

A race to the bottom

NAFTA and Labor in North America. By Norman Caulfield, Champaign, IL, University of Illinois Press, 2010, 264 pp., \$70/cloth; \$25/paperback.

With a recession having just ended in March 1991 and its effects still fresh in the minds of the voters, the state of the economy became the primary focus of the United States presidential election of 1992. One particularly contentious issue was whether the proposed North American Free Trade Agreement (NAFTA) would prove to be beneficial or detrimental to the working class citizens of the United States. In what must be considered the single most famous quote associated with the NAFTA debate, Ross Perot warned that, if NAFTA were ratified, “there will be a giant sucking sound going south” as U.S. industries head across the Mexican border in search of cheap labor. Nearly 20 years later, the question naturally arises: Did Perot’s prediction turn out to be true?

While it is not the purpose of Norman Caulfield’s book to answer this specific question, *NAFTA and Labor in North American* nevertheless sheds light on this issue in the course of articulating a broader narrative. Two other qualifications deserve mention. In reference to the book’s title, the scope of the work encompasses economic forces that are more general than those associated with NAFTA alone. Furthermore, the book is largely concerned with only a subset of the total labor force rather than its entirety. The content of the book is, therefore, more accurately described as a characterization of the effects of globalization upon

organized labor in North America. And as Caulfield argues, these effects have been negative.

The book begins with a historical overview of the rise of organized labor in North America from 1850 to 1970. Out of tumultuous beginnings, the first few decades of the 20th century saw unions grow rapidly and win important political and legal victories. Notwithstanding the occasional setbacks unions suffered throughout the 1920s and 1930s, the decades immediately following World War II would represent a “golden age” for organized labor and the economies of North America as well. By the mid-1950s, union density in Canada and the U.S. would climb to one-third of non-agricultural employment. Unions in Mexico also experienced gains in terms of greater representation in political and economic matters during this period.

According to Caulfield, this period of prosperity was made possible because international trade was insignificant, implying that production and economic policies were directed predominantly toward the domestic economy. Under the conditions of limited foreign competition and strong economic growth, unions were in an advantageous position to bargain for higher wages and benefits and better working conditions. The recessions, declining profits, and increased foreign competition of the 1970s would transform the political and economic landscape to the detriment of unions. In the 1980s, the three North American countries elected conservative, market-oriented political leaders all of whom sought to expand international trade, reduce social spending, and deregulate or privatize industry.

Within this neoliberal framework, organized labor would suffer declines in compensation, working conditions, and workers’ rights.

NAFTA is characterized as the logical next step in the expansion of global capitalism. Of greater importance to the present discussion is the North American Agreement on Labor Cooperation (NAALC). As a side agreement to NAFTA, the NAALC was designed to monitor violations against each country’s labor laws and settle labor disputes. Caulfield reports an extensive list of violations filed with the NAALC that includes dangerous working conditions, gender discrimination, preventing the organization of labor, and paying illegally low wages, to name a few. The NAALC has been mostly ineffective, according to Caulfield, because it has no coercive power. Ironically, the NAALC has had an effect exactly the opposite of its intended purpose. Tasked with monitoring violations and ensuring that the letter of the law was observed, an unintended incentive was created to reduce the legal rights of workers for the purpose of reducing labor costs, attracting investment, and avoiding NAALC censure in what Caulfield describes as a “race to the bottom.”

The response to globalization by unions has been to align their interests with firms and accept concessionary bargaining. Caulfield accuses union leaders across many industries of partnering with management to help rollback the gains previously won by unions. Under the threat of plant closures, declining union membership, and a shrinking base of union dues, labor leaders appear to have placed their own self-interest above the collective interests of the rank and file. Within some

industries, union leaders were given official corporate positions and stewardship over union funds, which placed them in the debt of firms. Moreover, the shifting of health care costs from firms to unions through Voluntary Employees' Beneficiary Associations (VEBAs) has made some unions large shareholders of the same corporations in which they are organized, thereby creating an interest in reducing labor costs to maximize the value of the VEBA. Accordingly, Caulfield finds the response by union leaders to be completely ineffective, if not wholly contemptible.

In the concluding chapter, several prescriptions are offered for the future direction of organized labor. Caulfield advocates that workers organize internationally, but independently of the established trade unions. Labor is urged to promote equal rights for all migrant workers. Lastly, workers are encouraged to seek not only economic gains, but greater political influence as well.

Acknowledging Caulfield's intended purpose, this reviewer believes it is fair to raise a few broader issues of relevance to the general arguments presented in the book. The first issue concerns the interpretation of trends in manufacturing employment. Caulfield's discussion is framed squarely in terms of the impact of globalization on unions specifically within manufacturing industries, which makes logical sense because the manufacturing industries are at greatest risk of crossing international borders. Is globalization to blame for the loss of U.S. manufacturing jobs? Current Employment Statistics data for the

U.S. reveals that manufacturing as a share of total non-farm employment has exhibited a continuous, uninterrupted decline from 35 percent in 1945 to 9 percent in 2009. Even during the prosperous years between 1945 and 1970, manufacturing's share of total employment decreased by 10 percent. At the same time, U.S. manufacturing output steadily increased. While this reviewer does not dispute the fact that U.S. manufacturing jobs have moved abroad, Caulfield seems to suggest that technology is the greater long-run threat to manufacturing employment, both here and abroad. If productivity continues to increase through technological advances, it is conceivable that only 2 percent of total employment will be needed to manufacture everything society needs in the future. In this scenario, it would be neither possible nor desirable to prevent the secular decline of manufacturing employment in this reviewer's opinion.

A second issue of relevance concerns the organizational strategy of unions. If globalization is prompting firms to move abroad, maybe labor unions should give up attempting to preserve jobs in those industries that are subject to intense competitive pressures and relatively easy to relocate. As long as goods, services, and financial capital are free to cross international borders, pressing for higher wages in some industries (e.g. manufacturing) will likely not be successful. Unions might find greater success in organizing industries that produce goods or services that are prohibitively expensive to trade internationally. The service sector has weathered the general

decline in union density far better than manufacturing and this can be explained in part by the cost of importing services.

These issues aside, Caulfield's book can be praised as a detailed, well-researched historical portrayal of the effects of globalization on labor unions in North America. Moreover, as the former director of research for the Secretariat of the Commission for Labor Cooperation, he presents an authoritative account of the labor law violations occurring since the inception of NAFTA and of the Commission for Labor Cooperation's inefficacy in resolving these violations. Overall, the presentation is accurate and balanced.

NAFTA and Labor in North America will likely find its greatest appreciation within academia, primarily as a supplemental text in economics courses. It would be useful in labor economics courses that emphasize the study of organized labor. The book is equally well-suited for courses in international economics as it can provide a counterbalance to the welfare arguments made in favor of free trade agreements that too often ignore the impacts on losers from these arrangements. This is not to say, however, that the book will not appeal to the general public. Interested readers will find it accessible and readable. Members of labor unions who are interested in the future of organized labor should perhaps regard this book as required reading. □

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