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Written by **Robert Confer** on November 16, 2012

No More Twinkies: Unions and the Death of Hostess

Today is a dark day for U.S. manufacturing, as the storied corporation Hostess Brands, Inc. announced that it was closing shop and liquidating, selling off its brands, facilities, and equipment. It is a sad ending to a company that had been in operation since 1930 and had weathered the Great Depression and the Great Recession. The closing will eliminate a staggering 18,500 jobs.

Those jobs could have been saved had those workers — or more specifically their unions — agreed to wage concessions. But they didn't, wrongly believing that Hostess' threats of closure were idle.

No one in his right mind would have found the warnings idle, considering that the company had already declared bankruptcy in January of this year — but the cocksure leaders of the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (BCTGM) did, and continued to demand that workers strike at over two-dozen of the company's 33 plants.

That was labor suicide — the straw that broke the camel's back. There was no way that a company already $860 million in debt could weather the storm.

BCTGM's killing of Hostess wasn't limited to the strike. The union's demands had plagued Hostess for years, forcing — through the legalized monopolization of labor supply — wages that the market wouldn't bear. The striking line workers were paid healthy salaries, $16 to $18 per hour. In a low-profit, low-selling-price business such as baked goods (things that are basically commodities), those wages aren't sustainable, especially considering that baking and distribution involve a lot of manpower.

According to the Bureau of Labor Statistics, the mean hourly wage for the designation of "bakeries and tortilla manufacturers" was $12.57 in 2011. Supposing that Hostess' median wage was $17, they were paying 35 percent more than the national average.

Hostess was looking for wage concessions of only eight percent. Even after the cuts, Hostess still would have been paying their workers handsomely, 24 percent more than the industry norm. Mind you, this one-year cut would have been followed by guaranteed wage increases of three percent in each of the three years that followed, capped off by one percent in the fourth year. So, the pain would have been only temporary and cancelled out in just three years.

But, BCTGM gambled and it didn't pay off. Rather than keeping over 18,000 people gainfully employed in a bad economy, where the U6 employment rate is approaching 15 percent, they opted to put every one of them out on the streets, where their $680/week becomes $0/week until unemployment benefits kick in at $400/week, putting a drain on taxpayers who are already paying for unprecedented numbers of unemployed for unprecedented lengths of time. Once those benefits fade away, it's very likely those workers will remain unemployed, as very few communities support a manufacturing base that can overcome the closure of bakeries as large as Hostess'. So, the union basically sent their workers to the bread lines — an ironic metaphor for food producers.

This fiasco speaks volumes of the ills of unions, which will cut off their nose to spite their face. It's just one in a long line of union-led disasters of the past few years, which range from the General Motors collapse (GM couldn't support overly generous wages and pension benefits) to the states themselves (which are leaning on taxpayers even more to fund their weakened pension plans for public-sector workers).

People just won't learn. Union bosses don't have an inkling of the basics of economics, and neither do their members, most of whom have been brainwashed by union propaganda and have developed an overt entitlement mindset. They force upon their employers wages and benefits that can't be sustained in the long run. They fail to see that doing so makes their products unaffordable in an increasingly competitive global economy and thus destines their firm for destruction, which will ultimately harm their job, their retirement benefits, and the pensioners who retired before them.

That mob mentality also hides the simple fact that labor is an economic transaction based on the individual, not the collective. It's a simple trade in which a worker should willingly enter into agreement with an employer and vice versa. Work is an employer's exchange of competitive monetary and benefit compensation for the use of the worker's physical and mental services. As with any free-market economic activity, either party can prevent ongoing transactions, whether such termination is based on dissatisfaction with what the exchange garners or on the influence of supply and demand in the micro- and macro-markets.

Basically, the act of employment is really no different from making a purchase at the local grocery store: You don't need a consumer cooperative to buy Twinkies, and you don't need a labor cooperative to make Twinkies.

It's a lack of focus on that simple premise that made that iconic product and its producer extinct, as well as the jobs of those who made them.

The unions were looking for a victory, despite the odds stacked against them. They didn't get one. They lost miserably. Sadly, so did Hostess. The economy, the taxpayers, and, above all, the workers, are worse off for that ridiculous gamesmanship by BCTGM.

When will it ever end? It makes one wonder which of America's great companies might be the next to die.