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IZA Prize 2007 goes to Richard Freeman

U.S. economist honored for his contributions to the analysis of unionism
Award ceremony to be attended by German President Horst Köhler and
Deutsche Post CEO Klaus Zumwinkel (Berlin, November 5, 2007)

This year's IZA Prize in Labor Economics, awarded annually by the Institute for the Study of Labor (IZA), goes to the U.S. economist *Richard B. Freeman* (Harvard University and London School of Economics), who has made a number of fundamental contributions that have monumentally shaped modern labor economics. The renowned IZA Prize honors Freeman's groundbreaking work on the sustainability of the welfare state and the role of trade unions in the labor market. His highly innovative studies address policy-relevant issues that have important implications for labor market reforms in Germany. The award ceremony will be held on November 5, 2007, in Berlin with German Federal President *Horst Köhler* as the invited speaker.

"By drawing attention to important social problems and trends, Richard Freeman has greatly extended the range of issues addressed in modern labor economics. His analyses of inequality and discrimination, the role of unions and the welfare state are extremely valuable for the understanding of effective labor market policy," said IZA Director *Klaus F. Zimmermann* during the announcement of the IZA Prize Committee decision in Bonn.

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 revolutionized the perception of trade unionism in modern labor economics.

Good work of unions improves employee retention

In light of globalized 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 reduces not only absenteeism but also promotes long-term employment relationships by lowering the number of quits. This reduction in labor turnover lowers hiring

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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 labor markets. It should encourage union leaders to be more aware of their key responsibility for the economy as a whole," Zimmermann commented.

For more than three decades, Richard B. Freeman has been among the internationally most active and influential labor 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 (ILO) and the European Union. In addition, Freeman directs the Program on Labor Studies at the National Bureau of Economic Research (NBER).

German Federal President Horst Köhler will take part in the award ceremony to be held in Berlin on November 5, 2007. The prize will be presented to Richard Freeman by *Klaus Zumwinkel*, CEO of Deutsche Post World Net and IZA President, jointly with IZA Director Klaus F. Zimmermann.

Sponsored by Deutsche Post World Net, IZA has awarded the annual IZA Prize in Labor Economics since 2002 in honor of outstanding contributions to labor market research. The prize carries a cash award of 50,000 euros and is today considered the most important science award in labor economics worldwide.

IZA and Deutsche Post World Net

With its exclusive focus on labor market issues and its unique role as a place of communication between economic science and political practice, the Institute for the Study of Labor (IZA) is unparalleled worldwide. IZA analyzes the problems associated with the organization of labor in a rapidly developing globalized economic and social environment. In addition to internationally competitive research in all areas of labor economics, IZA provides policy advice on topical labor market issues and disseminates recent research findings to the wider public. IZA was founded in 1998 on the initiative of Deutsche Post World Net, from which it has since then drawn substantial support that makes the institute independent from short-term commissioned research.

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