THE FREEMAN
IDEAS ON LIBERTY

Strike Out? Blame Fast Food

by Francois Melese

Thirty-two thousand members of the United Food and Commercial Workers (UFCW) Union recently walked off their jobs. Mostly made up of employees from the two largest grocery chains in Northern California—Lucky and Safeway—the union had an ambitious goal: to preserve current wages and benefits. While UFCW members walked the picket lines, competing chains (like Nob Hill and Albertsons) were delighted. Union sympathizers and intimidated customers alike flooded their stores. Business was great. Management was mindful, however, that as consolation for a no-strike clause in their clerks' contracts, many non-striking clerks would automatically secure concessions granted unionized employees. While the union won this battle, saving members' wages and benefits, it may have lost the war. This and similar unions across the country are likely to strike out in the future, and fast food is partly to blame.

What few realize is that the threat to wages and benefits comes from a radical restructuring in the market for groceries. Top management was late in spotting and responding to two important trends: increased competition from discount and specialty food stores, and the relentless growth of fast-food outlets. To make up for lost time, management needs concessions from union members to better position their stores. Meanwhile, the UFCW is understandably upset with any news that threatens members' wages and benefits.

It is useful to begin with the awkward position of top management. While some chains suffer from slumping market shares and share prices, they all admit to having some of the finest workers in the industry. So what happened?

The fact is that until recently Lucky and Safeway had a lock on the grocery business in Northern California. In many cases they were the only game in town. Historically, Lucky and Safeway derived their success at the expense of small grocery stores. Taking advantage of economies of scale, large grocery chains offered increased selection and lower prices than small grocers. Squeezing out "mom-and-pop" operations, Lucky and Safeway came to dominate the market.

The fast-food industry started much the same way as did traditional grocery chains. Fast-food chains opened outlets in towns across the country, offering standardized products, consistent service, convenience, and low prices. Customers literally ate it up, and shareholders were thrilled. Local "mom-and-pop" diners were no match. The economies of scale enjoyed by the chain restaurants put many locals out of business.

Today the fast-food business is "mature." It is intensely competitive, so that anyone with labor costs higher than anyone else has to cut other costs, offer a superior product or service, or go out of business. A similar future lies ahead for grocery chains.

Dr. Melese is Associate Professor of Economics at the Naval Postgraduate School in Monterey, California.

Squeezed by Competition

Traditional grocery chains like Lucky and Safeway are caught in a competitive squeeze. On one side is increased competition from innovative warehouse and discount chains (such as PRICE/COSTCO), and on the other side, competition from specialty and convenience stores (such as Trader Joe's and 7–11).

In exchange for bulk purchases and do-it-yourself service, warehouse stores offer great food at great prices. Meanwhile, in a busy world with little time for shopping, convenience stores charge somewhat higher prices for convenience. But just as important is the onslaught of the fast-food industry.

Increasingly, grocery stores compete with the likes of Burger King, Wendy's, Domino's, Jack-in-the-Box, McDonald's, Subway, and Taco Bell. The competition is on two levels, and it is intense. The first level is a competition for food sales; the second, a competition for workers. The grocery chains are losing the first battle at the same time they are winning the second.

Let's start with the competition for food sales. The more fast food people eat, the fewer groceries they buy. Moreover, the groceries they do buy are increasingly purchased at competing discount warehouses or convenience stores. Worse yet, large fast-food chains typically have their own distribution networks, and consequently do not depend on traditional grocery stores.

The problem of increased competition leaves any business with only three choices: improve the product, lower costs, or go out of business. The UFCW strike was a result of top management opting for lower costs. This brings us from competition for food sales to the competition for workers.

Whereas grocery chains are losing the competition for food sales, they are winning the competition for workers. But is it any wonder? Union pay at Lucky and Safeway stores ranges anywhere from $6.75 per hour for "baggers" to well over three times the minimum wage ($16.75 per hour) for "checkers." Since the companies provide dental coverage, pay 80 percent of medical premiums, and are generous with drug prescriptions (not to mention pension benefits), the effective wage is higher.

So what do baggers and checkers do for this attractive wage-benefits package? Checkers work the register, and baggers bag groceries. In some cases, baggers also take groceries to your car. The job requirements include the ability to: (1) work a cash register, (2) bag groceries. It helps to interact well with customers and to be a team player.

This suggests grocery clerks have more in common with fast-food workers than they do legal secretaries, medical technicians, or other skilled workers who in many cases earn less than the average wage of a unionized grocery clerk.

In fact, at fast-food restaurants like McDonald's and Burger King, "courtesy clerks" work the register and cook, and in other fast food establishments like Domino's Pizza, they also deliver food. The job requirements include the ability to: (1) work a cash register, (2) keep track of orders, and (3) cook. It helps to interact well with customers and to be a team player.

On the surface, grocery clerks and fast-food clerks have a lot in common. In fact, one might expect fast-food wages to be higher to compensate for less favorable working conditions. So how are fast-food workers compensated? They make anywhere from the minimum wage ($4.25 per hour) to $8 per hour, with no benefits. So where does that leave union workers? Today's success may result in tomorrow's job losses. Failing to cut labor costs, management is forced to turn to labor-saving devices, downsizing the workforce through attrition. This shrinks union membership and, along with it, their bargaining power. Time is not on their side.

Are there any winners? Of course. The big winners are consumers. Due to increased competition, grocery prices have remained remarkably constant in real terms. Meanwhile, fast-food prices have fallen (in real terms) to the point it is not significantly more expensive to eat out than to shop and prepare food. □

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Is There a Right to Work?

by Gary North

Back in the 1950s and 1960s, one of the most popular phrases among conservative Americans was "the right to work." It was a code phrase for "anti-labor union laws." This was recognized by both friends and foes of trade unionism. Labor union executive Gus Tyler wrote in 1967: "In almost every case, such laws are intended to bridle unbridled unions."[1]

From the point of view of political persuasion through rhetoric, the phrase was a success. By 1956, 18 states had passed right-to-work laws. Only one—Louisiana—had voted to repeal.[2] But over the next decade, the right-to-work movement stalled. In 1968, a total of 19 states had such laws.[3] But in 1968, the labor union movement in the United States peaked. The move from manufacturing to services, and the greater growth of new business formation in right-to-work-law states, have driven down the percentage of workers who belong to unions from 23 percent in 1968[4] to 16 percent in 1993,[5] and a high percentage of these are government white-collar employees.

One problem with a catchy phrase, especially one adopted in the service of a good cause, is that it will be believed as a stand-alone statement. People will accept it, as we say, on face value. This was a problem with "the right to work" from the beginning. The phrase was powerful because it announced what seemed to be a high moral principle. That was the intention of its promoters, who recognized that it is easier to promote a cause when that cause appears to be positioned on high moral ground.

The problem is, the phrase produced a great deal of confusion in the minds of those who employed it as a political weapon. Coming in the name of what they perceived as a higher morality, they announced a principle that, if taken literally, would undermine the moral foundation of the free market economy which they sought to defend. This is always the risk of political slogans. In their very effectiveness in changing people's minds or reinforcing opinions, they produce unintended consequences that run counter to the goals of their promoters.

Rival Interpretations

For over a century, there have been two rival applications of the phrase. It was coined by the French utopian socialist, Charles Fourier, in 1808. The slogan became popular among trade union organizers in the nineteenth century. For the socialists, the phrase meant the right to a job. Horace Greeley, the American newspaper owner and disciple of Fourier, in 1846 called for the "right to Labor—that is, to constant Employment with a just and full Recompense. . . ."[6] Eugene V. Debs, the early twentieth-century American labor-union organizer, insisted: "Every man has an inalienable right to work."[7] This interpretation was common down to the early 1950s.

A rival view began as early as 1870. Critics of the unions called attention to the

 Dr. North is president of The Institute for Christian Economics in Tyler, Texas.