

## **THE EMPLOYEE FREE CHOICE ACT: Good for Small Business**

### **A Competitive Economy Needs Labor Law Reform**

Small businesses are the backbone of our economy, employing almost half of the American workforce. Small business owners strongly believe that their employees are a vital asset to their success. Yet, our labor law is not ensuring a level playing field for responsible businesses, large and small.

Businesses that comply with the law face unfair competition from companies who refuse to respect the rights of their employees to join unions. The current labor law system allows employers to veto the will of workers, violate the law with relative impunity, and systematically delay sitting down at the table to negotiate a first contract.

The Employee Free Choice Act makes no changes to the existing National Labor Relations Act's definition of a small business, which is largely based on revenue and type of business. It does, however, restore the role of our labor laws to act as a watchdog to make sure every business is playing by the rules, while at the same time restoring every American's right to join or form a union so they can reach for the American Dream.

The legislation will give back to small businesses the freedom to compete based on innovation and quality instead of who can afford the most expensive anti-union consultants. In this economic crisis, the nation has a duty to enable entrepreneurs and start-up companies to focus on building sustainable, long-term success, instead of being forced to compete against irresponsible businesses in an unwinnable, low-wage race to the bottom. Urgent action is needed if we are to join together, management and workers alike, and climb out of this economic recession. The Employee Free Choice Act provides a process to get us there that is streamlined and efficient.

### **Claims of Negative Impact Simply Not True**

Small and large businesses across the nation who have respected their employees' choice to form a union have reported that the sky did not fall – far from it. In fact, a 2005 report by an economist on behalf of the Small Business Administration found that a higher percentage of unionized workers in a state significantly reduced the probability of small business failures.<sup>1</sup> More generally, University of Michigan scholar John DiNardo has a body of research demonstrating that firms that become unionized are no more likely to fail than comparable firms that remain non-union.<sup>2</sup>

Moreover, workers emerge from successful organizing drives with an enhanced sense of their common stake in the long-term stability and profitability of their company. This results in negotiated wage increases that are commonly designed to be implemented slowly over time.<sup>3</sup> This stability can help small employers plan and forecast better.

Finally, if we look at the larger context, we see economic policy that has allowed a handful of greedy speculators to wreak havoc. Their power has been unchecked. Small businesses are not receiving bailout funds, but they are certainly paying the price. This country has been at its strongest when it has made sure that the voices of the most powerful among us are balanced with those with less power, like small business owners, family farmers, and working people. The Employee Free Choice Act is explicitly designed to help restore that balance.

**“It’s our relationship between management and our employee’s union that has built a foundation of mutual respect, collaboration and shared prosperity with our employees.”**

Larry Thompson,  
Thompson Electric

See: “Unions, good for workers and business,” *Akron Beacon Journal*,  
3/10/2009.

# A Win-Win for Small Businesses

## BOOST CONSUMER SPENDING

First and foremost, small businesses need customers to purchase their products and services. An estimated 70 percent of our nation's economy comes from consumer activity.<sup>4</sup> The Center for American Progress Action Fund found that if union membership rates increased just 5 percent over current levels, newly unionized workers would earn an estimated \$25.5 billion more in wages and salaries per year—money that will be pumped right back into our economy.<sup>5</sup>

Another recent study conducted by the nonprofit Economic Roundtable found that the wages negotiated by union workers in Los Angeles add \$7.2 billion a year in pay. As these workers spend their income on food, clothing, child care, car and home repairs, and other items, their additional buying power creates 64,800 jobs and \$11 billion in economic output.<sup>6</sup>

## ACCESS TO TRAINING

There is a general consensus among economists that unionization is linked to reduced turnover. In a small company, even losing one or two trained workers can hit the bottom line hard. Thus it's no surprise that across the country, businesses are working in tandem with unions to help with training, skills building, and career development. Small businesses that are limited in their budgets can benefit enormously from union-sponsored training programs that combine resources over multiple employers and draws on the well-established training and apprenticeship infrastructures of labor unions.

## POOLING TO REDUCE HEALTHCARE COSTS

Many business owners say they want to offer or to continue to offer health insurance and believe it is vital to attracting and retaining high-quality employees. But skyrocketing healthcare costs are making this nearly impossible. Unions are stepping in with healthcare plans that pool many unionized workers and small businesses together to bring costs down. Many unions and businesses are working together for meaningful reforms on issues that strongly affect small businesses such as public funding for home care and child care, fair trade, pension reform, and financial assistance for start-up green companies.

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1      Aparna Mathur, Ph.D, *A Spatial Model of the Impact of State Bankruptcy Exemptions on Entrepreneurship*, for the Small Business Administration Office of Advocacy, July 2005.

2      John DiNardo, Economic Policy Institute, *Still Open for Business: Unionization Has No Causal Effect on Firm Closures*, March 20, 2009.

3      See page 6 of testimony of Dr. Paula Voos, "How Unions Can Help Restore the Middle Class," Committee on Health, Education, Labor and Pensions, U.S. Senate, *Hearing on Rebuilding Economic Security: Empowering Workers to Restore the Middle Class*, March 10, 2009.

4      Center for American Progress Action Fund, "Unions Are Good for the American Economy," Feb. 18, 2009.

5      Ibid.

6      Cited in Peter Dreier and Kelly Candaele, "Why We Need EFCA," *The American Prospect*, Dec. 2, 2008.