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The proper functions of trade unions [1]

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The public sector trade unions are threatening strike action over plans to reform their pension arrangements [3]. These plans are so moderate and the current arrangements so generous to public sector workers that even the Labour Party appears to support them! In short, the trade unions are arguing that future taxpayers should fund them to the tune of £770 billion and £1,176 billion, depending on which estimate one uses.

I had to laugh at the sheer effrontery of the unions? argument that pensions will begin to fall as a share of GDP by 2060. 50 years hence the problem may begin to ease somewhat, so that?s alright then! The unions are right about their claim that they?re going to have to work longer, contribute more and get less ? that?s the only way by which public sector pensions could be made affordable.

Trade unions are by far a bigger issue for the public sector than the private. At present (2010 statistics), trade union membership stands at 56% in the public sector compared to only 14% in the private (UK average trade union membership at 28% is quite high compared to the OECD average, the Nordics somewhat distorting the figures).

Given that the public sector employs 6 million workers in the UK this is a serious issue ? not because there is anything wrong with trade union membership, far from it, but because the nature of public sector employment gives trade unions disproportionate power, as most public sector (i.e. nationalised) services are monopolies or near monopolies and their users have few alternatives. Of course, this is one of the many compelling reasons to privatise most state controlled services.

Perhaps an easier step would be to prohibit public sector unions or unions with public sector employees lobbying and donating funds to political parties. This would prevent the eminently unjust position under the previous and likely future administrations whereby the public sector was financing the governing party with the authority to determine the pay and employment of the public sector! If civil servants in a personal capacity wish to donate money to any party that is at their discretion, but to do so via a corporate mechanism is simply corrupt. That Labour and the unions would complain bitterly is an indication that it ought to be done.

In spite of past reform, the trade unions still have more legal privileges than they deserve ? most importantly they possess a right to strike without a corresponding right of employers to sack. Moreover, a good deal of the trade unions? agenda has been enacted through legislation ? the minimum wage, maternity leave and discrimination legislation.

This legislation comes to the benefit of current employees but reduces employment and hinders the newer entrants to the labour market (particularly the young and the long-term unemployed). It almost goes without saying that national pay bargaining and pay scales should be ended immediately [4] ? they prevent reform of the labour markets and distort regional economies.

Instead of lobbying the government, trade unions should focus on their proper functions. Naturally, a large role is to bargain with employers for pay and conditions ? this should be done without legal privilege on either side. This would be better done by more, smaller trade unions who could negotiate wages and conditions more suited to local conditions ? of course, if they were dealing with smaller employers and more competitive industries rather than the state this would make far more sense.

Secondly, as observed by Hayek in the Constitution of Liberty, the origins of trade unionism lay in providing benefit and support to their members for sickness, unemployment and old age. As with many areas of civil society they were crowded out of these functions by state intervention. How much better would it be if instead of trying to strongarm the government into promising taxpayer?s money the unions were instead the providers of private, probably mutual, pension funds for their members. Far better that the unions revert to their traditional position of providers to their members of welfare, social security and social capital rather than the faceless bureaucracy of the state.

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