

# ***“What is the impact of the economy on unionized workplaces?”***

**by Justin Ozunko**

One of the main reasons why our current recession continues is that workers do not have the purchasing power they need to drive the economy. Consumer activity accounts for almost 70% of our nation's economy. With declining wages and job losses, one can see why a recession has occurred.

Paul Krugman (Noble Prize winner in economics) said that falling wages are a symptom of a sick economy. Krugman argues that a healthy, middle class economy needs middle class wages. Unions work to keep wages at levels that will support stability in the economy.

During the 20<sup>th</sup> century when unions were stronger and workers generated economic growth by increasing their productivity were rewarded with higher wages. This allows people to have extra income to purchase goods which helped the economy.

The commonest metaphor for how unions strengthen the economy is that they force employers on to the "high road" of production, innovation, promoting skilled work and encouraging investment in long term productivity. When workers do not have a fear of losing their jobs, innovation is encouraged and lower turnover of skilled workers means better productivity. Unions force employer's to improve on technology and more capital to make higher wages pay for themselves. Export is major contributor to any economy, and with skilled workers and state of the art technology, companies are able to produce their goods cheaper, better and in high volume to meet the demands of the world. A country's financial wealth is most often determined by its export to import ratio.

Many historians credit unions with the rise of Canada's middle class. By helping more workers make a decent wage with more job security are largely responsible for stabilizing the economy and stimulating its growth.

Because of unions people could afford housing, better food, clothing, cars and consumer goods. Increasing the demand for these goods creates more jobs and more economic growth. With more people working and having good wages, this results in more taxes to support growth of public services like school, roads, clean water, police services, health care etc. This all helps the economy.

Health benefits achieved by unions have had a big impact on the economy. Very few people could afford orthodontic work, physiotherapy, eye vision, massage therapy etc, and these practices were rarely seen around the community. With these benefits people are able to afford these services now and as a result, these practices began popping up, and now can be seen on almost every corner. This creates more jobs for people and more opportunity for students to take these careers in University as the demand for these services increase. This again creating more consumer spending, thus helping the economy.

Better pension benefits have resulted in the elderly being less of a burden on society as they are able to afford to take care of themselves and still contribute to the communities they live in. The higher pension allow for more consumer spending which again helps the economy.

Even though some people like to say that unions are bad for the economy, stats prove them wrong. Canada is among the top 5 prosperous countries in the world which has a relatively high rate of unionization. Studies have shown that countries fare better economically if large numbers of workers belong to trade unions. High unionization rates are associated with lower unemployment and inflation, high productivity and speedier adjustment to economic shock. One has to look no further than the impact on the recession on Canada (high unionization) vs. the United States who are not as unionized, particularly in the south.