Trade Unions

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Trade unions are groups of workers in the same industry or firm trying to get themselves better working conditions and rights, or higher wages.
These workers may have similar or different skills. Individual workers have little bargaining power

Role of trade unions

1. The role of a trade union is to protect workers wages and if more wage is rightfully due, them for it to be given to the workers.
2. Improve the non-wage factors of the worker like conditions and rights.
3. The trade union must have some power to have any effect on the company that it is bargaining with.
4. Not take over the company with too much power otherwise the company will go bankrupt.
5. Bargain with the company for the workers

Factors Influencing the Strength of Trade Unions

1. Size of firm
2. Larger **proportion** of workers
3. Financial strength of trade union
4. Ability to take industrial action
    1. **Strike action (type of industrial action)** - Strike action is when workers refuse to work, completely stopping production or work until they are heard by the company. This requires a large group to be a success as if the group is too small they could all be fired or something.
    2. **Overtime ban** - When employees limit their working time to the hours specified in their contracts, refusing to work any overtime.
    3. **Work to rule (type of industrial action)** - When employees do no more than the minimum required by the rules of their contract, and exaggerate safety or other regulations in order to cause a slowdown, rather than to serve their purposes.
    4. **Go slow (type of industrial action)** - When workers slow down their work drastically and start to use resources less efficiently, increasing the costs of production for a firm.
5. Non-availability of substitutes (other workers, capital)
6. Inability to outsource and get foreign workers
7. Good negotiation skills, good lawyers
8. Support from general public

Advantages

1. Could result in higher productivity because of higher job satisfaction - higher profits, higher wages.
    1. through a productivity agreement
        1. Gives workers benefits to if they meet a certain target or deadline. (providing incentives)
2. Wages increase, job security increases, working conditions improve etc.
3. More fringe benefits for workers.
4. More wages mean workers spend more, therefore there is more overall profit in the macro economy.

Disadvantages

1. Firms become less competitive since costs of production (including wages for workers), and therefore prices go up.
2. Decreased sales, because costs, and therefore prices, go up.
3. Very difficult for firms to adjust to changes in economic activity.
4. Firms could go bankrupt trying to provide for their workers.