

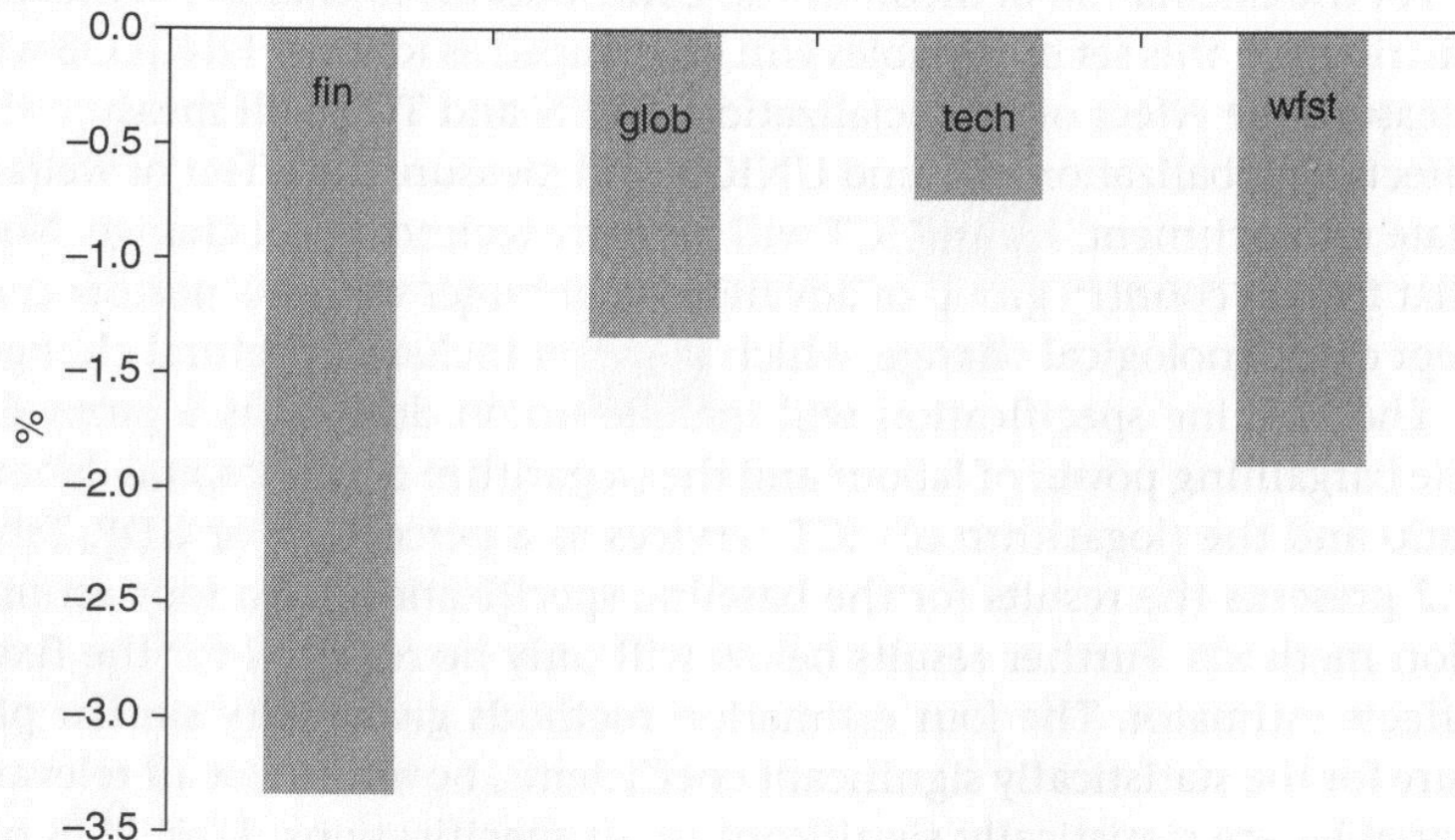
# Trades unions, real wages and full employment

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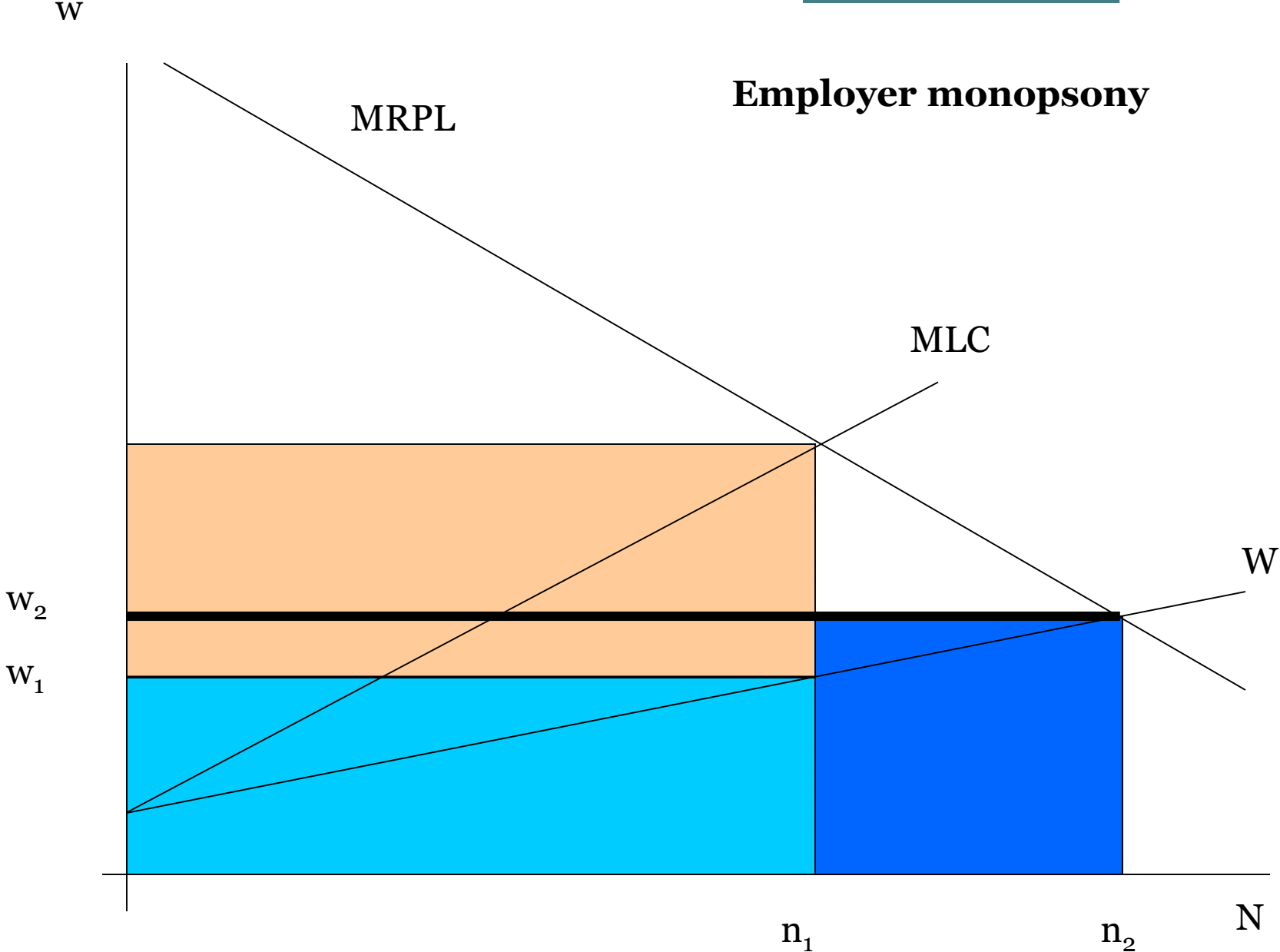
**Figure 1 Contributions to change in the wage share for advanced countries, 1980/84–2000/2004**

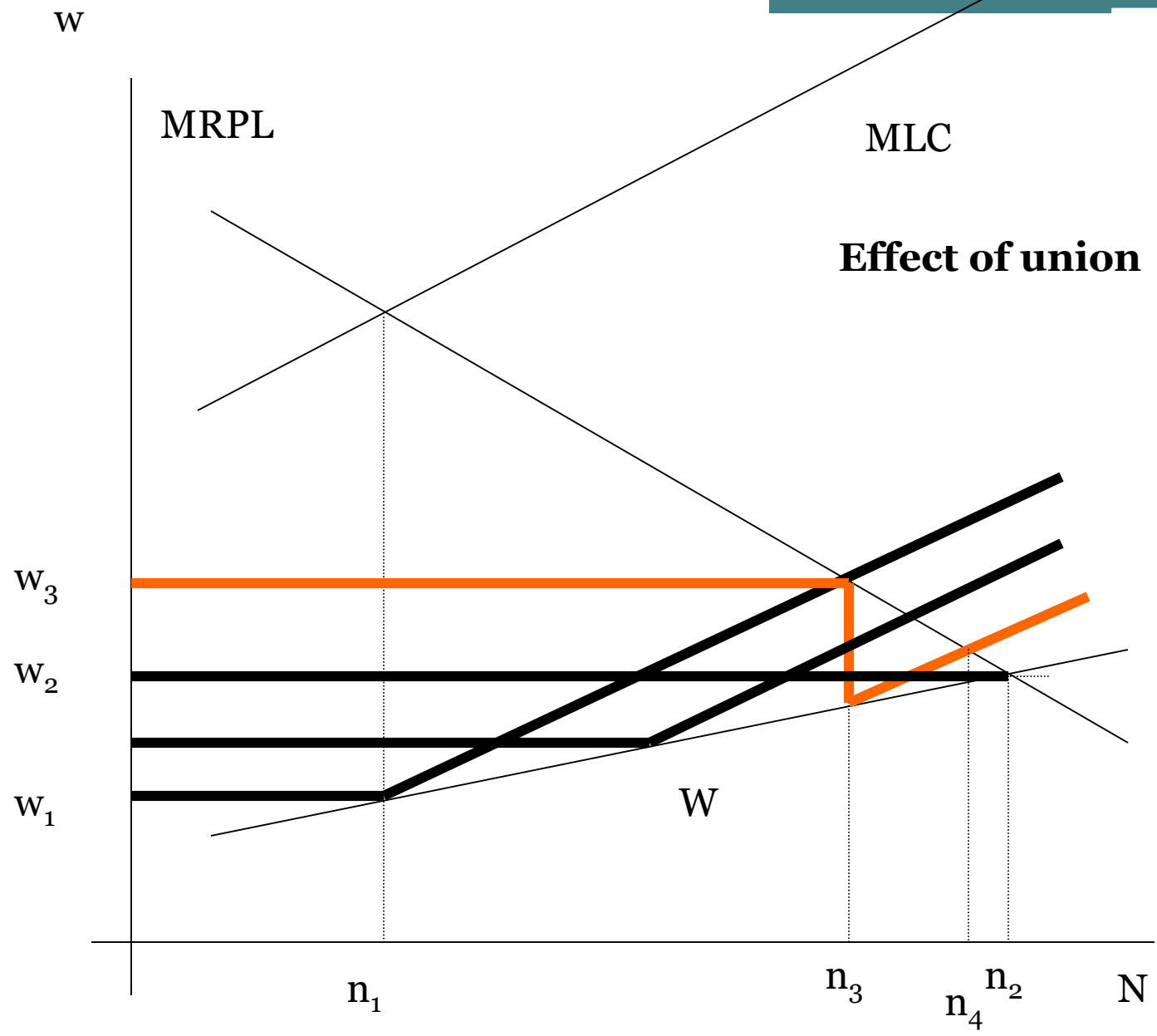
*Lavoie and Stockhammer, 2013, p. 62*

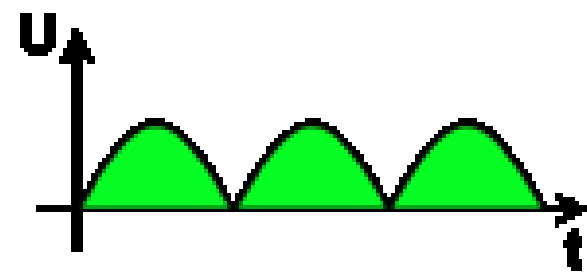
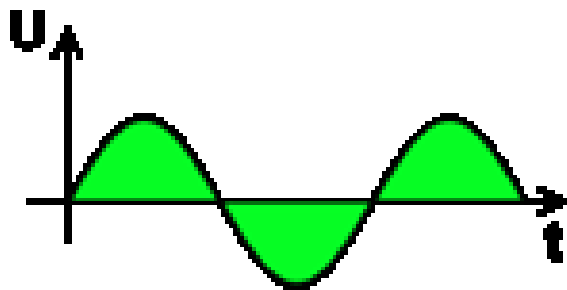
# Outline

- Microeconomic role of trades unions: countervailing employer monopsony
- Macroeconomic role: non-wage terms and conditions of employment
  - ‘heads I win, tails you lose’ hypothesis
- Bargaining power and full employment: the case for the TU movement to target inflation and employment, not real wages

# Employer monopsony







# James Meade's FERU

That level of employment that would result if, against a background of a steady growth in the total money demand for the services of labour, the principle of wage-fixing institutions in each sector of the economy were the promotion of employment in that sector.

(Meade, 1982, p. 15)

# Beveridge's full employment

... [means] having always more vacant jobs than unemployed men, not slightly fewer jobs. It means that the jobs are at fair wages, of such a kind, and so located that the unemployed men can reasonably be expected to take them; it means, by consequence, that the normal lag between losing one job and finding another will be very short.

(Beveridge, 1944, p. 18)



# Conclusions

- TUs can defend real wages and employment in particular firms/industries: traditional theory
- At macro level, TUs do not determine real wages, but bargaining power is positively associated with wage share and quality of life
- Bargaining power depends on full employment in the sense of Beveridge (a seller's market)
- Full employment will not be restored without TU commitment to target inflation and employment