

Trade unions

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What you need to know

This topic has three syllabus outcomes. In plain words, you should be able to:

1. **Define a trade union:** an organisation of workers that acts for its members as a group to protect and improve their pay and working conditions.
 2. **Explain what trade unions do in the economy:** **collective bargaining** with employers over **wages**, **working hours** and **working conditions**; **protecting their members' jobs**; and **influencing government policy**.
 3. **Weigh up the advantages and disadvantages of trade union activity** for **workers**, for **firms** and for the **government** (and so the whole economy), and explain the **factors that make a trade union strong or weak**.
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Understand it

What a trade union is

A single worker asking for a pay rise has little power: if the employer says no, the worker can accept it or leave, and the employer can usually find someone else. A **trade union** is an organisation of **workers** who join together so that they bargain as one group. Members pay a **subscription** (a regular fee), which pays for union officials, legal experts and a fund to support members who go on strike.

Every trade union is made of workers and uses **collective bargaining**. Its members need not work for the same employer or in the same industry, and they can be skilled or unskilled. A trade union is **not** the employer, and it has nothing to do with trade between countries.

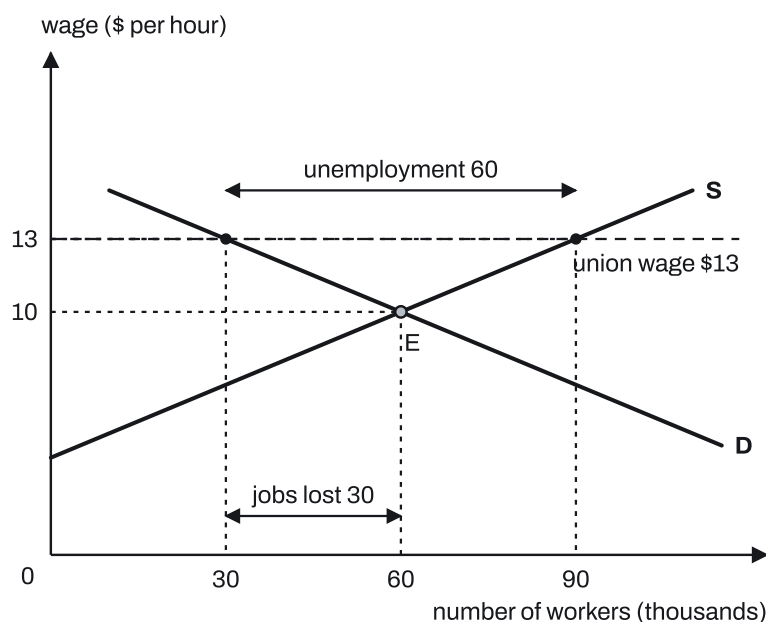
What trade unions do

- **Collective bargaining.** Union representatives negotiate with employers on behalf of all the members, over **wages**, **hours of work** (length of the working week, overtime, holidays) and **working conditions** (health and safety, breaks, equipment, fringe benefits such as pensions). The result is an agreement that covers everyone, such as the terms of workers' contracts.

- **Protecting employment.** Unions resist job cuts, argue against unfair dismissal and discrimination, represent members in disputes with managers, and when job losses cannot be stopped, negotiate better redundancy pay. They also press for compensation for injuries at work.
- **Influencing government policy.** Unions lobby the government for laws and policies that help workers: a higher **national minimum wage**, maternity and paternity pay, health and safety laws, limits on working hours, a lower retirement age.
- **Services for members.** Many unions give legal and financial advice, training courses and discounts.

If bargaining fails, a union can organise **industrial action**: a **strike** (members stop work), an **overtime ban**, a **work-to-rule** (doing exactly what the contract says and no more) or a **go-slow**. Industrial action costs the firm output and profit, so the threat of it gives the union bargaining power. It also costs striking workers their pay.

How a union can raise wages, and what it can cost

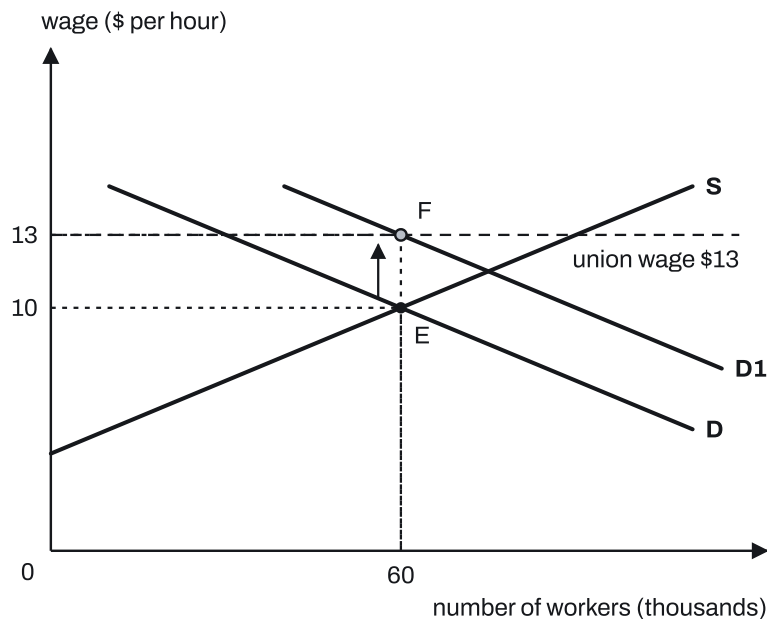


In this labour market the demand for labour is $W = 16 - 0.1L$ and the supply is $W = 4 + 0.1L$ (W in dollars per hour, L in thousands of workers). Without a union the wage is \$10 and 60 thousand are employed. Suppose the union wins a wage of \$13 for everyone in the industry. The \$13 works like a minimum wage:

- firms now want only $\frac{16-13}{0.1} = 30$ thousand workers, so **employment falls by 30 thousand** (from 60 to 30);
- $\frac{13-4}{0.1} = 90$ thousand people want to work at \$13, so there is an **excess supply of labour** of $90 - 30 = 60$ thousand: **unemployment**.

Read these two gaps carefully in a multiple-choice diagram. The **change in employment** is from the old equilibrium to the quantity demanded at the new wage. The **unemployment** is the gap between the quantity supplied and the quantity demanded at the new wage.

A union wage set **below** the market wage changes nothing. And if the supply of labour also falls (for example the government restricts immigrant workers), employment at the union wage is whichever is **smaller**: the number firms want or the number willing to work.



A union can win higher pay **without** job losses when the demand for labour is rising. Demand for labour is a **derived demand**, so if demand for the industry's product grows (or workers become more productive), demand for labour shifts right to D_1 ($W = 19 - 0.1L$). At \$13 firms on D_1 want $\frac{19-13}{0.1} = 60$ thousand workers: the wage rises by \$3 and employment stays at 60 thousand.

What makes a trade union strong

A union's **bargaining power** is its ability to win what it asks for. It is **stronger** when:

- **membership is high**, both in numbers and as a share of the workers in the industry; if the union supplies **all** the labour the employer needs, a strike stops production completely;
- **workers are hard to replace**: they are skilled, labour is in short supply, **unemployment is low** and the union can **restrict entry** to the job (for example by requiring a qualification);
- the **economy is growing** and the firm is **profitable**, with **rising demand** for its product, so it can afford higher pay and cannot afford a strike;
- **wages are a small part of the firm's costs**, and demand for the product is **price-inelastic**, so the firm can pass a pay rise on in higher prices without losing many sales;
- **laws** allow strikes and protect union members, and the union has **funds** to support members during a strike and **public support**.

A union is **weaker** when membership falls, when there are many unemployed people willing to take the jobs, when machines can replace the workers, when laws **limit strike action**, when more workers are part-time, temporary or self-employed, when demand for the product is **price-elastic** (a higher price loses many sales, so jobs are at risk), when labour is the firm's **largest** cost, and when the employers are few and well-organised.

To judge from data whether unions have become stronger, compare **membership as a percentage of the labour force** (not just the number of members), and look at what happened to **wages** and **unemployment**: rising wages and falling unemployment can mean successful bargaining, but they may have other causes, such as a booming economy or a higher minimum wage.

Why people join, or don't join, a union

Workers **join** to gain bargaining power for higher pay and better conditions, to have someone represent them in disputes, for greater job security, for a voice with the government, and for services such as training and legal advice.

Workers **don't join**, and membership has **fallen** in many countries, because:

- they are already satisfied with their pay and conditions, and laws on minimum wages and health and safety now give protections unions used to fight for;
- the subscription is too high for them, or they are unemployed or low-paid;
- they don't want to strike and lose pay, or disagree with the union's aims;
- the government has passed laws that reduce union power, or employers discourage membership, and workers fear it will hurt their chance of a job or promotion;
- employment has shifted to the tertiary and private sectors, and to part-time, temporary, self-employed and gig work, where unions have always been weak; production has become more **capital-intensive**, so there are fewer workers to join;
- high unemployment makes workers afraid of losing their jobs, and **globalisation** means firms can move production abroad;
- membership is no longer compulsory in a workplace.

Advantages and disadvantages of trade union activity

For workers

Advantages	Disadvantages
Higher wages through collective bargaining	Subscriptions cost money
Shorter hours, better conditions, health and safety	Members lose pay during strikes
More job security; protection from unfair dismissal and discrimination	Wages pushed above the market level can cost jobs (see the first diagram)
Representation and advice in disputes; training	Members may disagree with the union's decisions
Pressure on the government for a higher minimum wage, maternity pay	Some employers hold back promotion for active members

For firms

Advantages	Disadvantages
One channel to negotiate with, instead of every worker: saves time	Higher wages raise costs and cut profit
A way to explain changes to the workforce, so fewer disputes	Strikes and go-slows lose output, orders and customers

Advantages

Training raises workers' productivity

Better-motivated workers stay longer, so lower recruitment costs

Disadvantages

Unions may resist new technology or new working practices

Higher costs make the firm less competitive

For the government and the economy**Advantages**

A body the government can consult on policy

Better conditions and training raise productivity and output

Higher wages mean more spending, more total demand and more tax revenue

Better working conditions raise living standards

Reduces conflict between workers and employers

DisadvantagesWage rises above productivity growth push up costs and prices: **inflation**

Strikes cut output (GDP) and can disrupt public services

Higher labour costs can cause **unemployment**

Higher costs reduce international competitiveness and may put off foreign firms (MNCs)

Resisting new technology slows economic growth

Key facts and formulas

This topic has no formula list in the exam. "Learn it" means you must remember it.

Formula or fact**Status**

$$\text{union membership as \% of labour force} = \frac{\text{members}}{\text{labour force}} \times 100$$

Learn it

$$\text{percentage change} = \frac{\text{new} - \text{old}}{\text{old}} \times 100$$

Learn it

Union wage above equilibrium: change in employment = equilibrium employment – labour demanded at the union wage

Learn it

Union wage above equilibrium: unemployment = labour supplied – labour demanded at the union wage

Learn it

Trade union: an organisation of workers that bargains collectively for its members' pay and conditions

Learn it

Three roles: collective bargaining (wages, hours, conditions); protecting jobs; influencing government policy

Learn it

Formula or fact	Status
Strong union: high membership, workers hard to replace, growing profitable firm, inelastic demand for the product, wages a small share of costs, laws that allow strikes	Learn it

How to do it

We have tagged 25 questions on this topic (2021–2025): 17 multiple choice on Paper 1 and 8 structured questions on Paper 2, each with one part about trade unions. Counted by those parts, they came up this often.

Question type	Question parts
Multiple choice (concept)	17
Analyse (5 or 6 marks)	6
Discuss (8 marks)	2

1. Multiple choice (concept) (17 question parts)

1. **Decide what is being tested:** what a union is, what it does, what makes it strong, or a labour-market diagram.
2. **Eliminate the options about employers, trade between countries or prices of goods.** Unions are workers bargaining over pay, hours, conditions and jobs.
3. **For "not" questions,** find the one option that works the other way.

Variations you will meet:

- **What unions do and how members benefit** (5 parts): negotiating workers' contracts and pay rises on members' behalf, protecting the **rights** of a group of workers, giving advice. Unions don't recruit, promote or supervise workers (managers do), don't guarantee jobs, and don't get members better bank-loan rates. Paying subscriptions is a cost, not a benefit.
- **What makes a union strong or weak** (5 parts): more **members**; **restricting entry** to the job; supplying **all** the labour the employer needs; a growing economy and workers in short supply. Laws limiting strikes weaken it. To raise pay **without** losing jobs, the union needs **rising demand for the product** (derived demand), not low skills, few well-organised employers or wages being the biggest cost.
- **Definition and features** (3 parts): a group of **workers** that negotiates **collectively** on pay. Not countries, not firms, not price-fixing. Members need not share an employer or an industry.
- **Reading a labour-market diagram** (3 parts): a union wage above the equilibrium. **Unemployment** is the gap between supply and demand at the new wage; the **change in employment** is from the old equilibrium to demand at the new wage (examiners report many candidates mixing these up). With a union wage **and** a fall in supply, employment is the smaller of the two quantities at that wage.
- **Benefits for firms** (1 part): union training that raises productivity helps firms; strikes, ballots and wage claims cost them.

2. Analyse (5 or 6 marks) (6 question parts)

A mark per link in a chain. Write **two or three developed chains** joined by "so" or "because", each ending at the outcome the question names (the members' pay, economic development, membership).

Plan: point (1) → what it does (1) → the result for the people in the question (1).

Variations you will meet:

- **How a union benefits its members, or why workers join** (2 parts): collective bargaining → greater bargaining power → higher wages, better conditions, fringe benefits; representation in disputes → protection from unfair dismissal → job security; lobbying → higher minimum wage; services → training, legal advice. Examiners saw weak answers treat the union as the employer.
- **Why workers don't join, or why membership has fallen** (2 parts): satisfied with pay and conditions; laws (minimum wage, health and safety) now do the union's job; subscriptions; not wanting to strike and lose pay; government restrictions and employer hostility; the shift to part-time, self-employed, gig and private-sector work; capital-intensive production; fear of unemployment. The examiners' main complaint was analysing only **one** reason.
- **How unions increase economic development** (1 part): higher wages → purchasing power → living standards; better conditions and training → motivation and **productivity** → lower costs, more output, more competitive exports. The question asks only for the positive side; examiners gave nothing for "the other side" here.
- **Data: did unions become stronger?** (1 part, 5 marks): use the figures. Work out membership as a **percentage of the labour force**, then analyse both ways (fewer members → less subscription money and a weaker strike threat; but rising wages and falling unemployment may show successful bargaining), and say what else could explain the data. Copying the numbers from the table earns nothing.

3. Discuss (8 marks) (2 question parts)

Levels-marked: Level 3 (6–8) needs **both sides developed** and a judgement. Aim for **two developed points each side**.

Plan:

1. **One-line definition** of a trade union.
2. **Why it might benefit:** two chains, each ending at the group in the question.
3. **Why it might not:** two **new** points, not the first side turned round.
4. **Judgement:** what it depends on (how strong the union is, how far above the market wage it pushes pay, whether productivity rises too, how it uses strikes), and which side is stronger here.

Variations you will meet:

- **Do unions benefit workers?** (1 part): for: higher wages, better hours and conditions, job security, pressure on government (maternity pay), training. Against: higher wages raise costs so firms cut jobs; strikes lose pay and productivity; less competitive firms invest less, so fewer jobs; subscriptions may cost

more than the benefits; members may disagree with the union.

- **Will higher union membership benefit an economy?** (1 part): for: higher wages and better conditions raise productivity; more spending raises total demand and real GDP; higher living standards; fewer conflicts; training raises output. Against: wage-push **inflation**; strikes lower output; resisting job cuts and new technology slows efficiency; higher costs can cause unemployment. Read the question: one year some candidates wrote about a rise in union **fees** instead of membership, which capped them at Level 2.

Worked examples

Example 1

The table shows data for Country Z.

Year	Trade union membership (millions)	Labour force (millions)	Unemployment rate (%)	Average annual wage (\$)
2021	6.3	21.0	7.5	30 000
2024	5.8	23.2	4.0	33 600

(a) Calculate trade union membership as a percentage of the labour force in 2021 and in 2024. [2]

(b) Analyse whether the strength of trade unions in Country Z increased between 2021 and 2024. [5]

(a) 2021: $\frac{6.3}{21.0} \times 100 = 30\%$ (1). 2024: $\frac{5.8}{23.2} \times 100 = 25\%$ (1).

(b) Membership fell by 0.5 million, about 7.9%, while the labour force grew, so the share of workers in unions fell from 30% to 25% (1). With fewer members the unions collect less in subscriptions, so they have less money to support strikes (1), and employers can more easily replace workers who strike, so the unions' bargaining power is weaker (1).

On the other hand, the average wage rose by 12% and unemployment fell from 7.5% to 4.0% (1). This may show that unions bargained successfully for higher pay while protecting their members' jobs, and with low unemployment firms find it harder to replace workers, which strengthens the unions (1).

The rise in wages may have other causes, such as a growing economy or a higher minimum wage, so the data alone do not prove the unions became stronger (1). (Any 5.)

Example 2

Analyse why a trade union representing car-factory workers may have strong bargaining power. [6]

If most of the factory's workers are members (1), a strike would stop production completely (1), so the firm would lose output and profit and is more likely to agree to the union's demands (1).

The workers are skilled and trained to use the factory's machinery (1), so they are hard to replace quickly, especially when unemployment is low (1), and the firm cannot simply hire other workers during a dispute (1).

If demand for the cars is rising and the firm is profitable (1), it can afford higher wages and does not want to lose sales through a strike (1). If wages are a small part of the cost of making a car, a pay rise adds little to the price (1). (Any 6.)

Example 3

Discuss whether or not trade union activity benefits firms. [8]

A trade union is an organisation of workers that bargains collectively with employers over pay and working conditions.

Why it might. Managers negotiate with one union instead of with every worker, so agreeing pay and explaining changes takes less time, and disputes are settled before they grow (developed point for).

Unions often run training and push for better working conditions. Better-trained and better-motivated workers are more productive and less likely to leave, so the firm's average cost and its recruitment costs fall (second developed point for).

Why it might not. Unions push wages up. If pay rises faster than productivity, the firm's costs rise, so it must raise prices and lose sales, or accept lower profits (developed point against).

If negotiations fail, the union may call a strike or a go-slow. Output stops, orders are delayed and customers may switch to rivals. Unions may also resist new machinery or new ways of working, so the firm falls behind more efficient competitors (second developed point against).

Judgement. Unions are more likely to benefit a firm when the relationship is co-operative, so that higher pay comes with higher productivity. They are more likely to harm it when a strong union wins pay rises well above productivity and uses strikes often, especially in a competitive market where the firm cannot raise prices. Both sides are developed and the conclusion says what the outcome depends on, so this meets the Level 3 descriptor (6–8 marks).

Common mistakes

- **Confusing trade unions with trade between countries** or with trade organisations of firms. A trade union is a group of **workers**.
- **Treating the union as the employer.** The union negotiates with the employer; it doesn't hire, pay or promote workers.
- **Mixing up unemployment and the change in employment** on a diagram. Unemployment compares supply and demand **at the new wage**; the change in employment compares the **old equilibrium** with demand at the new wage.
- **Analysing one reason only.** In "Analyse why ..." parts about joining or leaving unions, examiners saw good single chains that could not reach full marks. Give two or three.
- **Giving the other side when the question doesn't ask for it.** "Analyse how trade unions could increase economic development" wants the positive chains only; save "on the other hand" for Discuss.

- **Describing data instead of using it.** Listing membership year by year earns nothing; turn it into a percentage of the labour force and link it to bargaining power, wages and unemployment.
- **Misreading the question.** Answering about union **fees** when the question asks about **membership**, or about why workers join when it asks why they **don't**.
- **Saying "a stronger union always means higher wages for everyone".** Pay pushed above the market wage can cost members their jobs, and wage rises can be taken away by higher prices.

How to get the marks

- **Analyse** (5 or 6 marks): one mark per relevant link. Take two or three different reasons and push each to the result the question names. A list of reasons without "so" earns little.
- **Discuss** (8 marks): two developed points each side and a judgement saying what the answer **depends on**. Write about the group in the question: workers, firms, the economy.
- **Section A data** parts: calculate (membership share, percentage changes), then explain what the numbers mean; refer to the source.
- **Diagrams**: label the axes **wage** and **quantity of labour**, the curves **D** and **S**, the union wage, and the quantities demanded and supplied at it.
- **Use the terms**: collective bargaining, bargaining power, industrial action, strike, subscription, job security, derived demand, productivity, excess supply of labour, wage-push inflation.
- **Multiple choice**: 1 mark each, no penalty for guessing, so answer every one.

Quick check

1. What is the main way a trade union tries to raise its members' wages?
 - **A** by fixing the prices of the products its members make
 - **B** by bargaining collectively with employers
 - **C** by hiring extra workers for the firm
 - **D** by buying shares in the firm
2. In a labour market, demand for labour is $W = 24 - 0.2L$ and supply is $W = 6 + 0.1L$, where W is the wage in dollars per hour and L is thousands of workers. Find the equilibrium wage and employment. A trade union then negotiates a wage of \$16 an hour for the whole market. Find the fall in employment and the unemployment it creates.
3. Which change would **weaken** a trade union's bargaining power?
 - **A** a shortage of workers with the skills the firm needs
 - **B** a new law making it harder to organise strikes
 - **C** a rise in the firm's profits
 - **D** a rise in the union's membership
4. Explain two reasons why a government may benefit from trade union activity. **[4]**
5. Identify two reasons why trade union membership has fallen in many countries. **[2]**

Answers

1. **B.** Collective bargaining is how a union raises pay; it doesn't set product prices, hire workers or own the firm. (1)
2. Equilibrium: $24 - 0.2L = 6 + 0.1L$, so $0.3L = 18$, $L = 60$ and $W = 12$: \$12 an hour with 60 thousand workers. At \$16: demand = $\frac{24-16}{0.2} = 40$ thousand and supply = $\frac{16-6}{0.1} = 100$ thousand. Employment falls by 20 thousand (from 60 to 40 thousand), and unemployment (excess supply of labour) is 60 thousand.
3. **B.** Limits on strikes remove the union's main threat. A shortage of skilled workers, higher profits and more members all strengthen it. (1)
4. Unions campaign for better health and safety (1), so fewer workers are injured and the government spends less on healthcare and benefits (1). Unions give the government one body to consult about its policies (1), so it can find out workers' views and avoid disputes that would cut output (1). (Also: higher wages raise spending and tax revenue; training raises productivity and growth.)
5. Two from: workers are satisfied with their pay and conditions (1); laws now give minimum wages and health and safety protection (1); subscriptions are too expensive (1); more people work part-time or are self-employed (1); government laws have reduced union power (1).

Past questions to try

- 0455/13/M/J/23 Q13: what increases a union's bargaining power.
- 0455/21/M/J/22 Q3: part (c), why workers may join a trade union.
- 0455/23/M/J/22 Q5: part (c), why union membership has fallen in some countries.
- 0455/21/O/N/21 Q5: part (c), how trade unions could increase economic development.