# Testimony before the Subcommittee on Health, Employment, Labor, and Pensions

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Madame Chair Wilson, Ranking Member Walberg, and all members of the subcommittee, thank you for the opportunity to testify today about the benefits of collective bargaining for our workforce.

My name is Jake Rosenfeld and I am an Associate Professor of Sociology at Washington University in St. Louis. For the past 15 years, I have conducted quantitative research on the linkages between strong unions and income equality in the U.S., and on how union decline has contributed to widening income disparities in our economy today.

During the labor movement's heyday in the mid-1950s, one out of every three private sector workers belonged to a union. Today about one in twenty do. The unionization rate today is at its lowest point in over a century. It is as low as it was prior to passage of the National Labor Relations Act, a law intended to guarantee workers the right to bargain collectively with their employers. This dramatic decline has far-reaching implications for our workforce. From my own and related research, I have four key findings to share with you today.

1) Unions and inequality

First, an accumulating body of research from across the social sciences finds that strong unions were a key factor in delivering widespread gains to millions of working- and middle-class Americans during the post-World War II decades. Their decline explains much of the rise of income inequality. One influential study I co-authored with Bruce Western of Columbia University finds that the fall in union membership explains a third of the rise in wage inequality among men, and about a fifth among women.[1] Union decline's contribution to rising inequality is as sizable as the increasing economic returns to workers with a college degree, also known as the college wage premium.

Unions were able to constrain inequality through a number of channels. The most well-documented is the "union wage premium," or wage benefit a worker receives as a result of his or her union membership. A recent study examining 80 years of data discovers that household union membership is consistently associated with wages that

[1] Western and Rosenfeld 2011.

are 15-20% higher than otherwise similar non-union households.[2]

Beyond the union wage premium, unions served as a prominent force establishing what is considered fair in the economy. Through this role, they helped to set the standards for pay at the bottom, middle, and top of the wage distribution. Higher union density at the state-level is associated with lower poverty rates.[3] Strong unions help reduce poverty through a variety of mechanisms, including by advocating for higher minimum wages.[4] For average workers, the generous pay negotiated through collective bargaining bolstered the economic standing of millions of unionized workers, and spread beyond the organized workforce. Often new market entrants looked to what industry leaders were doing when setting wages. When organized labor was strong, many of these leaders were unionized.[5] At the top end of the economic spectrum, a study by economists at the International Monetary Fund links diminished union power to rising incomes at the very top.[6] The implication from the IMF report is that union decline has allowed the rich to get richer and contributed to stagnant or falling incomes for nearly everyone else. This linkage between collective bargaining and lower inequality extends far beyond U.S. borders. A study of 30 advanced economies finds a strong, negative, linear relationship between collective bargaining coverage rates and inequality: the higher the fraction of workers covered by a collective bargaining agreement, the lower the overall ratio between the top 10% and bottom 10% of earners.[7]

2) Unions' positive impact on non-union workers

The second finding I want to share with you stems from new studies that reveal just how important unions were to non-union workers. In a 2016 investigation with Patrick Denice and Jennifer Laird, we examine over three decades of data on millions of non-union workers and estimate that weekly wages for non-union men would be over $50 higher if unions today remained as strong as they were in the late 1970s.[8]

[2] Farber et al. 2018.

[3] Brady, Baker, and Finnigan 2013.

[4] Rosenfeld forthcoming.

[5] Rosenfeld, Denice, and Laird 2016: p. 7.

[6] Jaumotte and Buitron 2015.

[7] Berg 2015. See `https://www.ilo.org/global/about-the-ilo/multimedia/maps-and-charts/WCMS_351306/lang--en/index.htm` for the results.

[8] Rosenfeld, Denice, and Laird 2016.

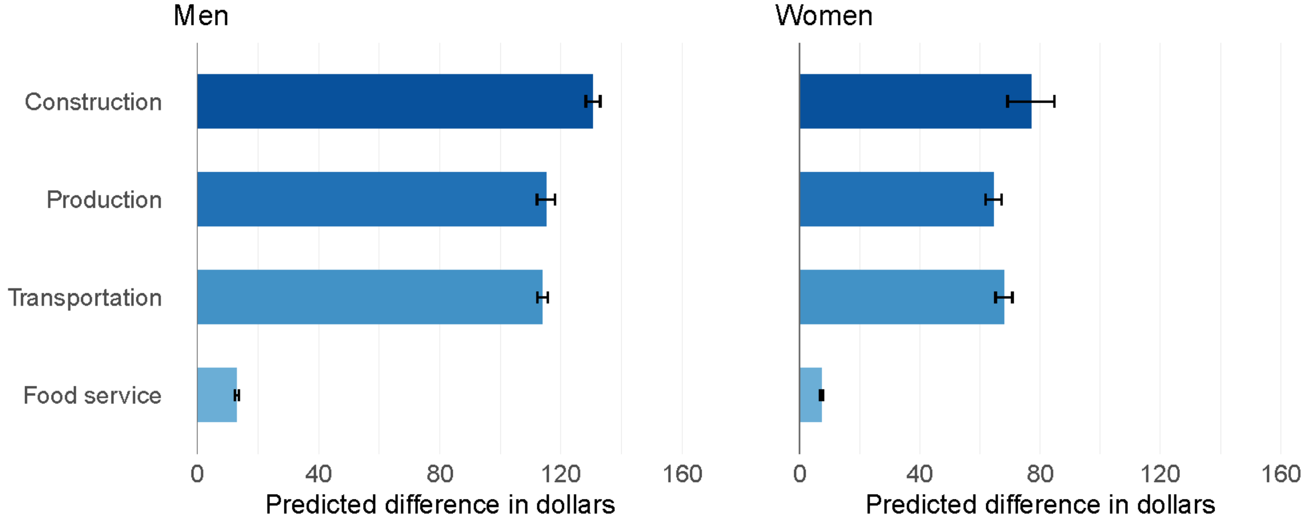
For a year-round worker, this translates to an annual wage loss of $2,700.

The effects of union strength are especially large for non-union men who lack a college education. For this group of workers, inflation-adjusted wages are substantially lower today than they were in the late 1970s. Yet in debates over the causes of their plight, the decline in union power has not received as much attention as globalization, technological change, and the rising returns to a college education. Our study reveals that it should: For nonunion private-sector men with a high school diploma or less education, weekly wages would be an estimated 9% (approximately $60) higher if union density remained at its 1979 levels. For a full-time worker, this translates to an annual wage loss of nearly $3,200.

In a follow-up study we find that the effects of union decline on non-union pay remain even after adjusting statistically for manufacturing decline, automation, rising skill demands, and other prominent explanations for wage trends in our economy.[9] We also isolate the effects of union decline on the wages of workers in select occupations. Figure 1 below shows the results from these analyses. We estimate that among non-union men, construction workers would earn approximately $130 more weekly if union memberships were as high today as they were in the 1970s. Production workers would earn over $100 more weekly. Results are substantial for non-union women as well. Findings reveal that women construction workers would earn nearly $80 more weekly if unions retained their 1970s membership levels; among production and transportation workers, the results also reveal that union decline has contributed to significant wage losses.

[9] Denice and Rosenfeld 2018.

Figure 1. Predicted weekly wage differences for selected occupations




*Note: Bars indicate the difference in dollars in 2015 between the model−predicted average weekly wages and the counterfactual wages for workers in each occupation. Lines denote 95% confidence intervals around those differences. Sources and methods are described in Denice and Rosenfeld (2018).*

Non-union workers benefit from a strong union presence in their labor market in a couple of ways. Unions set pay and benefits standards that non-union employers follow. Those employers may raise pay for their workers to forestall an organizing drive, which leads to an upward adjustment in wages of workers above them, to maintain relative pay differentials (similar to the effects of minimum-wage increases). Non-union employers may also follow the standards that unions help establish through advocating for labor-friendly policies, instituting informal and formal rules governing labor conditions, and generally serving as a cultural force arguing for a "fairer share" for working men and women.

3) Unions' positive impact on racial and ethnic minorities and women

Third, when and where they were strong, unions were especially important for supporting the economic standing of racial and ethnic minorities and women workers. Nationally, union membership rates for African-American men in the private sector rose to nearly 40% by the early 1970s. And by the end of the 1970s, nearly 1 in 4 African-American women in the private sector belonged to a union. We had nearly closed the racial wage gap among women by 1980. The destruction of private sector unions from the 1980s onward opened it once again. My research with Meredith Kleykamp indicates that had union membership rates for women remained at late-1970s levels, racial wage inequality among women in private sector jobs today would be reduced by as much as 30%.[10] Other research has established that gender pay gaps are smaller in the unionized sector. Why? As the authors of a recent study argue, collective bargaining agreements often include many key tools proven to reduce wage inequality between men and women. They standardize wage rates, promote pay transparency, and provide workers who feel they have been unfairly treated with procedures to file formal complaints.[11] Standardized wages help reduce the role of biases in pay-setting by offering similar pay for workers performing the same job. Transparency brings unfair treatment to light, which can then be adjudicated through formal grievance procedures.

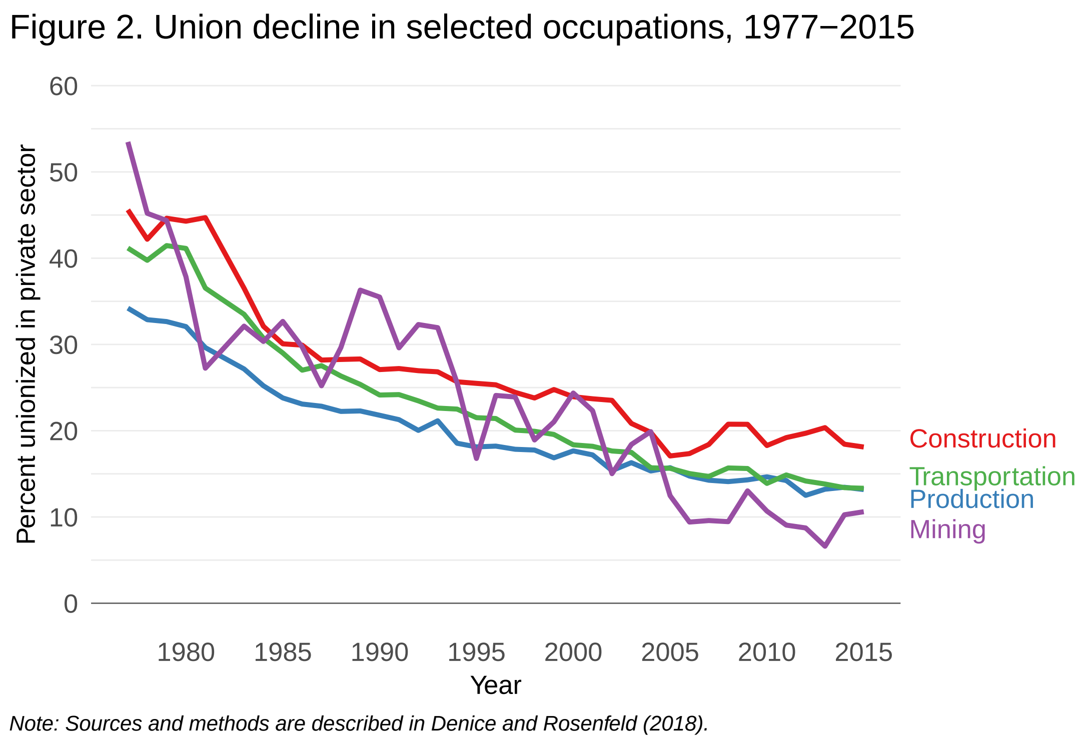
The labor movement's upsurge between the Great Depression and World War II relied heavily on immigrants and their children. During the labor movement's peak, unions helped provide a solid economic foundation for our country's newcomers, propelling millions into the middle-class. Echoing this historical pattern, my research reveals that more recent arrivals are joining unions at high rates in those sectors where organized labor remains powerful.[12] But those sectors are shrinking. Unlike past generations of immigrants who once swelled the ranks of the organized workforce, recent immigrants face an economic and political context largely hostile to unions. As a result, contemporary immigrants and their children enter labor markets largely lacking a proven pathway to the middle-class that strong unions had once established.

4) Myths about union decline

Fourth, and finally, it is time to dispel prevailing myths about the causes of labor's current plight. One view is that union decline stems entirely from globalization and technological change. It is true that unions have been hard hit in industries transformed by outsourcing and automation. But union decline in occupations that either cannot be outsourced or have not been automated challenges this theory. Figure 2 below displays unionization rates for private sector workers in four major occupations: production, mining, construction, and transportation. As shown, production workers' organization rates fell dramatically over the decades covered by the available data. Membership declines among miners were even steeper. These two occupations were

[10] Rosenfeld and Kleykamp 2012. See also Rosenfeld 2014: Chapter 5.
[11] Gould and McNicholas 2017.
[12] Rosenfeld 2014: Chapter 6.

especially prone to labor-saving technological change and the outsourcing of many jobs formerly held by U.S. workers.




The same cannot be said about construction and transportation workers. Take construction: we do not send our house overseas to have the roof replaced, yet unionization rates among all construction workers fell by nearly 60% between 1977 and 2015. A construction worker now earns $10,000 less per year, adjusted for inflation, than one in the 1970s. Or transportation: as of today, robots do not rule the road, and yet union representation rates followed a similar trajectory as construction's during the period, and wages fell precipitously as a result. Half of all truckers in the U.S. once belonged to a labor union. Fewer than 1 in 10 do today.

Another prominent view holds that U.S. workers have turned away from unions. In 2017 researchers at MIT surveyed nearly 4,000 U.S. workers.[13] They asked non-union workers whether they would vote for a union if given the opportunity. Nearly half replied yes. If the private sector unionization rate were simply a function of workers' desire, it would much closer to 50% than its current rate of approximately 5%. A recent Gallup poll found that support for labor unions is at a 15-year high,

[13]Kochan et al. 2019.

with nearly 2/3 of Americans expressing approval.[14]

This is what makes strengthening the National Labor Relations Act so important. Today workers are often blocked from exercising their legally-guaranteed freedom to negotiate. Inequality has reached heights unscaled since the first Gilded Age. These two trends are intimately tied, and if we are serious about combating the latter, it is past time to do something about the former.

Thank you for your time.

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