American workers the result of labor union activity or the increased demand for skilled labor?* Call on volunteers to offer evidence supporting either side of the question. **AL**

**D Differentiated Instruction**

**Visual/Spatial Ask:** *How would you describe the Haymarket riots based on the illustration?* (Students may describe a violent and chaotic scene based on the flames, the men shooting, the large police force, the impassioned speaker, and the injured men.) **BL**

**Caption Answer:** unfavorably

**✓Reading Check****Answer:**

They developed in response to increased industrial activity following the Civil War. Workers banded together to pressure employers for more favorable pay, job security, working conditions, and hours.

## Hands-On Chapter Project

## Step 1

**Going to Work**

In this project, students will simulate the process of finding a new job, including applying, interviewing, and negotiating pay and benefits.

**Step 1: Applying for a Job.** Students will go through job listings and learn how to apply for a job.

**Directions:** Bring in job listings from local newspapers, online job-posting sites, or other sources. Tell students to imagine that

John D. Rockefeller to demand better pay and working conditions. When the company forced workers out of company-owned homes, the miners and their families moved into tents set up by the union.

The strike, expected to end after a few days, instead lasted 14 months. At times, fights broke out between striking miners and company guards. The mining company also hired a private detective agency and received assistance from the Colorado National Guard.

One fight in spring 1914 turned into an all-day battle and a devastating fire. In the end, dozens of people were killed, including 2 women and 11 children. The violence, quickly called the Ludlow massacre, sparked rioting in other coal mining communities. The resulting conflict eventually claimed nearly 200 lives.

**Attitude of the Courts**

Throughout this period, the courts had an unfavorable attitude toward unions. Under English common law, unions were considered conspiracies against business

and were prosecuted in the United States. Even the Sherman Antitrust Act of 1890, aimed mainly at curbing monopolies, was used to keep labor in line.

For example, in 1902 the United Hatters Union called a strike against a Danbury, Connecticut, hat manufacturer that had rejected a union demand. The union decided to apply pressure on stores to not stock hats made by the Danbury firm. The hat manufacturer, charging a conspiracy in restraint of trade under the Sherman Act, filed a damage suit that went all the way to the Supreme Court. The Supreme Court ruled that the union had organized an illegal boycott in restraint of trade, thereby dealing a severe blow to organized labor.

The Danbury Hatters case and several subsequent antiunion decisions pushed organized labor to call for relief. The passage of the Clayton Antitrust Act of 1914 helped to remedy the threat to unions by expressly exempting labor unions from prosecution under the Sherman Act.

**✓Reading Check** **Recalling** How did trade unions and industrial unions develop?

**Antiunion Attitudes**

A nationwide strike on May 3, 1886, turned violent in Chicago's Haymarket Square when strikers and police clashed.

**How did the Supreme Court view union activity?**



200 UNIT 3 Economic Institutions and Issues

they have finished their schooling and are looking for a job. Have them go through the job listings to find a suitable job to apply for. Have students make copies of the job advertisements they are using.

Then tell students to proceed as if they are applying for the job. If the job requires an application, have them use the form on *Economic Forms and Financial Pages Transparencies, Strategies, and Activities*, p. 8, or give them another sample application to fill out. If the job requires a résumé, have

them put one together and write a cover letter. Suggest that they use the Internet or other references to help them write their cover letters and résumés.

**Evaluating** Have student pairs exchange job advertisements and applications (or cover letters and résumés) and then return them with a brief written or oral critique. Finally, have students make any changes they think are necessary. **OL**

(Chapter Project continued in Section 2.)



**Unemployment**  
During the Great Depression, the unemployed lined up for food and other assistance.  
**What was the impact of the Great Depression on the labor movement?**

## CHAPTER 8, SECTION 1

### D Differentiated Instruction

**Advanced Learners** Tell students that labor and union songs make up a significant part of American folk music. Have volunteers prepare a presentation about the role of music in the struggles to unionize workers over the last 100 years or so. Encourage musically talented students to perform selections from the labor songbook. **AL**

### R Reading Strategy

**Inferring Ask:** In what way did the Great Depression change attitudes toward union activities? Why do you think this change occurred? (Possible answer: Common problems united factory workers, and many people may have sympathized with out-of-work laborers. Economic hardships were widespread and shared.) **OL**

**Caption Answer:** Attitudes toward unions became more favorable, and new laws protected union activities.

## Labor Since the 1930s

**MAIN Idea** Most of the significant labor laws in effect today were passed in the 1930s, 1940s, and 1950s.

**Economics & You** Did you try to find a job before you turned 16 but were turned down? Read to learn how early labor legislation affects you today.

During the 1930s, times were especially hard for working people who lacked unemployment insurance. In response, Congress passed a series of laws that supported organized labor. Although a backlash against labor followed, these laws provided the most important labor protections that are still in effect today.

### Labor in the Great Depression

The **Great Depression**—the worst period of economic decline and stagnation in the history of the United States—began with the collapse of the stock market in October 1929. Economic output reached bottom in 1933 and did not recover to its 1929 level until 1939. At times, as many as one in four workers was without a job. Others kept their jobs but saw pay cuts. In 1929 the average hourly manufacturing wage was 55 cents. By 1933 it plummeted to 5 cents.

The Great Depression brought misery to millions, but it also changed attitudes toward the labor movement. Common problems united factory workers, and union promoters renewed their efforts to organize workers.

**Great Depression** worst period of economic decline in U.S. history, lasting from 1929 to approximately 1939

### Pro-Union Legislation

New legislation soon aided labor. The Norris-LaGuardia Act of 1932 prevented federal courts from issuing rulings against unions engaged in peaceful strikes, picketing, or boycotts. This forced companies to negotiate directly with their unions during labor disputes.

The National Labor Relations Act, or Wagner Act, of 1935 established the right of unions to collective bargaining. The act also created the National Labor Relations Board (NLRB), giving it the power to police unfair labor practices. The NLRB also could oversee and certify union election results. If a fair election resulted in a union as the employees' bargaining agent, employers had to recognize and negotiate with it.

The Fair Labor Standards Act of 1938 applied to businesses that engage in interstate commerce and set the first minimum wage. It established time-and-a-half pay for overtime, which was defined as more than 40 hours per week. The act also prohibited

## Additional Support

### Activity: Interdisciplinary Connection

**Daily Life** Have pairs of students interview seniors in the community about life and the economic situation during the Great Depression. Have students prepare a list of questions, identify potential interviewees, arrange the interview, and be prepared, if suitable and prearranged, to tape-record or videotape the interview. (You may want to

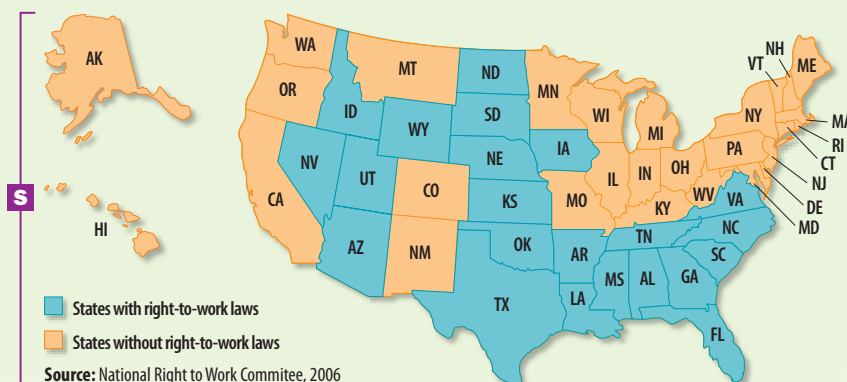
prescreen questions for suitability or prepare a written handout for students to present to potential interview subjects, describing the project.) Have pairs share the results of their interviews with the class. If possible, prepare a class archive of Great Depression interviews.

**OL**

**Figure 8.2** ▶ **Right-to-Work, State by State**

▶ Today, 22 states have right-to-work laws that limit the power of unions. If a state has such a law, unions cannot force workers to join the union as a condition of continued employment.

**Economic Analysis** Which regions have the fewest states with right-to-work laws?



**right-to-work law** state law making it illegal to require a worker to join a union

oppressive child labor, which includes any labor for a child under 16 and work that is hazardous to the health of a child under 18.

### Antiunion Backlash

The union movement had grown strong by the end of World War II, but then public opinion shifted again. Some people feared that Communists had secretly entered the unions. Others were concerned over production losses due to the increased number of strikes. People began to think that management, not labor, was the victim.

Growing antiunion feelings led to the Labor-Management Relations Act, or Taft-Hartley Act, of 1947. The act had a tough antiunion provision known as Section 14(b) that allows individual states to pass right-to-work laws. A **right-to-work law** is a state law making it illegal to force workers to join a union as a condition of employment, even though a union may already exist.

If a state does not have a right-to-work law, new workers may be required to join an

existing union as a condition for employment shortly after being hired. If a state has a right-to-work law, then new hires can decide for themselves whether or not they want to join the union—even if the overwhelming majority of workers at the company support the union. Today, the 22 states shown in **Figure 8.2** have taken advantage of Section 14(b) to pass right-to-work laws.

Other legislation was aimed at stopping criminal influences that had begun to emerge in the labor movement. The most important law was the Labor-Management Reporting and Disclosure Act, or Landrum-Griffin Act, of 1959. This act required unions to file regular financial reports with the government and limited the amount of money union officials could borrow from the union.

### The AFL-CIO

The American Federation of Labor (AFL) began in 1886 as an organization of craft or trade unions. It later added several industrial

## S Skill Practice

### Drawing Conclusions

**Ask:** Based on the map, what conclusions can you draw about the strength of unions in different states and regions of the country? (Students should conclude that unions possessed enough political strength in the Northeast, Midwest, and West Coast states to prevent the passage of right-to-work laws in state legislatures.) **OL**

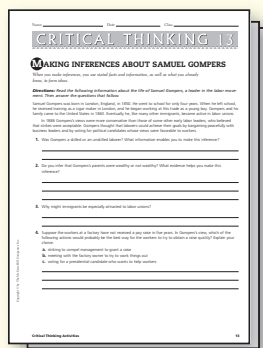
## W Writing Support

**Personal Writing** Have students conduct research to find out whether your state is a right-to-work state. Then have them write a journal entry explaining whether they agree or disagree with right-to-work laws. Remind them to give reasons for their feelings. **OL**

### Economic Analysis

**Answer:** the Northeast, Midwest, and West Coast

## Differentiated Instruction



Critical Thinking Activities, p. 13

## Making Inferences

**Objective:** Make inferences to form ideas.

**Focus/Teach:** Brainstorm ways in which students make inferences every day. Then have them complete the activity.

**Assess:** Go over students' answers as a class, discussing any on which there is disagreement.

**Close:** Ask students to analyze how they were able to make inferences from the information provided.

### Differentiated Instruction Strategies

**BL** Ask students to name examples of skilled labor and unskilled labor.

**AL** **Ask:** Is Gompers's story a "typical" American success story? Explain.

**ELL** Have students discuss the similarities and differences between immigrants in Gompers's time and those of today.

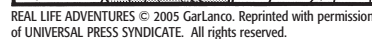


It is still too early to tell how this split will affect the power of organized labor. The remaining AFL-CIO unions want to focus their efforts on lobbying politicians. The Change to Win Coalition wants to focus its efforts on recruiting new union members.

Although the AFL-CIO is still a major force, other unions are also important in the labor movement. Many of these are **independent unions**—unions that do not belong to the AFL-CIO or the Change to Win Coalition—such as the Brotherhood of Locomotive Engineers. Other examples of independent unions are the United Campus Workers at the University of Tennessee and the Virginia Public Service Workers Union.

**✓ Reading Check** **Analyzing** Why did the Great Depression have such a strong and lasting impact on the labor movement?

This kind of union arrangement was common in the 1930s and early 1940s. However, the Taft-Hartley Act of 1947 made the closed shop illegal for all companies involved in interstate commerce.



**closed shop**  
arrangement under  
which workers must  
join a union before  
they are hired

**Power of Unions**  
While unions remain a strong force, their bargaining power often is limited by economic conditions. *What recent event may change the power of unions?*

**Ask:** What point of view do you think the cartoonist is expressing about the power of unions? (*He or she seems to think that unions have little power against changes in the economy.*) Then ask whether students agree with this point of view. Have them explain their answers. **OL**

**Caption Answer:** the split between the AFL-CIO

**✓ Reading Check** **Answer:** It helped bring about new laws that empowered unions and improved people's opinions of union activities.

[illegible]



## The Global Economy & YOU



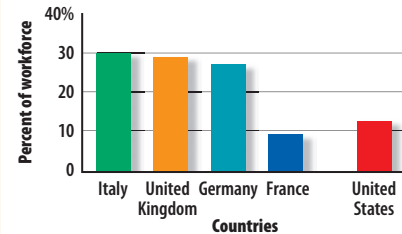
### The Union Safety Net Unravels

If you have a part-time job, you are part of the reason that unions have declined. But don't blame yourself—other factors are causing this trend as well. In fact, union membership has declined both in the United States and around the globe. In 2005, 12.5 percent of American wage and salary workers were union members, down from the most recent peak of 20.1 percent in 1983. Although union membership is higher in Europe—26.3 percent—experts predict the downward trend to continue there as well, with union membership falling under 20 percent by 2010.

Many factors have contributed to the decline of unions, including the increase in part-time workers, the rise in the number of women in the workforce, the

growth in the number of white-collar workers, and the expansion of service industries. In addition, the trend toward smaller workplaces has hurt unionization.

EU'S FOUR LARGEST COUNTRIES—PERCENTAGE OF UNION WORKERS



Sources: Federation of European Employees, Bureau of Labor Statistics

**union shop**  
arrangement under which workers must join a union after being hired

**modified union shop**  
arrangement under which workers have the option to join a union after being hired

**agency shop**  
arrangement under which nonunion workers must pay union dues

**civilian labor force**  
noninstitutionalized part of the population, aged 16 and over, either working or looking for a job

Because most firms in the United States today are directly or indirectly engaged in interstate commerce, few, if any, closed shops exist.

The second union arrangement is the **union shop**, where workers do not have to belong to the union to be hired, but must join soon after and remain a member for as long as they keep their jobs.

Another union arrangement is the **modified union shop**. Under this arrangement, workers do not have to belong to a union to be hired and cannot be made to join one to keep their jobs. If workers voluntarily join the union, however, they must remain members for as long as they hold their jobs.

Finally, **agency shop** is an agreement that does *not* require a worker to join a union as a condition to get or keep a job. It *does* require the worker to pay union dues to help pay for collective bargaining costs. Nonunion workers also are subject to the contract terms negotiated by the union, whether or not they agree with the terms.

An agency shop is also known as “fair share.” Unions like to use this term to remind everyone that the dues the non-

members pay to the union are used on behalf of all the workers, whether they are union members or not.

### Unionized Workers in the Labor Force

Today, the United States has a population of about 300 million people. Approximately half of the people belong to the **civilian labor force**—men and women 16 years old and over who are either working or actively looking for a job. The civilian classification excludes the prison population, other institutionalized persons, and members of the armed forces.

Approximately 12.5 percent of working Americans are union members. An additional 1.2 percent of working people are represented by unions in the form of the agency shop discussed above.

Union membership is uneven among the different demographic groups in the United States. Men are more likely than women to be union members, although the gap has narrowed considerably in the last 20 years. Older workers, especially those over the age of 45, are more likely to be organized

## R Reading Strategy

**Summarizing** Have students review the information about closed shops, union shops, modified union shops, and agency shops. Then have them make a T-chart listing characteristics of each arrangement. **BL**

## D Differentiated Instruction

**Interpersonal** Organize students into several groups. Have groups investigate the roles that women and minority groups played in the development of the American labor movement. Then have them use their findings to create a brochure or poster that might accompany a museum exhibit on minorities and organized labor in the United States. Suggest that brochures or posters include an overview of the exhibit and several exhibit items—for example, paintings, photographs, charts, or graphs—accompanied by explanatory captions. Have groups present their brochures or posters to the class. **OL**

## Additional Support

## Extending the Content

**The AFL-CIO** The merger of the AFL with the CIO in 1955 brought together some 16 million workers—more than 85 percent of all union members. Some major unions, however, did not affiliate with the AFL-CIO. The United Mine Workers of America (UMW) was one of the most prominent unions choosing to remain independent. This decision was due in large part to disagreements UMW president

John L. Lewis had with the leadership of the AFL. Even so, the UMW remained unaffiliated long after Lewis resigned his leadership. The miners' union did not join the AFL-CIO until 1989. Another large union, the United Auto Workers (UAW), left the federation for 13 years, beginning in 1968, over disagreements about civil rights and social welfare programs.

than younger workers. African Americans are more likely than others to belong to unions, while Asian Americans and Hispanic Americans are least likely to join. Finally, the rate of union memberships among full-time workers is more than twice as high as the rate for part-time workers.

Union membership also differs considerably by state. Five states—Alaska, Hawaii, Michigan, New Jersey, and New York—all have union membership rates above 20 percent, which means that one in five workers is unionized. Five other states—Arkansas, North Carolina, South Carolina, Virginia, and Utah—all have membership rates of less than five percent.

As shown in **Figure 8.3**, local, state, and federal governments have the highest rate of unionization. In fact, the rate of union membership in all levels of government is nearly three times that of workers in manufacturing. The food services industry, where most teenagers work, is the least likely to be unionized.

**✓Reading Check** **Contrasting** How do the types of union arrangements differ?

**Figure 8.3**

## Union Membership and Representation by Industry

Industry	Percentage of employed workers who are:	
	Members of unions	Represented by unions
Local government	41.9	45.8
State government	31.3	35.0
Federal government	27.8	33.1
Utilities	27.4	28.6
Transportation and warehousing	23.4	24.4
Telecommunications	21.4	22.6
Motion pictures and sound recording	15.0	15.5
Construction	13.1	13.8
Manufacturing	13.0	13.7
Education and health services	8.3	9.4
Mining	8.0	9.5
Retail trade	5.2	5.8
Agriculture and related	2.7	3.0
Finance and insurance	1.6	2.1
Food services and drinking places	1.3	1.5

Source: Bureau of Labor Statistics, 2006

► Labor unions are most influential in the service industries, which include government, communications, public utilities, and transportation.

**Economic Analysis** Which industries have few union members?

## CHAPTER 8, SECTION 1

### C Critical Thinking

**Formulating Questions** Have students write five questions based on the information in the table. Then have them exchange work with a partner and answer each other's questions. Tell them to discuss the answers together afterward. **OL**

### Economic Analysis

**Answer:** agriculture, finance and insurance, food service

### ✓Reading Check

**Answer:** They differ in their degree of restrictiveness.

## SECTION 1

## Review

### Vocabulary

- 1. Explain** the significance of craft union, trade union, industrial union, strike, picket, boycott, lockout, company union, Great Depression, right-to-work law, independent union, closed shop, union shop, modified union shop, agency shop, and civilian labor force.

### Main Ideas

- 2. Stating** What is the purpose of labor unions?
- 3. Explaining** Why did the AFL-CIO break up?
- 4. Describing** Use a graphic organizer like the one below to describe the different types of union arrangements.



### Critical Thinking

- 5. The BIG Idea** How do the major legislative acts discussed in the section reflect the rise and decline of the labor movement?
- 6. Making Inferences** Why has union support in the United States gone through cycles of resistance and strong support? Write a short essay explaining your opinion.
- 7. Comparing and Contrasting** Which of the four kinds of union arrangements would you prefer, and why?
- 8. Analyzing Visuals** Look at Figure 8.2 on page 202. What does the pattern of right-to-work and non-right-to-work states imply about the strength of labor unions?

### Applying Economics

- 9. Civilian Labor Force** How would joining the armed services affect your participation in the civilian labor force?

## Assess

Use the Interactive Tutor Self-Assessment CD-ROM to review Section 1, and then assign the Section 1 Review as homework or as an in-class activity.

## Close

**Summarizing** Have students use the Content Vocabulary to write a summary of Section 1. **OL**

## Review

## SECTION 1

## 1

## Answers

- All definitions can be found in the section and the Glossary.
- to improve the working conditions, wages, and benefits of their members
- Some members wanted to emphasize lobbying politicians, while others wanted to focus on recruiting new members.
- closed shop: workers must join a union before they are hired; union shop: workers must join a union after they are hired; modified union shop: workers can join the union after they are hired; agency shop: nonunion workers must pay union dues
- At the turn of the century, unions were struggling; the Sherman Antitrust Act led to unions being prosecuted for interfering with trade. By the 1930s, unions were growing stronger and federal legislation protected them. After World War II, union support declined and the Taft-Hartley Act allowed unions to be sued and states to pass right-to-work laws.
- Students' essays should assess union support throughout history.
- Answers will vary but should reflect an understanding of the different types of union arrangements.
- Possible answer: States in the south are generally right-to-work states. The unions in these areas are much weaker than unions in the northeast, which has no right-to-work laws.
- You would no longer be part of the civilian labor force.

## Teach

### S Skill Practice

#### Analyzing Information

As a class, brainstorm characteristics that leaders often have. Write students' ideas on the board. **Ask:** Which of these characteristics did César Chávez possess? As students identify each characteristic, have them explain why they think it applied to Chávez, and then place a check mark beside it. **Ask:** What obstacles do you think Chávez faced? (grueling work as a child; dropping out of school in eighth grade) **OL**

### Examining the Profile

#### Answers:

1. He formed the NFWA and traveled around California discussing problems and goals with farm workers.
2. It would reduce demand.

## Additional Support

# Profiles in Economics



## César Chávez (1927–1993)

- led the only successful union to organize farmworkers
- posthumously awarded the Presidential Medal of Freedom in 1994, the highest honor given to civilians

### ¡Sí, se puede!

César Chávez was born in Yuma, Arizona. Like that of many farmworkers, his life was grueling and impoverished. As a boy, he and his family worked all day in the fields picking fruits or vegetables. They moved from place to place throughout the year, forcing César to drop out of school in eighth grade.

Farmworkers who tried to organize for safer working conditions, better pay, and benefits were often harassed by farm owners and police. Some were even sprayed with agricultural poisons. With farms spread so far apart, it was difficult to organize strikes by migrant workers. But Chávez believed "it can be done."

Chávez joined the Community Service Organization (CSO) and began helping people with everyday tax, immigration, and education concerns. In 1962 he set up the National Farm Workers Association (NFWA). For three years, Chávez traveled all over California, discussing problems and goals with farm workers.

### The Grape Boycott

When the Agricultural Workers Organizing Committee (AWOC), another farmworkers group, orchestrated a strike against the Delano table grape growers in 1965, Chávez and the NFWA decided to join their efforts. A year later, the two groups became the United Farm Workers (UFW). Chávez mobilized thousands of churches and student activists across the country to boycott grapes. At the peak of the boycott, table grape shipments were down by 24 percent in the top 10 North American markets, and more than 14 million people had participated.

The boycott's astounding success led to historic contracts between the UFW and the Delano growers in 1969. Chávez and his team had won union recognition, higher wages, a health plan, and other concessions. Yet for all of his labor struggles for others, Chávez never made more than \$5,000 a year.

*To Chávez and the farm workers he represented, La Causa (The Cause) was about something much bigger than themselves. According to Chávez, "The consumer boycott is . . . a gate of hope through which [farm workers] expect to find the sunlight of a better life for themselves and their families."*

### Examining the Profile

1. **Summarizing** How did Chávez initially try to approach farmworkers?
2. **Applying Information** How would a successful boycott impact the demand for grapes?

## Extending the Content

### Fighting for Rights for Farm Workers

Throughout much of the campaign to unionize farm workers, Chávez's second-in-command was Dolores Huerta. Born in 1930 in New Mexico, Huerta was inspired to fight for the rights of Hispanic workers by her father, a New Mexico state legislator. After working

as a teacher, Huerta turned to community activism. She met César Chávez and together they formed the NFWA. Huerta's special talent for getting different groups to work together helped strengthen the union.

## GUIDE TO READING

## Section Preview

In this section, you will learn that unions and management negotiate contracts through a process known as collective bargaining.

## Content Vocabulary

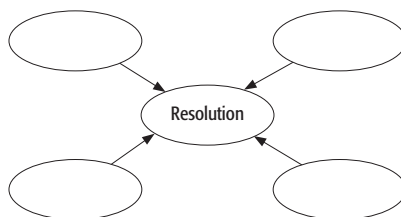
- wage rate (p. 208)
- unskilled labor (p. 208)
- semiskilled labor (p. 208)
- skilled labor (p. 208)
- professional labor (p. 208)
- market theory of wage determination (p. 209)
- equilibrium wage rate (p. 209)
- theory of negotiated wages (p. 210)
- seniority (p. 210)
- signaling theory (p. 210)
- collective bargaining (p. 211)
- grievance procedure (p. 211)
- mediation (p. 212)
- arbitration (p. 212)
- binding arbitration (p. 212)
- fact-finding (p. 212)
- injunction (p. 212)
- seizure (p. 212)

## Academic Vocabulary

- anticipate (p. 211)
- distorted (p. 212)

## Reading Strategy

**Describing** As you read the section, complete a graphic organizer similar to the one below that describes the different ways labor disputes are resolved.



## ISSUES IN THE NEWS

—National Public Radio

## NHL Shakes Off Lockout, Long Layoff

[The] NHL owners took a very hard line with the Player's Association and in the end the players accepted a big salary cut and a per team salary cap. Now the NHL has reduced its spending on players' salaries to about 54 percent of revenue, down from about 75 percent.

[The NHL] says it's going to save up to 400 million dollars. Twice as many teams are going to be in the black. Fans are returning to the rinks, but there's still some operating issues for teams in smaller markets. They're sort of facing a choice, do we lose five or \$10 million or do we spend up to the salary cap and compete? ■



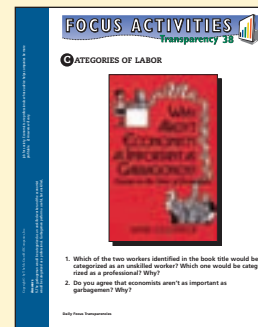
Over the years, many disputes have occurred between labor and management. Sometimes employees take action against their employer, as during the 2005 transit worker strike in New York City that shut down buses and subways. Sometimes the employer takes action against its employees, as during the 2004 National Hockey League (NHL) player lockout that cancelled the professional hockey season for a full year.

Most labor disputes occur over pay and working conditions. If a dispute results in an actual work stoppage, both sides stand to lose enormous sums of money. As a result, and regardless of the reason for the dispute, the deliberations to end it are usually intense. While the NHL was finally able to settle its labor dispute through negotiation, there are other ways to resolve a deadlock.

## Focus

## Bellringer

## Daily Focus Transparency 38



## GUIDE TO READING

**Answers to Graphic:** collective bargaining; mediation; arbitration; fact-finding; injunction and seizure; presidential intervention

## Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>Visualizing, p. 211</li> <li>Making Connections, p. 212</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>Guid. Read. Act., p. 23</li> <li>Read. Ess. &amp; Note-Taking Guide, p. 67</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>Classifying, p. 209</li> <li>Evaluating, pp. 210, 214</li> <li>Assessing, p. 213</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>Econ. Forms and Fin. Pages Trans., Strat. &amp; Act., p. 7</li> <li>Hands-On Econ., p. 14</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>ELL, p. 208</li> <li>Interpersonal, p. 208</li> <li>Verbal/Linguistic, p. 211</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>Daily Focus Trans. 38, 40</li> <li>Econ. Cont. Vocab. Act., p. 8</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>Personal Writing, pp. 210, 214</li> <li>Narrative Writing, p. 212</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>High School Writing Process Trans.</li> <li>Quizzes and Tests, p. 98</li> </ul>	<b>Teacher Edition</b> <ul style="list-style-type: none"> <li>Using Line Graphs, p. 209</li> </ul> <b>Additional Resources</b> <ul style="list-style-type: none"> <li>Econ. Cartoons, p. 1</li> <li>Reading and Study Skills Fold., p. 55</li> </ul>



## Teach

## D1 Differentiated Instruction

## English Language Learners

List the four categories of labor on the board. Have student pairs write a brief newspaper advertisement for a job in each category. If necessary, brainstorm with students several types of jobs in each skill category. Then have students read and compare their advertisements. **ELL**

## D2 Differentiated Instruction

**Interpersonal** Organize the class into two groups to debate the following: *Should professional athletes, rock singers, and movie stars command high salaries for their labors?* Suggest that students analyze societal values in the debate. **OL**

## Economic Analysis

**Answer:** Because they are highly skilled and low in number, managerial workers can demand higher wages whether or not they belong to a union.

## Differentiated Instruction

**wage rate**  
prevailing pay scale for work performed in an occupation

**unskilled labor**  
workers not trained to operate specialized machines and equipment

**semiskilled labor**  
workers who operate machines that require a minimum amount of training

**skilled labor**  
workers who are trained to operate complex equipment and require little supervision

**professional labor**  
workers with a high level of training, education, and managerial skills

## Skills Handbook

See page R53 to learn about **Comparing Data**.

## Wage Determination

**MAIN Idea** Different occupations and levels of training are rewarded with different wages.

**Economics & You** When you choose an occupation, do you want to earn as much income as possible? Read on to learn how your choices can result in a higher wage.

Most occupations have a **wage rate**, a standard amount of pay given for work performed. Wage rates usually differ from one occupation to the next, and sometimes even within the same occupation. There are four explanations as to why this happens.

## Noncompeting Categories of Labor

One explanation recognizes four broad categories of labor that have different levels of knowledge and skills. The highest pay goes to people in jobs that require the most skills and training. Because workers in one category do not compete with those in other categories, wages differ.

The first category is **unskilled labor** and consists of workers in jobs that do not require people with special training and skills. People in these jobs work primarily with their hands at tasks such as picking fruit or mopping floors.

The second category comprises **semiskilled labor**—workers in jobs that

require enough mechanical skills to operate machines for which they need a minimum amount of training. These workers may operate basic equipment such as electric floor polishers, cleaning equipment, lawnmowers, and other machines that call for a modest amount of training.

The third category is **skilled labor** and consists of workers who operate complex equipment and perform most of their tasks with little supervision. These workers have a higher investment in education, knowledge, and training. Examples include carpenters, electricians, tool and die makers, computer technicians, and computer programmers.

The final category is **professional labor**, or those individuals that have the highest level of knowledge-based education and managerial skills. Examples include teachers, doctors, scientists, lawyers, and top managers such as corporate executives.

If you examine the occupations shown in **Figure 8.4**, you will see that the income each occupation earns is closely associated with these four categories of labor. For example, semiskilled workers, such as transportation and material movers, generally receive more than unskilled workers in the food-service occupations. Likewise, the professional workers in legal and managerial occupations earn more than any of the other occupations in the figure.

**Figure 8.4** Median Weekly Earnings by Occupation and Union Affiliation

► Weekly earnings are significantly higher for workers in highly skilled occupations or with union representation.

**Economic Analysis** *Why is the earnings gap between union and nonunion workers smaller in managerial occupations than in other occupations?*

Occupation	Represented by unions	Nonunion workers
Legal occupations	\$1,147	\$1,042
Management occupations	1,137	1,076
Computer and mathematical	1,009	1,141
Education, training, and library	913	710
Protective service occupations	896	568
Transportation and material moving	721	508
Office and administrative support	689	528
Sales and related occupations	623	622
Building and grounds, cleaning, maintenance	528	378
Food preparation and serving related	439	350

Source: Bureau of Labor Statistics, 2006

## Using Arbitration

**Objective:** Understand how two parties can use arbitration to arrive at a fair compromise.

**Focus:** Brainstorm compromises that students have had to make in their everyday lives.

**Teach:** Have students fill out the activity chart based on the information on the dispute.

**Assess:** Have students review their answers in pairs.

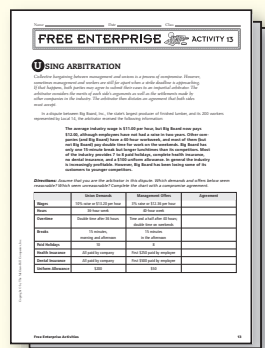
**Close:** Ask students how arbitration differs from mediation and from collective bargaining.

## Differentiated Instruction Strategies

**BL Ask:** Which union demands would you be most willing to sacrifice?

**AL** Have student pairs negotiate demands and offers, with one student as the union and the other as management.

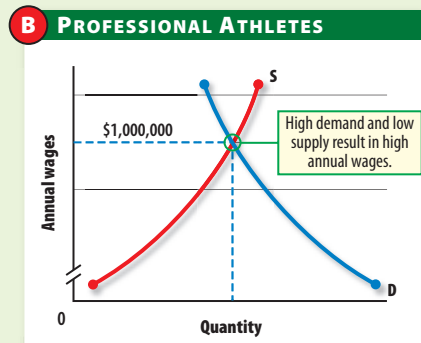
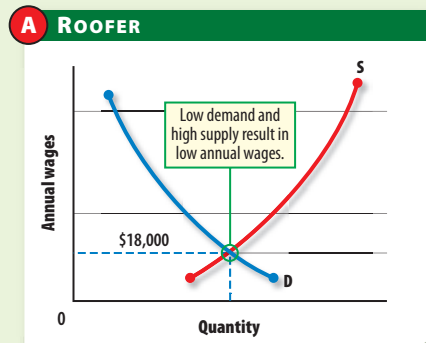
**ELL** Have students make a graphic organizer showing the steps in labor-management negotiations.



Free Enterprise Activities, p. 13

- ▶ The market theory of wage determination explains how the market forces of supply and demand determine the equilibrium wage rate. Panel A shows what happens when a relatively large supply of roofers is coupled with a relatively low level of demand. Panel B shows what happens when a relatively small supply of professional athletes is paired with a relatively high level of demand.

**Economic Analysis** How does this theory differ from the theory of negotiated wages?



## Market Theory of Wage Determination

Another explanation for the differences in pay many people receive is based on the **market theory of wage determination**. This theory states that the supply and demand for a worker's skills and services determine the wage or salary.

For example, if there is a low demand for roofers but a relatively large supply, the result would be relatively low wages for roofers. If conditions are reversed, so that the demand is high and supply is low, then wages would be much higher. This describes the market for the services of professional athletes. In this market, a small supply of talent combined with relatively high demand results in higher wages.

You can see this interaction of supply and demand in **Figure 8.5**. In each market, the intersection of supply and demand

determines the **equilibrium wage rate**—the wage rate that leaves neither a surplus nor a shortage in the labor market.

Exceptions to the market theory may appear to exist at certain times. Some unproductive workers may receive high wages because of family ties or political influence. Highly skilled workers may receive low wages because of discrimination based on their race or gender.

**market theory of wage determination**  
explanation of wage rates relying on theory of supply and demand

**equilibrium wage rate**  
wage rate leaving neither a surplus nor a shortage in the market

## Did You Know?

▶ **Million-Dollar Paychecks** The pay for top CEOs reflects the high demand for the best business leaders in the nation. Their base salary actually may not be all that high. Yet CEOs usually pocket a variety of extras, such as retirement benefits, bonuses, stock options, and—for some—tax reimbursements. Add all this together, and total compensation can easily reach into the millions of dollars.

## C Critical Thinking

**Classifying** Call on students to identify different types of jobs, and list their responses on the board. Then ask students to make a three-column chart in their notebooks, using “Jobs,” “Labor Category,” and “Factors Affecting Supply and Demand” as column headings. Direct students to select 10 jobs from the list and enter them in the first column. In the second column, have them note whether the jobs are unskilled, semiskilled, skilled, or professional. In the third column, have them note what factors might affect how supply and demand determine wages. **OL**

## S Skill Practice

**Using Line Graphs** Have students draw two line graphs showing (1) how the labor supply would change in a highly remote location if very high wages were offered to prospective employees, and (2) how the demand for labor would change in an industrial firm that just invested in robotics. **AL**

## Economic Analysis

**Answer:** Only a few athletes are good enough to play in professional leagues.

## Leveled Activities

### BL Guided Reading Activities, p. 23

**GUIDED READING Activity 8-2**

WAGES AND LABOR DISPUTES

**OUTLINE**

1. What is a labor dispute?
2. What is a labor union?
3. What is a labor contract?
4. What is a labor strike?
5. What is a labor lockout?
6. What is a labor grievance?
7. What is a labor arbitration?
8. What is a labor mediation?
9. What is a labor conciliation?
10. What is a labor settlement?

### OL Economic Forms and Financial Pages Trans., Strat. and Act., p. 7

**ECONOMIC FORMS Teaching Strategy 4**

**APPLICATION FOR EMPLOYMENT**

**QUESTIONS**

1. Which question on the application asks the applicant to provide a reference?
2. Which question asks the applicant to provide a list of references?
3. Which question asks the applicant to provide a list of references?
4. Which question asks the applicant to provide a list of references?
5. Which question asks the applicant to provide a list of references?
6. Which question asks the applicant to provide a list of references?
7. Which question asks the applicant to provide a list of references?
8. Which question asks the applicant to provide a list of references?
9. Which question asks the applicant to provide a list of references?
10. Which question asks the applicant to provide a list of references?

### AL Economic Cartoons, p. 1

**ECONOMIC CARTOON 1**

**CHOICES, CHOICES**

**EXAMINING THE CARTOON**

1. Which choice is the best choice for the cartoon?
2. Which choice is the best choice for the cartoon?
3. Which choice is the best choice for the cartoon?
4. Which choice is the best choice for the cartoon?
5. Which choice is the best choice for the cartoon?
6. Which choice is the best choice for the cartoon?
7. Which choice is the best choice for the cartoon?
8. Which choice is the best choice for the cartoon?
9. Which choice is the best choice for the cartoon?
10. Which choice is the best choice for the cartoon?

## C Critical Thinking

**Evaluating** **Ask:** Do you think job seniority should be rewarded with higher wages? **Explain.** (Students answering “yes” may cite the greater experience of workers with seniority, while those saying “no” may say that seniority alone does not indicate better job performance.) **OL**

## W Writing Support

**Personal Writing** Have students write an essay about their career expectations. What role does further education play in their plans? **OL**

**Caption Answer:** that the person is highly skilled

**Caption Answer:** a strong union

**✓Reading Check** **Answer:** market theory: wages set by supply and demand; theory of negotiated wages: set by union negotiations

## Additional Support

### Teacher Tip

**Researching Jobs** You might suggest that students visit the Occupational Outlook Handbook at the Bureau of Labor Statistics Web site ([www.bls.gov/oco](http://www.bls.gov/oco)). The handbook provides in-depth information about jobs in the nation.



**Signaling Theory** People who enter the workforce with a college degree can expect higher pay. **What signal does a degree send to a potential employer?**

**theory of negotiated wages** explanation of wage rates based on the bargaining strength of organized labor

**seniority** length of time a person has been on a job

**signaling theory** theory that employers are willing to pay more for people with certificates, diplomas, and other indicators of superior ability

### \$ Personal Finance Handbook

See pages R16–R19 for more information on education.

## Theory of Negotiated Wages

The third approach to wage rate determination recognizes the power of unions. The **theory of negotiated wages** states that the bargaining strength of organized labor is a factor that helps to determine wages. A strong union, for example, may have the power to force higher wages on some firms because the firms would not be able to afford work interruptions in case of a threatened strike.

Figure 8.4 on page 208 helps validate the theory of negotiated wages. With only one exception, the figure shows that workers who are represented by unions receive weekly salaries that are higher than those of nonunion workers.

One important factor for unions is **seniority**—the length of time a person has been on the job. Because of their seniority, some workers receive higher wages than others who perform similar tasks, even if they do not have better skills.

## Signaling Theory

The fourth explanation for differences in wage rates is based on **signaling theory**. This theory states that employers are willing to pay more to people with certificates, degrees, and other indicators that “signal” superior knowledge or ability. For example, a sales firm might prefer to hire a college graduate with a major in history than a high school graduate who excelled in business courses. While this may seem odd, some firms view the degree as a signal that the individual possesses the intelligence, perseverance, and maturity to succeed.

You might hear from friends that they did not need their college degree to do the job they currently have—as if their education was not important. They overlook the signaling theory, which helps explain *why* they got the job in the first place.

**✓Reading Check** **Explaining** What is the difference between the market theory of wage determination and the theory of negotiated wages?



**Theory of Negotiated Wages** Unions sometimes threaten with a boycott to get wage concessions. **What factor is necessary for effective bargaining?**

## Activity: Hands-On Economics

### Job Opportunities in the United States

**States** Have students work in small groups to investigate job opportunities in the United States. Encourage groups to note the education and training required for each position, starting wage or salary, chances for advancement, and so on, for

each position they list. Have groups present their findings to the class. Use these presentations as a starting point for a discussion on the kinds of positions that students might seek in the future.

**OL**



## Resolving Labor Disputes

**MAIN Idea** There are a number of different ways to resolve a labor dispute if collective bargaining fails.

**Economics & You** Have you ever bargained with someone to get something you wanted? Read on to find out how unions do the same thing to get the wages and benefits they want for their workers.

When organized labor negotiates with management, disputes are bound to happen. Both sides can use collective bargaining to minimize such disputes. If this fails, they can turn to mediation, arbitration, fact-finding, injunction and seizure or, in extreme cases, presidential intervention.

### Collective Bargaining

Labor-management relations usually require **collective bargaining**—negotiations that take place between labor and management over issues such as pay, working

hours, health care coverage, and other job-related matters. During collective bargaining, elected union officials represent workers, and company officials in charge of labor relations represent management. Collective bargaining requires compromise from both parties, and the discussions over issues may go on for months.

If the negotiations are successful, both parties agree on basic issues such as pay, working conditions, and benefits. Because it is difficult to **anticipate** future problems, a **grievance procedure**—a provision for resolving issues that may come up later—may also be included in the final contract.

Normally, union and management are able to reach an agreement because the costs of failure are so high. Workers, for example, still have to make regular payments on car loans and mortgages, and companies don't want to lose customers to other businesses. In short, everyone has a big stake in resolving labor issues.

**collective bargaining**  
process of negotiation between union and management representatives over pay, benefits, and job-related matters

**grievance procedure**  
provision in a labor contract that outlines how future disputes and disagreements will be resolved

## CHAPTER 8, SECTION 2

### D Differentiated Instruction

**Verbal/Linguistic** Have students research a recent strike in your state. Have them note the reasons for the work stoppage, the procedures used to end the dispute, and the resolution. Have students present their findings in the form of a radio news report that lasts two to three minutes. Invite volunteers to “broadcast” their reports to the class. **OL**

### R Reading Strategy

**Visualizing** Review the text on collective bargaining with students. Ensure that students understand that when conflicts arise between labor and management, mediation and arbitration may be used to find compromises. Then ask students to create a flowchart showing the collective bargaining process. Call on volunteers to display and explain their flowcharts. **OL**

## CAREERS

### Labor Relations Specialist

#### The Work

- \* Formulate labor policy, oversee industrial labor relations, and negotiate collective bargaining agreements
- \* Coordinate grievance procedures between unions, workers, and management
- \* Handle complaints that result from contract disputes

- \* Ability to be patient, fair-minded, and persuasive, and to function under pressure
- \* College courses in labor law, collective bargaining, labor economics, labor history, and industrial psychology
- \* Many positions require graduate studies in industrial or labor relations

#### Qualifications

- \* Knowledge of fair wages and salaries, benefits, pensions, labor law, collective bargaining trends, and union and management practices

#### Earnings

- \* Median annual earnings: \$93,895

#### Job Growth Outlook

- \* Faster than average



Source: *Occupational Outlook Handbook*, 2006–2007 Edition

CHAPTER 8 Employment, Labor, and Wages 211

## Going to Work

### Step 2: Interviewing for a Job.

Students will role-play a job interview situation.

**Directions:** Have students organize in pairs, but not the same pairs as in Step 1. Within each pair, have students exchange job advertisements. Then have each student write a series of ten to twenty general questions based on the job advertisement that would help them in interviewing applicants.

Next, have students exchange job applications (or cover letters and résumés). Give them an opportunity to read through the applications and compare them with the advertisement. Then have them revise or add to the general questions they have already written.

Finally, have each pair take turns playing “employer” and “applicant.” As “employer,” each student will interview his or her partner, using the questions they have

previously prepared. Tell students that they are not limited to their prepared questions but may ask other questions based on what they learn during the interview process. Have “employers” take notes on the interview to use in making their hiring decisions.

**Summarizing** Have each student write a short paragraph explaining what he or she learned about the interviewing process. **OL**

(Chapter Project continued in Section 3.)

## Hands-On Chapter Project

### Step 2

## R Reading Strategy

### Making Connections

**Ask:** What personal qualities do you think a good labor mediator needs? (Possible qualities might include honesty, ability to see all sides of an issue, ability to reserve judgment, humor, patience, firmness, ability to communicate clearly, intelligence, ability to meet deadlines and work well under pressure, and flexibility.) **OL**

## W Writing Support

**Narrative Writing** Have students write two journal entries about a fictional local strike that is about to be settled by binding arbitration. One entry should be from the perspective of a union member. The other entry should be written from the point of view of management. **OL**

**Caption Answer:** Students will likely say that having a third party mediate the dispute might create better chances for compromise.

### Additional Support

## Teacher Tip

**Classroom Behavior** Before beginning the role-play, review with students that they should remain calm, courteous, and open-minded throughout the activity. Remind them that an effective tool in mediation is to show respect for the other side.



"A good negotiator can stand back and gain perspective."

**Mediation** Mediators need to objectively consider the viewpoints of all involved parties in their decisions **Why would unions and management agree to mediation?**

**mediation** process of resolving a dispute by bringing in a neutral third party

**arbitration or binding arbitration** agreement by two parties to place a dispute before a third party for a binding settlement

**fact-finding** agreement between union and management to have a neutral third party collect facts about a dispute and present nonbinding recommendations

**injunction** court order issued to prevent a company or union from taking action during a labor dispute

**seizure** temporary government takeover of a company to keep it running during a labor-management dispute

### Mediation

One way to resolve differences is through **mediation**, the process of bringing in a neutral third person or persons to help settle a dispute. The mediator's primary goal is to find a solution that both parties will accept. A mediator must be unbiased so that neither party benefits at the expense of the other. If the mediator has the confidence and trust of both parties, he or she will be able to learn what concessions each side is willing to make.

In the end, the mediator recommends a compromise to both sides. Neither side has to accept a mediator's decision, although it often helps break the deadlock.

### Arbitration

Another popular way to resolve differences is through **arbitration**, a process in which both sides agree to place their differences before a third party whose decision will be accepted as final. Because both sides must agree to any final decision the arbitrator makes, this type of negotiation is also called **binding arbitration**.

Arbitration is finding its way into areas beyond labor-management relations. Today, for example, most credit card companies require disputes with cardholders to be solved by an arbitrator rather than in the courts. This means that a credit card holder can no longer sue the credit card company in the event of a dispute because the matter goes to arbitration instead.

### Fact-Finding

A third way to resolve a dispute is through **fact-finding**, an agreement between union and management to have a neutral third party collect facts about a dispute and present nonbinding recommendations. This process can be especially useful in situations where each side has deliberately **distorted** the issues to win public support, or when one side simply does not believe the claims made by the other side. Neither labor nor management has to accept the recommendations of the fact-finding committee.

### Injunction and Seizure

A fourth way to settle labor-management disputes is through injunction or seizure. During a dispute, one of the parties may request an **injunction**—a court order not to act. If issued against a union, the injunction may direct the union not to strike. If issued against a company, it may direct the company not to lock out its workers. In 1995, after professional baseball players ended their strike and went back to work, the owners promptly called a lockout. The players then got an injunction against the owners, and the 1995 baseball season began—but without a labor agreement.

Under extreme circumstances, the government may resort to **seizure**—a temporary takeover of operations—while the government negotiates with the union. This occurred in 1946 when the government seized the bituminous coal industry. While operating the mines, government officials worked out a settlement with the miners' union.

## Activity: Collaborative Learning

**Role-Playing a Mediation** Have students role-play a labor-management dispute that must be mediated. Select three students to act as mediators, and have them research conflict resolution methods used in mediation. Then select six students—three to act as union representatives and three to act as management representatives—and have them draw up opposing positions

regarding wages, working conditions, and health benefits. Have the mediators implement a solution acceptable to both labor and management. Have the rest of the class evaluate the effectiveness of the solution, noting what each side lost and gained. **OL**

### Presidential Intervention

The president of the United States may enter a labor-management dispute by publicly appealing to both parties to resolve their differences. While rarely used, this can be effective if the appeal has broad public support. The president also can fire federal workers. In 1981 President Ronald Reagan fired striking air traffic controllers because they were federal employees who had gone on strike despite having taken an oath not to do so.

The president also has emergency powers that can be used to end some strikes. When pilots from American Airlines went on strike in 1997 during a peak travel weekend, President Clinton used a 1926 federal law, the Railway Labor Relations Act, to order an end to the strike less than 30 minutes after it began.

**✓Reading Check** **Summarizing** In what ways can labor and management resolve disputes?



**Intervention** In 1981 President Reagan replaced striking air traffic controllers. **Why did the president think this step was necessary?**

### C Critical Thinking

**Assessing** Have students write a list of criteria that a U.S. president should follow in deciding whether to intervene in a labor-management dispute. **OL**

**Caption Answer:** because they were federal employees who had taken an oath not to strike

**✓Reading Check** **Answer:** collective bargaining, mediation, arbitration, fact-finding, injunction and seizure, presidential intervention

## SECTION 2

### Review

#### Vocabulary

- 1. Explain** the significance of wage rate, unskilled labor, semiskilled labor, skilled labor, professional labor, market theory of wage determination, equilibrium wage rate, theory of negotiated wages, seniority, signaling theory, collective bargaining, grievance procedure, mediation, arbitration, binding arbitration, fact-finding, injunction, and seizure.

#### Main Ideas

- 2. Describing** Use a graphic organizer like the one below to describe the four approaches to wage determination.

Method	Characteristics
Skill level	
Market theory	
Negotiated theory	
Signaling theory	

- 3. Discussing** How do mediation, arbitration, and fact-finding differ from other ways to resolve labor disputes?

#### Critical Thinking

- 4. The BIG Idea** How does the market theory of wage determination reflect the forces of supply and demand?
- 5. Sequencing Information** If you represented a company during a collective bargaining session, and if negotiations were deadlocked, what course of action would you recommend? Why?
- 6. Interpreting** If you were a semiskilled worker, what could you do to move into a higher category of noncompeting labor?
- 7. Analyzing Visuals** Look at Figure 8.5 on page 209. The graphs show wage determination based on demand and supply. What might the demand and supply curves look like for a lawyer or for a person working in a fast-food restaurant?

#### Applying Economics

- 8. Signaling Theory** Look at some help-wanted ads in your local paper. What criteria do they often specify, and how do these criteria relate to signaling theory?

## Assess

Use the Interactive Tutor Self-Assessment CD-ROM to review Section 2, and then assign the Section 2 Review as homework or as an in-class activity.

## Close

**Evaluating** Ask: Which method of resolving labor disputes is most effective? Why? **OL**

## Review SECTION 2

## Answers

- All definitions can be found in the section and the Glossary.
- Skill level:** lowest to highest pay: unskilled, semiskilled, skilled, professional.  
**Traditional:** supply and demand for worker's skills determine wages.  
**Negotiated:** organized labor's bargaining strength helps determine wages.  
**Signaling:** employers pay more for workers with certificates, diplomas, degrees, and other indicators that signal superior ability.
- The parties are aided by a third party who helps them reach a compromise; in injunction and seizure and presidential intervention, a solution is imposed from outside.
- The higher the demand and the lower the supply of labor, the higher the wages.
- Answers will vary but should discuss negotiation and compromise.
- Possible answer:** Complete additional training and/or education.
- The curve for a lawyer would likely resemble the one for the professional athlete, with high demand and lower supply, while the curve for a fast-food worker would resemble the one for the roofer, with low demand and high supply.
- Answers will vary but may include such criteria as high school diplomas, associate's or bachelor's degrees, or other forms of technical certification and credentialing.





## CASE STUDY

### Focus

#### C Critical Thinking

**Evaluating** Ask: **Do you think satisfied workers are more productive than those who are unhappy? Explain.** (Possible answer: Yes; they are more motivated to do well.) **OL**

### Teach

#### W Writing Support

##### Personal Writing

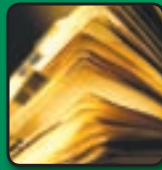
Have students write an essay explaining what policies and factors they think would make a company a good place to work. **OL**

#### Analyzing the Impact

##### Answers:

1. The company called on employees to provide leadership, take responsibility, and use their ingenuity to produce a better product.
2. Answers will vary but should be supported with logic.

### Additional Support



## CASE STUDY

### Harley-Davidson

#### Revving It Up

Since its founding in 1903, Harley-Davidson Motor Company has survived wartime economies, the Great Depression, overseas competition from Japanese manufacturers, and in 1985 the threat of bankruptcy. When it went public in 1986, a new era began. Harley tackled problems of global competition and the need for U.S. expansion. More importantly, it broke away from the adversarial model of management versus union by creating a “circle organization based around the core processes at Harley—create demand, produce product, and provide support.”

#### Partners in Business

**C** Harley-Davidson’s unique partnership style of management allied with labor was labeled the High Performance Work Organization (HPWO). The strategy minimizes red tape and calls on employees for leadership, responsibility, and ingenuity. Workers provide input at every stage of the manufacturing process.

The absence of the “us against them” mentality so often found in labor relations—coupled with a true sense of ownership by unionized workers—has motivated Harley employees to work toward

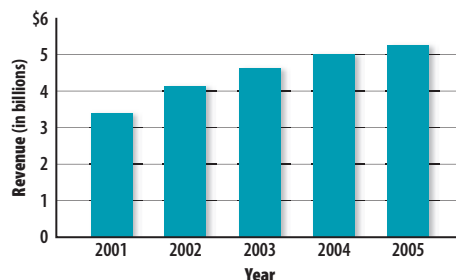


a common goal. In addition, the process has lowered the company’s costs, allowing it to create new jobs and expand operations.

#### Happy Workers, Humming Hogs

**W** The HPWO is paying off for the motorcycle manufacturer, which in 2004 was named one of America’s “100 Best Places to Work” by *Fortune* magazine. Employees and shareholders alike have cause for celebration. Since its turnaround in 1986, the company has experienced tremendous growth and reaped impressive profits. Harley-Davidson now sells motorcycles in over 60 countries. In 2006 it opened its first retail store in China. Now Chinese bikers donned in leather can buy a true American icon. Bandana sold separately.

HARLEY-DAVIDSON REVENUES, 2001–2005



Source: harley-davidson.com

#### Analyzing the Impact

1. **Summarizing** What change in business practices helped Harley-Davidson boost production and profits?
2. **Drawing Conclusions** Harley-Davidson also made a commitment to using only U.S. workers and parts suppliers. How might this commitment help or hinder the company? Explain.

### Extending the Content

#### Bumps in the Road at Harley-Davidson

In spite of Harley-Davidson’s HPWO management strategy, economic tensions can still lead to occasional rough rides for the “Hog” manufacturer. A strike at the company’s York, Pennsylvania, plant idled production for three weeks in February 2007. The agreement that settled the strike called for a two-tiered wage system, in which new employees will be paid less than long-term employees, reaching parity

after a few years. Employees will also pay more toward their own pension plans, with the company paying less. These changes are balanced by higher wages. Said a union spokesperson, “There is a time for sharing sacrifices and a time for sharing success.” Over four years of record-breaking profitability at Harley-Davidson led union workers to check their watches.

## GUIDE TO READING

## Section Preview

In this section, you will learn that important employment issues include union decline, unequal pay, and the minimum wage.

## Content Vocabulary

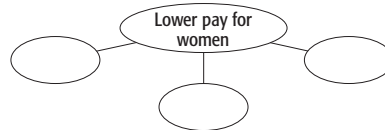
- giveback (p. 217)
- two-tier wage system (p. 217)
- glass ceiling (p. 219)
- set-aside contract (p. 219)
- minimum wage (p. 219)
- current dollars (p. 219)
- constant dollars (p. 221)
- real dollars (p. 221)
- base year (p. 221)

## Academic Vocabulary

- trend (p. 216)
- equivalent (p. 219)

## Reading Strategy

**Explaining** As you read the section, complete a graphic organizer similar to the one below to explain why women face an income gap.



## ISSUES IN THE NEWS

—The Oregonian

## Foreign Exchange at Minimum Wage

Four decades ago . . . Congress created a student exchange program intended to burnish America's worldwide reputation. The idea was simple: College students would visit for a few months, take a job, and return to their native lands imbued with affection for the red, white and blue.

Today, that initiative [is] a source of cheap labor for hotels, ski resorts and restaurants. Mt. Bachelor hired 30 exchange students from Peru for the winter, paying them \$7.50 an hour. Timberline Lodge, at Mount Hood, employed 20 students from Chile and also paid them the Oregon minimum wage.

The tourism industry says it needs the cheap work force to keep prices down. In [such a] tight labor market, . . . the lures of a free ski pass and minimum wage are no longer enough for local ski bums, who can find longer-term jobs for better wages in town. ■



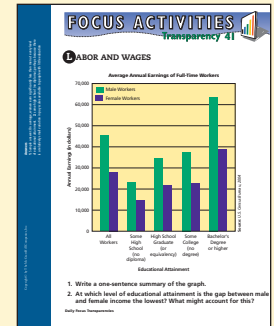
**I**mportant issues abound in today's labor market. While some workers are faced with layoffs when factories close, other industries have problems filling all their available jobs. This is especially true for those positions that pay only federal or state minimum wages, such as some of the resort jobs in the news story.

Difficulties in finding enough qualified workers to fill temporary jobs at the minimum wage is just one issue facing the national economy. Workers have seen a decline of unions, which limits their ability to influence wages, while women have to deal with differences in pay in the labor market.

## Focus

## Bellringer

## Daily Focus Transparency 41



## GUIDE TO READING

**Answers to Graphic:** differences in skills and experiences; fewer women in higher-paying jobs and more in low-paying jobs; discrimination and the glass ceiling

Resource  
Manager**R** Reading  
Strategies

## Teacher Edition

- Predicting, p. 217
- Making Connections, p. 221

## Additional Resources

- Guid. Read. Act., p. 24
- Read. Ess. & Note-Taking Guide, p. 70
- Pri./Sec. Source Read., pp. 3, 25

**C** Critical  
Thinking

## Teacher Edition

- Designing, p. 218
- Evaluating, pp. 219, 227

## Additional Resources

- Econ. Concepts Trans., Strat. & Act., p. 19

**D** Differentiated  
Instruction

## Teacher Edition

- ELL, p. 216
- Visual/Spatial, p. 222

## Additional Resources

- Enrichment Act., p. 8
- Crit. Think. Act., p. 8
- Reinforcing Econ. Skills, p. 5

**W** Writing  
Support

## Teacher Edition

- Narrative Writing, p. 217
- Personal Writing, p. 218
- Persuasive Writing, p. 219
- Expository Writing, p. 226

## Additional Resources

- Writer's Guidebook
- Reading and Study Skills Fold., p. 55

**S** Skill  
Practice

## Teacher Edition

- Using Line Graphs, p. 216
- Using Bar and Circle Graphs, p. 220

## Additional Resources

- Daily Focus Trans. 39, 41
- Personal Finance Act., p. 13

# Teach

## D Differentiated Instruction

### English Language Learners

Have students create a cause-and-effect graphic organizer that explains the reasons for the decline in union membership. (*Causes that explain the effect—falling union influence—should include antiunion activities by management, more women and teenagers in the labor force, and rising prices of union-made goods.*) **ELL**

## S Skill Practice

**Using Line Graphs** **Ask:** What other kinds of graphs could illustrate information about union membership? (*Possible answers: Circle graphs could show percentages of total workers who are unionized at different times. A bar graph could show total union membership over time or in different fields.*) **OL**

### Economic Analysis

**Answer:** It has continued to fall.

## Additional Support

### Skills Handbook

See page R36 to learn about determining Cause and Effect.

## Decline of Union Influence

**MAIN Idea** Labor unions have been losing their influence and power ever since the 1940s.

**Economics & You** You learned earlier about the rise of unions. Read on to learn about the decline of unions today.

A significant **trend** in today's economy is the decline in union membership and influence. As **Figure 8.6** shows, 35.5 percent of nonfarm workers were union members in 1945. This number has dropped since then to about 12.5 percent by 2006.

### D Reasons for Decline

Several reasons account for this decline. The first is that many employers have made a determined effort to keep unions out of their businesses. Some companies hire consultants to map out legal strategies to fight unions. Others try to head off the formation of a union by making workers part of the management team, adding employees

to the board of directors, or setting up profit-sharing plans to reward employees.

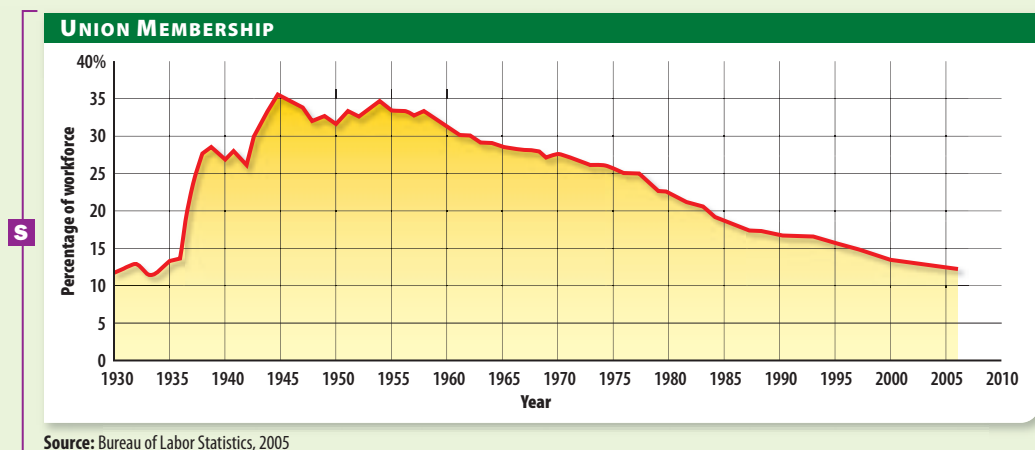
A second reason for union decline is that new additions to the labor force—especially women and teenagers—traditionally have had little loyalty to organized labor. In addition, more Americans are working in part-time jobs to help make ends meet. People who work a second job have less time to join or even support a union.

Perhaps the most important reason is that unions are the victims of their own success. When union wages are higher than those of nonunion workers, union-made products become more expensive than those of foreign and nonunion producers.

### Renegotiating Union Wages

Because unions have generally kept their wages above those of nonunion workers, union wages have been under pressure to come down. In fact, in recent years, there have been almost as many news reports of

**Figure 8.6** ▶ **Union Membership**



▶ Union membership grew rapidly after 1933 and peaked at 35.5 percent in 1945.

**Economic Analysis** How would you describe the trend of union membership during the last decade?

## Activity: Collaborative Learning

**Union Recruiting** Inform students that in recent years, the AFL-CIO and its affiliated unions have made great efforts to recruit new members. Organize students into several groups, and have groups research how union recruiting methods have changed recently. Suggest that groups consider such questions as the following:

- Have unions increased spending on recruiting? If so, by how much?
- Do unions use different recruiting tactics than they did in the past?
- Are unions aiming recruiting drives at different segments of the working population than they did in the past?

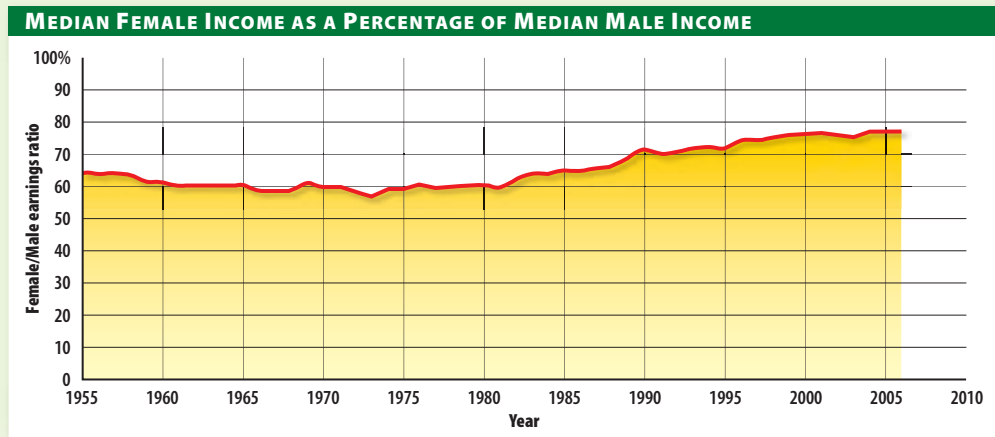
Direct groups to use library resources and the Internet in their research. If possible, they might also interview union representatives. Have groups present their findings in oral reports.

**OL**



- ▶ Over the years, the income earned by females has been only a fraction of that earned by males.

**Economic Analysis** When did median female income first reach 70 percent of male median income?



Source: Bureau of Labor Statistics, 2006

unions fighting to maintain wage levels as there were reports of union wages rising.

One way employers have been able to reduce union wages is by asking for givebacks from union workers. A **giveback** is a wage, fringe benefit, or work rule given up when a labor contract is renegotiated.

Some companies were able to get rid of labor contracts by claiming bankruptcy. If a company can show that wages and fringe benefits contributed significantly to its problems, federal bankruptcy courts usually allow management to terminate union contracts and establish lower wage scales.

Another way to reduce union salary scales is with a **two-tier wage system**—a system that keeps high wages for current workers, but has a lower wage for newly hired workers. This practice is becoming widespread and often has union approval.

**✓Reading Check** **Identifying** Why do successful unions create problems for themselves?

## Lower Pay for Women

**MAIN Idea** Men are generally paid more than women because of differences in skills, the types of jobs they choose, and discrimination.

**Economics & You** Are you or anyone in your family concerned about a job for which men are paid more than women? Read to find out about laws that will help correct the situation.

Overall, women face a substantial gap between their income and the income received by men. As **Figure 8.7** shows, female income has been only a fraction of male income over a 50-year period.

## Human Capital Differences

About one-third of the male-female income gap is due to differences in the skills and experience that women bring to the labor market. For example, women tend to drop out of the labor force to raise families more often than men. Working women also

**giveback** wage, fringe benefit, or work rule given up when renegotiating a contract

**two-tier wage system** wage scale paying newer workers a lower wage than others already on the job

## Writing Support

**Narrative Writing** Instruct students to write and then perform for the class a dialogue between two unionized workers. The workers might be discussing a proposed giveback, a company bankruptcy, or a two-tier wage system. Have students research their topic, consider how two workers might feel about it, and then write and perform their dialogues. **AL**

## Reading Strategy

**Predicting Ask:** What do you think are some reasons why women have received lower pay than men? (Possible answers: because they have children; some have less education or experience; discrimination) Have students look for more reasons as they read the subsection. **OL**

## Economic Analysis

Answer: 1990

**✓Reading Check** Answer: by making the goods they produce more expensive than nonunion goods

## Additional Support

## Activity: Technology Connection

**Jobs for Women** Have students use an Internet search engine to create a report on jobs that experts feel will offer good advancement prospects for women over the coming years. Point out that reliable sites will include those sponsored by government agencies, colleges and universities, foundations, and professional

and educational organizations. Have students share their reports and discuss issues that arise. Conclude the activity by asking students why these particular jobs are considered promising for women and whether they agree with the experts on their choices. **OL**

## C Critical Thinking

**Designing Ask:** How could companies raise the number of women in higher-paying occupations such as construction and engineering? (Possible answer: provide day care and family leave opportunities) **OL**

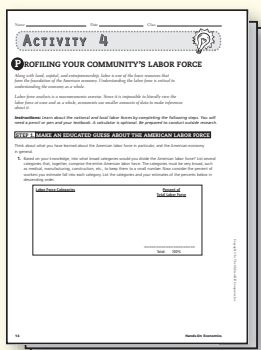
## W Writing Support

**Personal Writing** Share with students this quotation from Congresswoman Shirley Chisholm, the first African American woman in Congress and the first woman to run for president: "I've always met more discrimination being a woman than being black." Have students write a paragraph responding to this quotation. Then have them write which form of discrimination they feel is closer to being eliminated from our society and why. **AL**

## Economic Analysis

**Answer:** personal care and service; office and administrative support; education, training, and library; health care practitioner and technical; community and social services

## Differentiated Instruction



Hands-On Economics, p. 14

tend to have lower levels of education than their male counterparts. If these two factors—experience and education—were the same for men and women, about one-third of the wage gap would disappear.

## Gender and Occupation

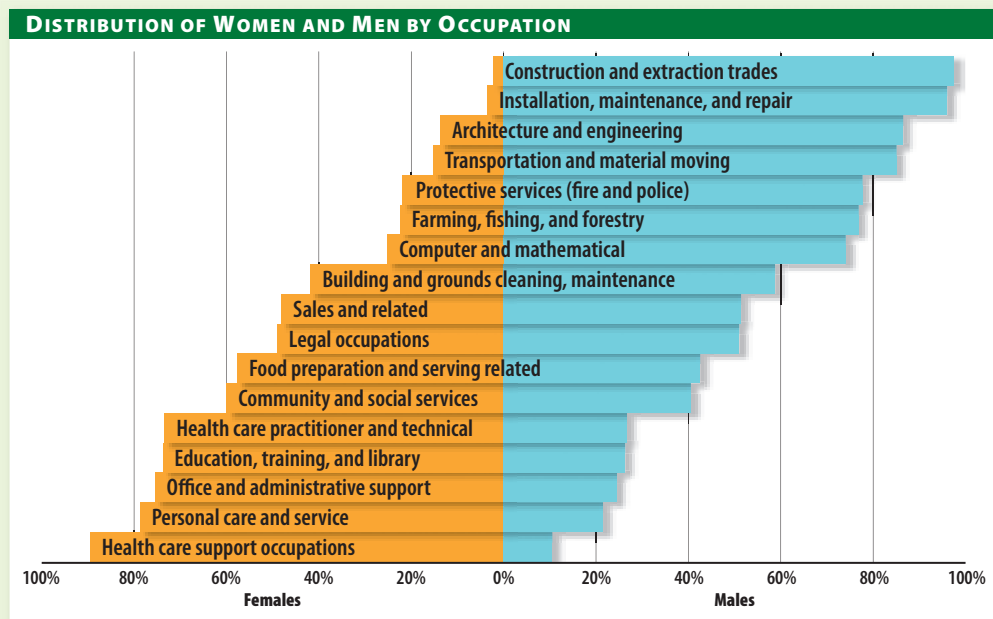
Slightly less than one-third of the wage gap is due to the uneven distribution of men and women among various occupations. For example, more men work in higher-paying construction and engineering trades than women. Likewise, more women work in lower-paying household service and office occupations than men.

The distribution of men and women in various occupations as reported by the Bureau of Labor Statistics is shown in **Figure 8.8**. As long as construction and engineering wages are higher than personal care and office worker wages, on average, men will earn more than women.

## Discrimination

Finally, slightly more than one-third of the gap cannot be explained by specific reasons. Economists attribute this portion of differences in income to discrimination that women face in the labor market. In fact, women and minorities often encounter difficulties in getting raises and promotions

Figure 8.8 Gender and Occupation



Source: Bureau of Labor Statistics, 2006

► One of the reasons for the difference in pay between men and women is their uneven distribution among occupations.

**Economic Analysis** In which occupations do women make up between 60 and 80 percent of the workforce?

## Profiling Your Community's Labor Force

**Objective:** Understand the composition of the community's labor force.

**Focus/Teach:** Ask students to name broad categories of labor (such as education or health care) that employ large numbers of local workers. Then have students complete the activity.

**Assess:** Discuss any discrepancies between students' surveys and the national and local profiles.

**Close:** Have students share their conclusions.

## Differentiated Instruction Strategies

**BL** Have students produce a written summary of their completed graphs.

**AL** Ask students to write a paragraph explaining how entrepreneurs might benefit from knowing their community's labor profile.

**ELL** Have students write and practice a script for interviewing residents.

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## S Skill Practice

### Using Bar and Circle Graphs

**Ask:** Why has the minimum wage adjusted for inflation dropped since 1997, even though the minimum wage has remained at \$5.15 an hour? (Because prices have risen over this time period, the purchasing power of the minimum wage has declined.) In what year would you have wanted to be earning the minimum wage? Why? (Most students will choose 1968 because the minimum wage adjusted for inflation and as a percentage of average manufacturing wage was at its highest level.) **OL**

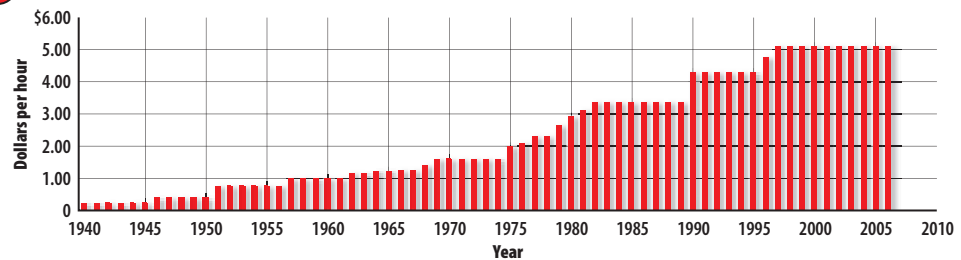
### Economic Analysis

**Answer:** It ranges between 30 and 50 percent of the average manufacturing wage and is currently at about 30 percent.

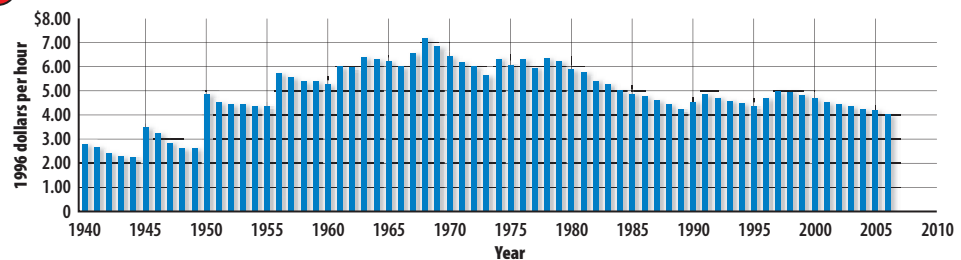
▶ The minimum wage is expressed in current dollars in Panel A, adjusted for inflation in Panel B, and as a percentage of the average wage for workers in manufacturing in Panel C. The minimum wage has been fixed at \$5.15 since 1997.

**Economic Analysis** How does the minimum wage compare to average manufacturing wages?

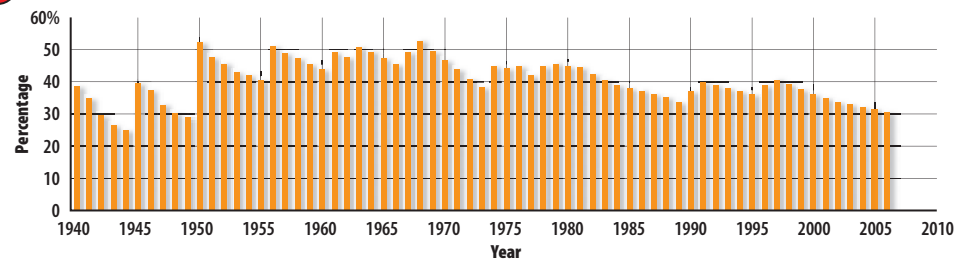
#### A THE MINIMUM WAGE IN CURRENT DOLLARS



#### B THE MINIMUM WAGE ADJUSTED FOR INFLATION



#### C THE MINIMUM WAGE AS A PERCENTAGE OF THE AVERAGE MANUFACTURING WAGE



Sources: Statistical Abstract of the United States; Economic Report of the President, various issues

## Hands-On Chapter Project

### Step 3

### Going to Work

**Step 3: Negotiating and Hiring.** Students will role-play the negotiating and hiring process.

**Directions:** Using the notes they took on the interviews they conducted in Step 2, have each student write a letter as an “employer” to the person he or she interviewed. Students’ letters should indicate whether they would hire the students who applied for the jobs. If they are hiring, they should offer terms of employment. If they do not think that the applicant would

make a suitable employee, they should state why, but list conditions under which they would be prepared to hire the “applicant” for a probationary period of six months. Have them give the letters to the “applicants” they interviewed in Step 2.

Then have each student “applicant” respond to the letter from the prospective “employers.” They may either agree to the terms, turn down the offer, or counter with terms of their own. **OL**

(Chapter Project continued in Visual Summary.)

## Inflation

To compensate for inflation, economists like to use **real** or **constant dollars**—dollars that are adjusted in a way that removes the distortion of inflation. This involves the use of a **base year**—a year that serves as a comparison for all other years.

Although the computations are complex, the results are not. **Panel B**, using constant base-year prices, shows that the minimum wage had relatively more purchasing power in 1968 than in any other year. As long as the base year serves as a common denominator for comparison purposes, the results would be the same regardless of the base year used.

Panel B also shows that the purchasing power of the minimum wage goes up whenever the wage increases faster than inflation. This was the case in 1997, when the wage was increased to \$5.15. However, the minimum wage remained the same through 2006 while prices went up during the same time period. This means that the wage actually purchased a little less each year. As long as the minimum wage remains

unchanged and inflation continues, the purchasing power of the wage will continue to decline.

## Manufacturing Wages

**Panel C** shows the minimum wage as a percentage of the average manufacturing wage. In 1968, for example, the minimum wage was \$1.60 and the average manufacturing wage \$3.01, or 53.2 percent of the manufacturing wage for that year. The ratio peaked in 1968 and then slowly declined. As long as the minimum wage stays fixed and manufacturing wages go up, this ratio will continue to decline.

The minimum wage will certainly be raised again. What is not certain is when this will happen. When the minimum wage becomes unacceptably low to voters and their elected officials, Congress will increase it. Some people even want to link the minimum wage to inflation, so that the wage will automatically rise when prices rise.

**real dollars or constant dollars**  
dollar amounts or prices that have been adjusted for inflation

**base year** year serving as point of comparison for other years in a price index or other statistical measure

**Reading Check** **Summarizing** What is the difference between current dollars and real dollars?

### SECTION

## 3

## Review

### Vocabulary

1. **Explain** the significance of giveback, two-tier wage system, glass ceiling, set-aside contract, minimum wage, current dollars, real or constant dollars, and base year.

### Main Ideas

2. **Listing** List three ways firms renegotiate union contracts by using a graphic organizer like the one below.

Renegotiating Union Contracts	
Givebacks	

3. **Identifying** What are the reasons for the income gap between men and women?
4. **Explaining** Why is it necessary to consider inflation when examining the minimum wage?

### Critical Thinking

5. **The BIG Idea** Have labor unions outlived their usefulness? Why or why not?
6. **Synthesizing Information** A number of arguments exist both in favor of and against having a minimum wage. With which side do you agree? Why? Explain your answer in a brief paragraph.
7. **Analyzing Visuals** Look at Figure 8.9 on page 220. When was the purchasing power of the minimum wage highest? When was it lowest?

### Applying Economics

8. **Minimum Wage** Search the employment ads in your local or regional newspaper and list at least five jobs for which you qualify. Include the advertised salary for each job. Explain why each wage is higher, lower, or the same as the current federal minimum wage.

## CHAPTER 8, SECTION 3

## R Reading Strategy

**Making Connections** Point out that wages often include fringe benefits, such as paid vacation time. Organize students into groups, and have each group write to the human resources department of a local company to discover what fringe benefits it offers. As a class, compare students' findings. **OL**

**Reading Check** **Answer:** Current dollars are not adjusted for inflation; real dollars are adjusted in a way that removes the distortion of inflation.

## Assess

Use the Interactive Tutor Self-Assessment CD-ROM to review Section 3, and then assign the Section 3 Review as homework or as an in-class activity.

## Close

**Predicting** Ask students to predict the major employment trends of the next 25 years and their effects. **OL**

## Review

### SECTION

## 3

## Answers

1. All definitions can be found in the section and the Glossary.
2. **Givebacks:** to protect jobs, unions give up a wage, fringe benefits, or work rule. **Two-tier wage system:** pays newly hired workers a lower wage than others already on the job. **Claiming bankruptcy:** courts allow management to terminate union contracts and establish lower wage scales.
3. differences in human capital (skills and experience); prevalence of women in lower-paying jobs and lack of them in higher-paying jobs; discrimination
4. It is necessary to consider inflation because of the loss of purchasing power.
5. Answers will vary but should be supported by logic and sound economic reasoning.
6. Answers will vary but should reflect an understanding of the minimum wage.
7. 1968; 1944
8. Answers will vary but should demonstrate an understanding of the minimum wage and factors that affect pay rates.

## Teach

### D Differentiated Instruction

**Visual/Spatial** Point out that the U.S. labor force has undergone many changes, including “what it takes” to compete in a world economy. Have students research and write an illustrated paper on how new technologies have impacted manufacturing’s skilled labor force, such as that represented by the UAW. **OL**

### BusinessWeek **ONLINE**

To find up-to-date news and analysis on the economy, business, technology, markets, entrepreneurs, investments, and finance, have students search feature articles and special reports on the BusinessWeek Web site, [www.businessweek.com](http://www.businessweek.com).

### Examining the Newsclip

#### Answers:

1. wages and benefits for workers and retirees
2. Cars can be produced for less in other countries.

## Additional Support

For more than a century, unions have fought hard for benefits many workers today take for granted—an 8-hour workday, paid vacations, and health care insurance. Unions, however, have now declined in both membership and influence.

## Twilight of the UAW

For more than two decades, the United Auto Workers (UAW) has grudgingly allowed Detroit carmakers to slash jobs as they have struggled to keep pace with the onslaught from foreign rivals. That’s what UAW President Ron Gettelfinger agreed to when he signed off on General Motors Corp.’s buyout of more than 40,000 jobs at the No. 1 carmaker and its former parts unit, bankrupt Delphi Corp. Where the union has always drawn the line is on bedrock issues: wages and benefits for workers and retirees.

This time, though, that line won’t hold. GM’s buyouts are the beginning, not the end, of the concessions the union will have to make over the next few years. . . .

What’s going on is nothing less than the slow death of what was once the country’s most powerful industrial union. Despite years of relentless global pressure, the UAW has been able to maintain some of the best blue-collar posts in the U.S.

**D** But like lumbering GM itself, the union failed to realize what it would take to compete in a world

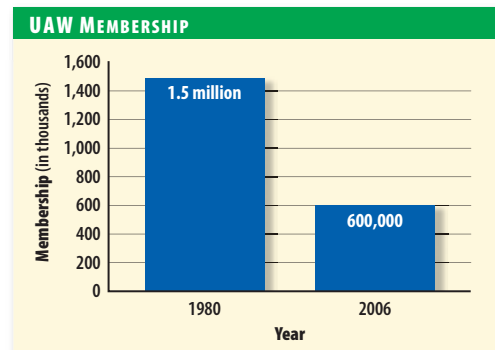
economy. In the 1980s and 1990s, it fought concessions that would have helped U.S. carmakers fend off imports. . . . Like GM and Ford, it’s paying the price today. . . .

The UAW’s setbacks highlight a broader challenge faced by blue-collar America. Just as union bargaining muscle helped make the middle class, so too does its weakening signal the stiffer barriers less-skilled workers face in today’s globalized economy. . . .

There’s another buzzsaw coming: cars from China. Every big automaker is expanding production in the Chinese market, and analysts expect most to start exporting vehicles to the U.S. in a few years.



—Reprinted from *BusinessWeek*



Source: *BusinessWeek*

### Examining the Newsclip

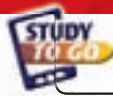
1. **Summarizing** On what two issues did the UAW refuse to negotiate in the past?
2. **Determining Cause and Effect** How has globalization led to the decline of the UAW?

## Activity: Hands-On Economics

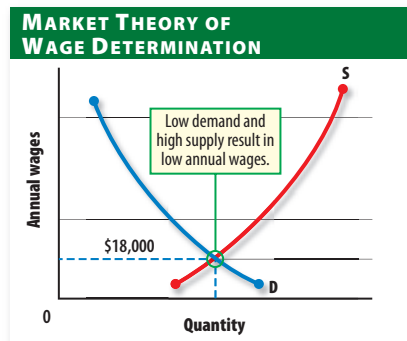
**Unions in the Community** Have students find out what local unions are active in your community. Have them conduct research to find out what national (or international) unions and federation(s) the local unions are affiliated with, and then make organizational charts for

them. Students should list the federation(s) at the top, the national (or international) unions in the middle, and the locals at the bottom. Have students compare their charts and then draw conclusions about labor in your community. **OL**

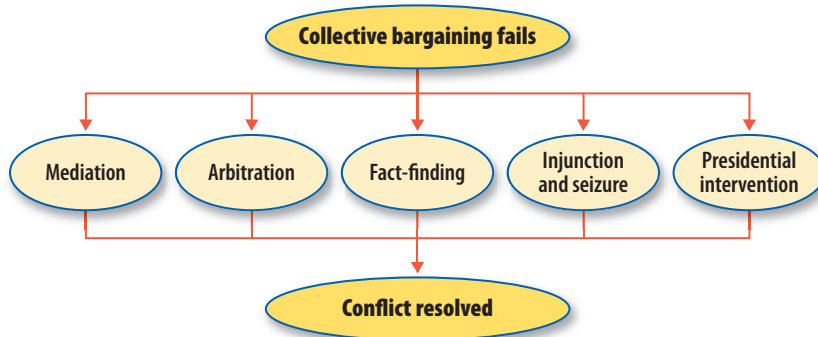




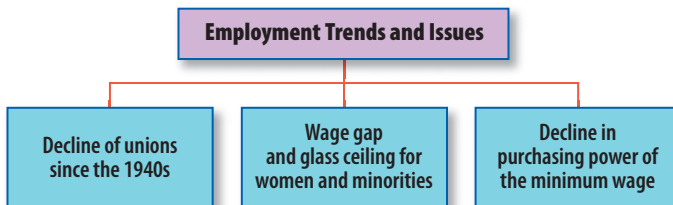
- **Wage Determination** Wage rates can be explained in three ways. The market theory of wage determination relies on the tools of supply and demand. The theory of negotiated wages recognizes the influence of unions in bargaining for higher wages. The signaling theory states that employers are willing to pay higher wages to people with diplomas and other signals of ability.



- **Labor Dispute Resolution** Union and management representatives can use several strategies to resolve deadlocks when collective bargaining fails.



- **Employment Issues** Current labor issues include the loss of influence and power since the 1940s, the wage gap between women and men, and the minimum wage and its purchasing power.



**Interpersonal** Organize the class into small groups. Tell them to imagine that they are union organizers trying to increase membership. Have each group come up with a campaign to attract new members. Their campaigns may consist of television advertisements (for which students should write scripts and create story boards), brochures, posters, and editorials. Have each group present its campaign to the class. **OL**

**Analyzing Visuals** Have students look at the cartoon on page 18 of *Economic Cartoons* and answer the questions below it.  
**Ask:** Why do you think women typically make less money for doing the same work as men? Write students' answers on the board. Then have them conduct research to find out in which lines of work men's and women's wages are most equal and in which lines of work they are most unequal. Guide students in a discussion of the possible reasons and what can be done to ensure that people are paid equally for equal work, regardless of gender. **OL**

## Hands-On Chapter Project

### Step 4: Wrap Up

## Going to Work

**Step 4: Putting It Together.** Students will synthesize what they learned in Steps 1–3.

**Directions:** Tell students that upon being hired, one of the first things they will have to do is fill out paperwork such as a W-4 form for taxes. They may also have to fill out forms for health and life insurance, as well as forms for a retirement plan—either a pension system or 401(k) plan. Obtain copies of W-4 forms and walk students through the process of filling them out.

**Summarizing** Have each student write a brief essay telling what he or she learned about the process of applying for a job—from the point of view of the applicant and from the point of view of the employer. Then have students reunite with their partners from Step 2 and put together a folder of their job application materials and letters, with both students' names on the folders. **OL**

# ExamView®

## Assessment Suite

This easy-to-use software includes extensive question banks and allows you to create fully customized tests that can be administered in print or online.

### Review Content Vocabulary

- |               |               |
|---------------|---------------|
| 1. pro-union  | 2. pro-union  |
| 3. antiunion  | 4. pro-union  |
| 5. neither    | 6. antiunion  |
| 7. neither    | 8. antiunion  |
| 9. neither    | 10. antiunion |
| 11. antiunion | 12. pro-union |
| 13. antiunion | 14. pro-union |
| 15. pro-union | 16. neither   |
| 17. neither   | 18. neither   |
| 19. pro-union | 20. neither   |

### Review Academic Vocabulary

- 21.–26. Students' sentences will vary but should demonstrate understanding of each term's meaning in an economic context.

### Review the Main Ideas

27. **Possible answers:** organized to demand higher pay for skilled workers; growth in number of workers at manufacturing facilities where working conditions were difficult; change in public attitudes toward unions
28. **Employers:** fought unions by calling lockouts, hiring new workers to replace strikers, setting up company unions, or ending strikes with violence. **Supreme Court:** showed unfavorable attitude toward unions through antilabor decisions.
29. Membership is low and uneven by demographic group, state, and place of work.

### Review Content Vocabulary

Classify each of the terms below as pro-union, antiunion, or neither.

- boycott
- closed shop
- company union
- seniority
- fact-finding
- giveback
- grievance procedure
- lockout
- modified union shop
- seizure
- injunction
- picket
- right-to-work law
- agency shop
- strike
- two-tier wage system
- arbitration
- mediation
- theory of negotiated wages
- signaling theory

### Review Academic Vocabulary

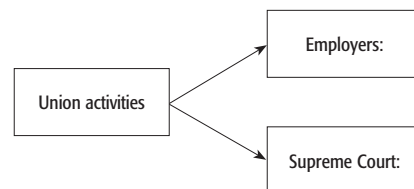
Use each of these words in a sentence that reflects the word's meaning in the chapter. Then create a word search puzzle using the sentences—without the word—as clues.

- |                 |                |
|-----------------|----------------|
| 21. legislation | 24. distort    |
| 22. prohibit    | 25. trend      |
| 23. anticipate  | 26. equivalent |

### Review the Main Ideas

#### Section 1 (pages 197–205)

27. **Describe** several reasons for the rise of unions prior to 1930.
28. **Identify** the effects of union activities during the post-Civil War period by using a graphic organizer similar to the one below.



29. **Describe** current union influence in terms of membership and workers represented by unions.

#### Section 2 (pages 207–213)

30. **Explain** why a college degree can lead to higher wages.
31. **Identify** the purpose of collective bargaining.
32. **List** the approaches to resolving a deadlock between a union and a company's management.

#### Section 3 (pages 215–221)

33. **Explain** why men and women are said to have "human capital" differences.
34. **Describe** two corrective measures being taken to close the income gap between men and women workers.
35. **Identify** the original intent of the minimum wage.

### Critical Thinking

36. **The BIG Idea** Unions generally argue that the best interests of workers can be served when employees are members of a union. Do you agree or disagree with this statement? Defend your answer.

- Companies look at it as a signal of intelligence and maturity.
- to negotiate with management over pay, benefits, and other job-related matters
- collective bargaining, arbitration, mediation, fact-finding, injunction and seizure, and presidential intervention
- Women tend to drop out of the labor force to raise families and tend to have lower levels of education.
- The legal remedy outlaws wage and salary discrimination for jobs requiring

equivalent skills and responsibilities. The market remedy reserves some hiring and contracts for minority groups.

35. to prevent the outright exploitation of workers and to provide some degree of equity and security to those who lacked the skills needed to earn a decent income

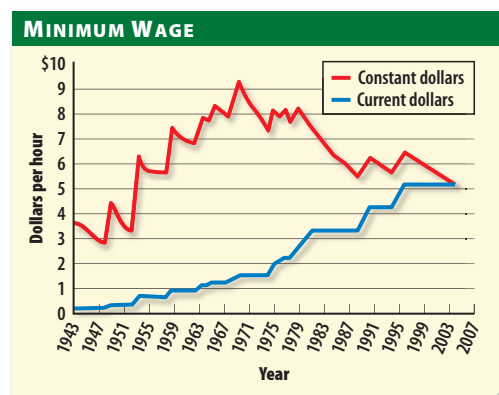
### Critical Thinking

36. Answers will vary but should demonstrate knowledge of union goals.

37. **Contrasting** Identify the differences between mediation and arbitration. Which method do you think is more effective? Write a paragraph explaining your answer.
38. **Analyzing Information** Some people believe that in today's economy, the market theory of wage determination is more useful than the theory of negotiated wages. Explain why you agree or disagree.
39. **Analyzing Visuals** Look at Figure 8.2 on page 202. How does your state's position on this issue affect you? Why do you think your state supports or opposes right-to-work laws?
40. **Inferring** Why are workers in the food service industry least likely to be unionized?

### Analyzing Visuals

41. **Critical Thinking** Explain how a supporter of raising the minimum wage would use the information from the graph below.



### Writing About Economics

42. **Persuasive Writing** Based on what you have learned about wage determination, write a short essay persuading a friend to continue his or her education after graduating from high school.

### Applying Economic Concepts

43. **Civilian Labor Force** As you go to and from school, take note of the various occupations around you. List at least 10 occupations, and then classify them according to the four major categories of labor. Which category is represented most? Is a category not represented at all? Why do you think that might be?
44. **Minimum Wage** Poll at least 10 people of various ages, asking for their opinions on the following statement: There should be no minimum wage. Compile the responses and present your findings to the class.

### Interpreting Cartoons

45. **Critical Thinking** Look at the cartoon below. What goal of the labor union movement does the cartoonist illustrate? What labor action are the beanie babies utilizing to achieve their goal?



Have students visit the Web site at [glencoe.com](http://glencoe.com) to review Chapter 8 and take the **Self-Check Quiz**.

### Analyzing Visuals

41. A supporter of raising the minimum wage would argue that the buying power (real dollar value) of the minimum has declined sharply since the current rate was established in 1997.

### Writing About Economics

42. Answers will vary but should demonstrate an understanding of the economic benefits of a post-secondary education.

### Applying Economic Concepts

43. Answers will vary but should demonstrate an understanding of the four categories of labor.
44. Answers will vary but should demonstrate the student's ability to acquire and analyze data.

### Interpreting Cartoons

45. In the cartoon, the Beanie Babies are picketing the company that makes the toys. The issue is forced "retirement," or requiring someone to stop working at a mandatory age.

37. In mediation, a neutral third person recommends a compromise to both sides, which they are not bound to accept. In arbitration, a neutral third person studies the differences between the two sides and gives a decision, which the parties must accept as final. Students should support their opinions of which method is the most effective.

38. Answers will vary but should demonstrate an understanding of negotiated and market theories of wage determination.
39. Answers will vary but should demonstrate an understanding of the impact of right-to-work laws.
40. They often work for minimum wage, work part-time, are unskilled, and are teenagers.





## Focus

Have students describe their experiences with offshore customer service. Discuss whether they were satisfied with the assistance they received, what problems may have arisen, and what advantages and disadvantages they see with the arrangement. **Ask:** *Do you expect the offshoring of customer-service jobs to continue? Why or why not? (Students will likely say it will continue because of the growing global economy.)*

## Teach

### W Writing Support

**Expository Writing** Have students review the table. Then have them write a paragraph discussing some kinds of jobs that they expect will *not* be outsourced and why. Have volunteers share their paragraphs. As a class, discuss the issues raised by students' work.

OL

### Additional Support

### Teacher Tip

**Setting Time Limits** Set strict time limits for each part of the debate. For example, allow three minutes each for opening and closing arguments, three minutes for each side's argument, and two minutes for each rebuttal.

## "Offshoring" American Jobs to India

Have you called a customer service center recently? If so, you may have talked to a person with an American name and an unfamiliar accent. Many U.S. companies have decided to outsource a portion of their business, such as customer support, to companies located in the United States. Others send these jobs abroad, a practice called "offshoring." India is a favorite location.

### Job Exodus

Customer service positions are not the only jobs headed for India. Work moving offshore also includes processing mortgages, overseeing payrolls, balancing business accounts, and handling insurance claims. When you surf the Internet, you're using search terms and archives keyed in or scanned mostly by Indian technicians.

India is attractive for several reasons. The country provides a large pool of educated people who speak English. In addition, India's day begins when ours ends, which means that U.S. companies can work all day and increase productivity by offshoring overnight work to India. With fiber-optic cables wrapped around the world, it is cheap to transmit data from North America to South Asia. Perhaps the most important reason for looking overseas is cheap labor. A software programmer in India earns about \$10,000 compared to an American programmer's salary of roughly \$60,000.

Salary Comparisons		
Job	United States	India
Software programmer	\$66,100	\$10,000
Mechanical engineer	\$55,600	\$5,900
IT manager	\$55,000	\$8,500
Accountant	\$41,000	\$5,000
Financial operations	\$37,625	\$5,500

Sources: Paāras Group; International Labour Organization

Projected Number of U.S. Jobs to Move Overseas by 2015	
Art, design	29,654
Life sciences	36,770
Legal	76,642
Architecture	184,347
Sales	226,564
Management	288,281
Business	348,028
Computer	472,632
Office	1,659,310

Source: Forrester Research, Inc.

### White-Collar Workers Feel the Pinch

Previously reserved for low-wage jobs such as those in textile manufacturing, offshoring today impacts white-collar workers. Some studies estimate that offshoring cost U.S. workers 400,000 jobs in 2004 and predict that it will cost more than 3 million jobs by 2015. Others foresee as many as 4 million jobs lost in the services sector alone.

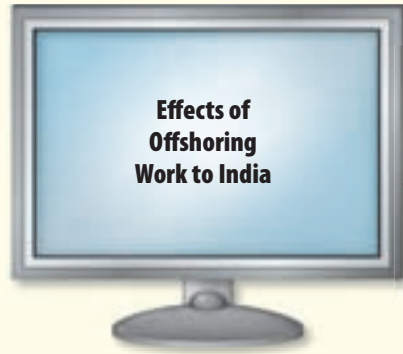
The ranks of high-profile American companies moving parts of their operations to India include Charles Schwab, AOL, American Express, GE, and Microsoft. And the list continues to grow. More than half of Fortune 500 companies have shipped jobs overseas, including Oracle, Dell, Delta Air Lines, J.P. Morgan Chase, British Airways, and Hewlett-Packard.

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### Activity: Collaborative Learning

**A Debate On Offshoring** Organize students into two teams to debate this proposition: *The government should take steps to prevent the offshoring of American jobs.* Have teams research and prepare their position. Hold the debate, with some members of the class serving as

judges/evaluators. At the conclusion of the debate, have the judges decide which team presented and supported its position better. Then discuss issues that arose from the debate. **OL**



### Effects of Offshoring Work to India

Lower prices for goods and services purchased in the United States

Around the clock and around the world productivity for U.S. companies, resulting in more profits

Loss of jobs for U.S. workers

### What Does It Mean For You?

The good news is that cheaper labor for goods and services means lower prices for you and other consumers. You also benefit from services that are available to you any time of day. For example, if you have a medical emergency that requires x-rays, the digital images can be interpreted by an Indian radiologist overnight, with results reported back to your doctor by the next morning.

The bad news is that many Americans may lose their jobs. Offshoring can even change your likelihood of future success. A college degree—even an M.D. or Ph.D.—may not be enough to compete with India's growing employment pool of cheap, educated labor.

*Bengaluru (Bangalore), India, with a highly educated workforce and a total population of more than 6 million, is a magnet for U.S. companies looking to offshore jobs.*



### Analyzing the Issue

- Identifying** How can using workers in India increase an American company's productivity?
- Determining Cause and Effect** What are the main reasons why American jobs are sent overseas?
- Applying** Check your local newspaper or Internet news sources for recent reports about companies in your community or state that have sent jobs overseas. On a separate piece of paper, summarize the issues discussed in these articles and describe how they affect you and your community.

## Assess/Close

### C Critical Thinking

**Evaluating** Have students decide whether the trend toward offshoring customer service and other tasks is positive or negative for the following groups: U.S. companies, American consumers, American workers, and Indians. Have students explain the reasoning behind their evaluations. **OL**

### Analyzing the Impact

#### Answers:

- They can vastly reduce their costs while obtaining the same amount of work.
- Companies can save money spent on labor costs and get work done faster due to time shifts.
- Answers will vary but should describe the personal or local effects of offshoring.

### Additional Support

## Activity: Interdisciplinary Connection

**International Studies** Tell students that for several decades, skilled workers from developing countries, including India, have had difficulty finding suitable work in their own countries and have emigrated to developed countries in search of jobs. Almost every student will have had contact with a doctor, engineer, or other skilled professional from another country. Explain that this flight of skilled workers from the

developing to the developed world has been called the "brain drain." It seriously affects the economic potential of developing nations. Some countries are trying to prevent the brain drain; for example, Thailand has initiated a program called Reverse Brain Drain to create and attract more high-tech industries in order to retain its skilled workers. Ask students to discuss how the development of

industries like India's customer-service industry may help prevent the brain drain from occurring in developing nations. Encourage students to consider how that might affect the U.S. economy. **OL**