in brief...
Understanding trade unions and the labour market

Richard Freeman, professor of economics at Harvard University, visiting professor at LSE and senior research fellow in CEP's research programmes on labour markets and wellbeing, has been awarded the IZA Prize in Labor Economics 2007.

The prize, awarded by the Institute for the Study of Labor (IZA) in Bonn, honours the pioneering work of exceptionally creative scholars who have revolutionised theoretical and empirical research on labour markets. The prize committee includes Nobel Laureates George Akerlof and Joseph Stiglitz, and the previous winners are Jacob Mincer, Orley Ashenfelter, Ed Lazear, Dale Mortensen, David Card, Alan Krueger and CEP's Chris Pissarides.

The award team said: 'By drawing attention to important social problems and trends, Richard Freeman has greatly extended the range of issues addressed in modern labour economics. His analyses of inequality and discrimination, the role of unions and the welfare state are extremely valuable for the understanding of effective labour market policy.'

'In various studies, Freeman has proven that unions perform multiple economically valuable functions which reach far beyond their role in wage bargaining. These contributions, which are among Freeman's most influential research, have revolutionised the perception of trade unionism in modern labour economics.'

'In light of globalised markets and international competition, the trade unions' strategies should not be confined to achieving higher wages. According to Freeman, modern unions must also provide a direct channel of communication between workers and management and act as an intermediary to protect employment and foster the creation of new jobs.'

'By serving as an institution of collective voice, unions contribute to a higher level of job satisfaction and improve workers' loyalty to the firm. Freeman has demonstrated that union influence not only reduces absenteeism but also promotes long-term employment relationships by lowering the number of quits. This reduction in labour turnover lowers hiring and training costs. More importantly, it increases productivity by creating incentives to invest in workers' education and skill enhancement.'

'In this respect, trade unions who act constructively are of vital importance to overall economic performance. Freeman's research shows that non-dogmatic unions can play a significant role in today's labour markets. It should encourage union leaders to be more aware of their key responsibility for the economy as a whole.'

'For more than three decades, Richard Freeman has been among the internationally most active and influential labour economists. His research, which has greatly enriched the scientific debate, has also had a strong impact on policy debates around the globe. Among the institutions he has advised on economic policy issues are the World Bank, the International Labour Organization and the European Union. In addition, Freeman directs the Program on Labor Studies at the National Bureau of Economic Research.'

One of the results of the IZA prize will be a book based on Richard Freeman's articles published by Oxford University Press. This will be about his research on labour markets in the UK and continental Europe, work done primarily at CEP.

Further reading

Alex Bryson and Richard Freeman (2006), 'What Voice Do British Workers Want?', CEP Discussion Paper No. 731 (http://cep.lse.ac.uk/pubs/download/dp0731.pdf).

Richard Freeman (2005), 'From the Webbs to the Web: The Contribution of the Internet to Reviving Union Fortunes', in Susan Fernie and David Metcalf (eds), *Trade Unions: Resurgence or Demise?*, Routledge (summarised in *CentrePiece*: http://cep.lse.ac.uk/pubs/download/CP182.pdf).

Richard Freeman, 'Are European Labor Markets as Awful as All That?', CEP Discussion Paper No. 644 (http://cep.lse.ac.uk/pubs/download/dp0644.pdf).

Richard Freeman and Joel Rogers (1999), *What Workers Want*, Cornell University Press.

Richard Freeman and James Medoff (1984), *What Do Unions Do?*, Basic Books.