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## **What is Wrong with Trade Unions?**

Trade unions are professional associations of workers created in order to protect the economic interests of workers. The benefits of trade unions are well-known because these associations do not allow entrepreneurs to infringe the rights of their employees.

Are these associations so good? Are there any negative effects of trade unions on the economy? It turns out that there are.

The first issue is that trade unions often lead to increased unemployment. When union members seek to increase their wages, they thereby raise the cost of the entrepreneur, who does not earn more money and just has to hire fewer people on the same amount of money.

Suppose that the employer has one million dollars in the disposal. And he is willing to spend it on his factory workers during the year. Each employee gets \$35 thousand per year. Then the entrepreneur is able to provide jobs for 28 people, who can also get a little more money as the rewards. If the union can achieve wage increase from \$35 to \$50 thousand, the situation immediately changes. Now the entrepreneur is able to hire only 20 people. As a result, 8 people remain unemployed.

This is the first problem, which is led to by the active work of trade unions. Those people, who could not get a job, will have a serious impact on the economy. The purchasing capacity declines and people simply cannot consume large amounts of products.

The second problem of labor unions is that the increase in wages to employees automatically increases the cost of production. This leads to the fact that product prices rise. Many people simply can refuse to buy products. As a result, the entrepreneur receives significantly less money from selling the product (the selling is delayed). And there are few chances that the quality of products increases. It may be even lower than the quality of products of the company that sells similar goods of higher quality and does not have its union. Moreover, it can lead to the death of business.

The third problem is that it is not so easy to dismiss an employee who is a member of the union. Especially, in the case when the employee's performance is poor. Thanks to the protection of trade unions he can keep his position. Bad employees can affect the company in the most radical way such as lowering the quality of the final product.

So we can say that the widely spread trade unions can not only lead to a positive result, but also to a negative. Nowadays the problem of trade unions is a controversial issue in the economy.