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Labor's day is over . . .

... at least for the private sector. Studies show they cripple competition. But these days, unions thrive in government.

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U.S. labor union leaders see themselves as champions of the American worker, but their movement has become largely irrelevant to most workers enjoying this Labor Day holiday. For the small and declining share of Americans who still work in unionized industries, the movement has proven to be a job killer.

From their zenith in the 1950s, labor unions have witnessed a relentless decline among non-governmental workers. Fifty years ago, about one in three Americans working in the private sector belonged to a labor union. Since then, "union density" in the private sector has declined steadily to less than 8 percent today.

Labor leaders blame the decline on union-busting corporations, years of hostile Republican rule in Washington, and a flood of imports from low-wage countries such as China, but the main reason behind the decline of private sector labor unions in recent decades is the anti-competitive nature of unions themselves. Like a virus, labor unions have been slowly sapping the lifeblood of the very industries and companies that employ their members.

Studies comparing unionized companies to those without unions find that unionized firms are less able to compete in the domestic or global marketplace. Unions can help raise productivity and reduce worker turnover, but at a steep cost to unionized employers. Through collective bargaining, unions extract higher above-market pay and benefits from employers, while more rigid union work rules reduce efficiency and blunt the ability of management to adapt to changing market conditions.

As a result, unions cripple the ability of the companies to compete in an open and dynamic economy. Research by Dr. Barry Hirsch at Georgia State University and others has found that unionized firms are less profitable, invest fewer resources in physical and intellectual capital, accumulate more debt, and grow more slowly than comparable firms that are not unionized.

The inevitable outcome of the "union tax" is that unionized firms inevitably yield market share to their non-unionized rivals, whether foreign or domestic. The union tax explains why almost all the job losses in manufacturing from 1973 through 2006 were among unionized workers.

An obvious example of this phenomenon is the Big Three U.S. automakers. Since the 1970s, General Motors, Ford, and Chrysler have been losing ground to foreign-owned rivals such as Toyota, Honda, and Nissan.

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It is not imports that have cut into the sales of the Big Three but output from foreign-owned plants in right-to-work states in the South such as Texas, Mississippi, Tennessee, Kentucky, and South Carolina.

Those non-unionized foreign "transplants" offer solid middle-class wages and benefits to their workers. They have managed to remain financially viable during the downturn because they avoided the gold-plated pay and benefit packages and stultifying work rules that the United Auto Workers union extracted from the Big Three over the years – contracts that proved to be unsustainable in a competitive market suffering through a steep recession.

Unionization has exacted a toll on other sectors of our economy as well. Many big city newspapers that have been hemorrhaging red ink are also unionized. The unionized airline industry has collectively lost billions of dollars in recent years.

The U.S. Postal Service is on track to lose $7 billion in the current fiscal year even though it enjoys a government-conferred monopoly on first-class mail. Of course, technology and the business cycle have done the most damage in those sectors, but the union tax seems to be the common thread among the most critically ill employers.

The one sector where unions have managed to hold their ground is in government. Union density among government workers has held steady at between 33 and 36 percent of total public employment. Unions can survive and thrive in the government sector because, by definition, there is no real competition. The costs of unionization can be passed along to taxpayers without losing market share.

American workers do not need collective bargaining to enjoy the fruits of a free and open market. The Great Recession of 2007-09 has caused widespread pain, but it should not be allowed to obscure the long-term progress American workers and their families have made in recent decades.

The real compensation per hour earned by American workers – that is, wages and benefits adjusted for inflation – is still 20 percent higher on average than a decade ago. Median household income is $6,000 higher than it was in the early 1990s. And despite the recent drop in home values and stock prices, median family net worth was still 10 percent higher in real dollars at the end of 2008 than a decade ago, and 30 percent higher than 20 years ago.

It remains one of the big lies of the economic debate that we have traded away high-paying, unionized manufacturing jobs for low-paying non-union service jobs flipping burgers and cashiering at a big-box retailer. Since the early 1990s, two-thirds of the net new jobs added to our economy have been in service sectors – such as education, health care, and business, financial and professional services – where average wages are higher than manufacturing. The American middle class today earns its keep in the largely non-unionized service sector.

The Obama administration and Democratic congressional leaders owe a big political debt to the AFL-CIO, Teamsters and other labor organizations that expended so much money and manpower to get them elected. The so-far unsuccessful effort to pass "card check" legislation is just one example of the payback labor leaders expect to receive for their loyal backing.

Known officially as the Employee Free Choice

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Act, the card-check legislation would effectively abolish the secret ballot in workplace elections for union representation. It would also require employers to submit to binding government arbitration if they cannot reach an agreement with union representatives, forcing companies to submit to contracts that may imperil their very survival. And the bill would compress the time period for holding elections, denying workers the ability to fully inform themselves of the consequences of their decision.

Those are reasons enough to be wary of upsetting the current status quo in U.S. labor law. But the sobering experience of unionized companies offers a further warning against tipping the playing field further in favor of union organizers.

A resurgence of union representation in the private sector would threaten to plunge even more U.S. companies into financial distress and put more American workers in danger of losing their jobs.