How Strong U.S. Labor Organizations Once Boosted Wages and Limited Economic Inequality — and Could Do so Again

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Wage and income inequalities have grown in the contemporary era. As top U.S. incomes have experienced rapid growth, median incomes, particularly for full-time male workers, have mostly stagnated. In addition, many American workers experience strains from insecure and volatile economic prospects, making it increasingly difficult for them to plan for the future.

My recent research explores how the decline of labor unions has contributed to rising wage inequality. I explore the multiple pathways through which labor unions raise wages and keep inequalities in check for unionized and nonunionized workers alike. As unions lost members from 1973 to 2015, I show, wage growth has slowed and economic gaps and volatility have increased.

Why Unions Might (and Might Not) Matter for Inequality

Unions affect inequality in many ways. Directly, unions fight for more generous wages and benefits in contractual negotiations for their members in unionized workplaces. Beyond that, however, strong unions also have wider *indirect* effects on inequality. Across entire regions and industries, unions can influence broadly held expectations, norms, and values, and also affect power arrangements and public social policies. Through such spillover effects, unions can potentially raise wages and reduce inequality for union and nonunion workers alike.

Many analysts are skeptical that unions have much effect beyond what we might expect from the sum of the motivations and abilities of their worker members. If we could account for those individual characteristics, the argument goes, the extra effects of unions on wage setting might be minimal, especially in the modern era of declining overall unionization rates.

To address these well-reasoned hypotheses, I tested for the presence of the *direct* and *indirect* pathways linking labor unions as organizations to wage inequalities. I merged union membership information from 33 waves of representative data from the nationwide Current Population Survey to 33 waves of the excellent, long-running Panel Study of Income Dynamics. By doing this, I could test whether the multiple pathways linking unions and inequality can be observed in wage changes over the course of worker careers. My results pin down union effects while accounting for stable and unobserved qualities of individuals.

How Unions Promote Wage Growth during Worker Careers

As expected, *joining* a union corresponds with higher wages, and union membership is also associated with higher rates of wage *growth* over workers' career. But beyond boosting wages of union members, I find the indirect consequences of union decline also matters for general wage rates. Workers who see declines of union power in their regions and industries of also experience slower wage growth. Such reduced wage growth is found among men and women, union members and nonunion members, people who *never* were part of a labor union, and people who entered the labor market from the 1980s onward, a time when unions were already significantly weaker and had lost Federal government backing. Overall, my research shows that wage levels and growth are boosted not only for those who are union members, but also for other workers employed in segments of the economy with a strong union presence. Both direct and indirect pathways of union boosts were detectable.

What is more, unions do not just affect wages; they also affect the stability of wages. Declining union power, I find, is both directly and indirectly related to growing wage volatility (or unpredictability) over the course of worker careers.

How Union Decline Propelled Today's Unequal, Uncertain Economy

My results — using robust tests that take into account worker characteristics and career trajectories — suggest important conclusions about the contemporary rise of inequality:

- The decline of labor unions has been a significant contributor to the growth of wage inequality that began in the 1970s.
- Union decline contributed to inequality not only because of the direct consequences of declining rates of union membership, but also because of the indirect influence that unions once had on boosting wages for nonunionized as well as unionized workers.
- The decline of labor unions contributes to growing wage volatility and instability.

A few points of caution are in order. Both the rise of inequality and the decline of unions are the result of many causes, some technological, some social, and some political. By now, it is unlikely that American unions could be revived with the passage of any single law or through any particular union victory; and it is similarly unlikely that American unions could be reestablished in the ways they were originally expanded from the 1930s to the 1950s.

Nevertheless, my results underscore a basic point that holds across time. When ordinary American workers have shared organizations and institutions designed to boost their capacities to demand improved economic conditions without fear of being singled out and punished, individual workers typically fare better. But when collective organizations and institutions like unions decline, working people in general fare worse.

In the United States and beyond, unions have long been places where workers can come together and demand a fair share of the fruits of the larger economy — but now the U.S. economy and its workers have lost union clout. My results suggest the importance of discovering new policies and organizational efforts that might, once again, provide American workers with greater power over their economic lives. Traditional unions may no longer be possible, but comparable new measures, if they can be found, would likely contribute to enhanced and more broadly shared wellbeing and prospects for most American workers — and, in the process, reduce overall inequalities in the U.S. economy.

Read more in Tom VanHeuvelen, "Moral Economies or Hidden Talents: Union Decline and Wage Inequality, 1973-2015" ***Social Forces*** **(2018).**