

Why Unions Matter

Income Inequality and Labor Unions: A Program for Progress

Growing income inequality has become an issue of national concern. The reports are striking: the share of total annual income going to the top 1% of Americans has more than doubled since 1976. In past recessions, incomes drop, but quickly bounce back during recovery. There is no doubt that the economy has been improving; however, wages are not and therefore the inequality gap has not been shrinking. The so-called economic “recovery” of 2009-2011 saw the top 7% of households increase their net wealth by 28%, while the bottom 93% saw a decrease in their net wealth by an average of 4.4%. According to a Pew Research Center study, the wealth gap separating the top 7% from everyone else increased from 18 to 1 to 24 to 1 between 2009 and 2011. The most affluent 7% of households owned 63% of the country’s household wealth in 2009. The wealthiest 10% of Americans haven’t taken home such a large percentage of all income since 1917, the heyday of the robber barons in the late Gilded Age. A scandalous one in five American children lives in poverty.

These distressing facts have drawn attention from political leaders across the political spectrum. While we may not know all the causes of income inequality we know historically and internationally, a strong union movement helps improve equality, not only for its own members, but for all citizens.

Why Care?

At first income inequality sounds like an abstract economic idea. Some argue that discussing inequality vilifies the rich, or penalizes the productive. Others state that the case against income inequality is overblown. Despite this, 50 years of social science research reveals the damaging effects of income inequality.

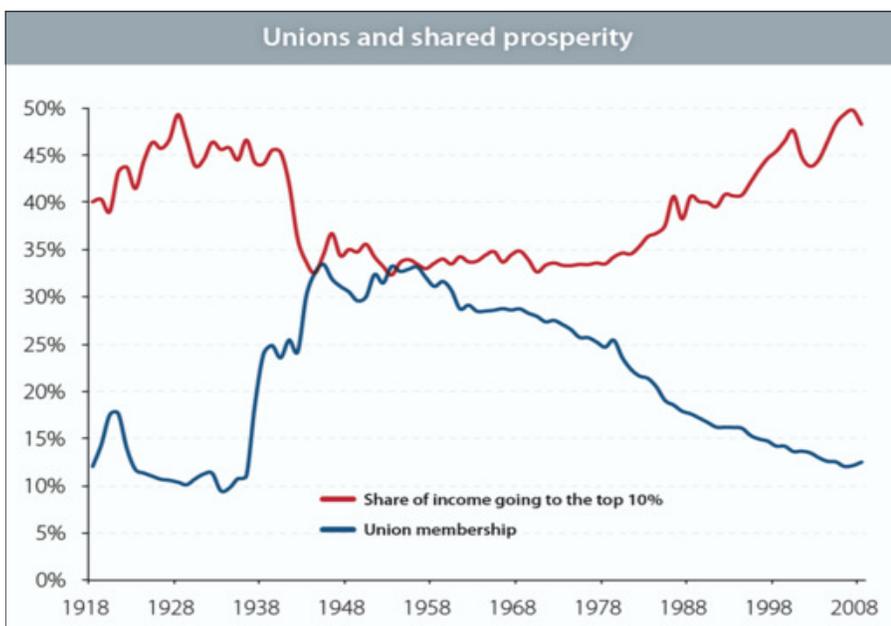
A more economically unequal country means:

- A more violent country: homicides and other violent crimes are correlated to higher inequality.
- A sicker nation: increased mortality is correlated to higher inequality
- A damaged generation: Youth and childhood illness and mortality increase, and social well-being is damaged by higher inequality.
- A less educated workforce: Economic inequality leads to lower levels of college entrance and completion.

Reducing inequality is a single policy objective where policy makers can dramatically affect health, crime, education, and the wellbeing of future generations. What can be done to improve income equality in the United States?

Workers and Income

A variety of factors have increased income inequality in the United States. Globalization means goods are produced cheaper elsewhere, pushing wages down at home, and



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eliminating higher-paid jobs at home and even basically eliminating certain industries such as the garment industry. Some new jobs (such as website designer) may be created while limiting old ones (such as bank teller), while robots replace many manufacturing employees. Tax policy also has a role to play, with increased tax breaks in the past years going to the richest Americans.

There has also been a dramatic increase in part-time employment. In the past two decades, many major retailers went from employing 70%-80% full-time workers to employing some 70% part-time workers across the industry. The Bureau of Labor Statistics (BLS) found that the retail and wholesale sector cut a million full-time jobs since 2006 while adding 500,000 part-time jobs. According to the BLS, full-time workers in service jobs averaged 57% more in total compensation – wages and benefits – than their part-time co-workers.

Moreover, the usual practice of changing schedules and hours, often at the last minute, for part-time employees means that the part-time worker finds it difficult to take courses to enhance her skills or to get a second job to supplement his income. This trend is not restricted to lower-wage jobs in the service industry as evidenced by the replacement of full-time faculty with low-paid adjuncts at colleges and universities around the country, college graduates who have to piece together a course at one school with a course at other schools to barely earn a living wage.

But the real driver of equality is good paying jobs that help to develop the middle class. It is unsurprising then to find that the rise in inequality of incomes has come at a time of decreasing union density, which translates into a loss of bargaining power for more and more workers.

Union Density and Inequality

In 2014, union membership rate in the United States was 11.1%. Three decades earlier, the rate was 20.1%. In the booming 1950s, the union membership rate in the United States peaked at near 35%. The evidence for the relationship between union membership and a more equal society is strong in the United States, and replicated around the world.

A number of studies have shown that deunionization, the process that has been taking place in the United States for more than 50 years, is related to inequality not just in the United States, but across a number of other developed countries.

American factories are hiring again, but they are hiring more non-union workers. U.S. manufacturers added half a million new workers since the end of 2009, but there were 4% fewer union factory workers in 2012 than in 2010 according to federal data. Since a non-union worker earns about 7% less than a union worker and the typical non-union factory worker earned less in 2011 than in 2009 after adjusting for inflation, a good union manufacturing job is no longer the ticket to the middle class.

Government jobs have been more unionized in recent years, but those jobs are shrinking as the federal and state governments deal

with sequestration and reduced budgets. And certain governors around the country, as in Wisconsin, Michigan and Illinois, have waged aggressive campaigns to undercut union density and limit collective bargaining.

Most studies indicate that some one-fifth of the increase in income inequality in the U.S. among men in the last few decades is the result of the fewer union jobs; in fact, according to a study in the *American Sociological Review*, the decline of union jobs may account for one-third of the rise of inequality for men.

The evidence is clear. A strong union movement means less inequality.

Why Unions Matter

Some argue that focusing on unionization to tackle the inequality issue is wrong-headed. They insist that more unions will simply trade a rich-poor inequality for a unionized-nonunionized inequality. The evidence says differently. Unions don't just help union members, *they help every worker in the country*, and here's how.

- Supporting the minimum wage: Unions are at the forefront of the fight for fair wages and lobby for increasing the minimum wage when that floor falls too far behind what is needed
- When union workers are able to earn higher wages and better benefits, that results in non-union employers paying more to their employees in order to keep attract and keep them
- Countervailing power: Where they exist, unions provide a useful check on run-away corporate profits and executive salaries. Unions provide an

essential check and balance, just as our three branches of government provide a check and balance on each other.

- Building a consumer base: The United States is a consumer culture. Well-paid workers consume more goods and services, pay more in taxes, buy more homes, thus driving the economy into a virtuous cycle.
- Unions provide a voice in the political arena for their members on behalf of policies that support and enhance the middle class

Steps to Combat Inequality

Income taxes for those at the top have fallen sharply. In 1995, the 400 taxpayers with the highest incomes paid 30% in taxes on average; by 2009, that rate had fallen to 20%. Changes in tax policy can be adjusted to help ensure that the middle class is strengthened and that vital public services are not cut. Tax policy should ensure that all Americans pay their fair share of taxes, should eliminate the tax benefit of sending jobs overseas, and should encourage investments in infrastructure, education and manufacturing.

The Federal Reserve Board should make sure there is a robust recovery before raising interest rates. Trade agreements that further erode U.S. wages and send even more jobs overseas should not be signed.

The federal minimum wage can be increased and indexed to ensure

that it rises annually to adjust for inflation. The minimum wage for tipped workers can be raised to 70% of the regular minimum wage. Legislation can apply the Family and Medical Leave Act (FMLA) to smaller businesses and to provide paid leave through general revenues. There can be steps taken to ensure greater affordability and greater access to higher education.

Preventing Inequality through Strong Unions

These and other steps are important. But there is another vital step, one that is often overlooked: to protect and restore workers' ability to form or join a union of their choice and to bargain collectively.

Today, workers find it extremely difficult to form a union in the face of a company using determined tactics and high-priced consultants to defeat them. Even when workers win an election, many firms refuse to negotiate a first contract. And public employees in an increasing number of states must overcome newly passed legislation that handcuffs them in their efforts to organize and bargain on a level playing field.

The generations-long trend of de-unionization is not going to end overnight. Other long-term forces including global competition and the historic shift to a service economy, where there is less union density, make limiting inequality an uphill battle.

That being said, all is not lost. The government, institutions and individuals can take actions right now to strengthen unions, and in doing so rebuild the middle class, and create a healthier, safer, more educated America to leave to our children.

Reforming labor laws so that workers could form unions more easily would go a long way to reducing income inequality, and strengthening the middle class, the engine of a robust economy and a vital pillar of our democracy. If workers are able to bargain collectively, they can negotiate contracts that go far to reduce income inequality. They can not only negotiate fairer wages, but also health benefits, pensions, education subsidies, paid sick leave, overtime pay, project labor agreements (PLAs) that support labor standards on construction projects, as just a few examples. And this will have a spill-over effect that will help raise wages and benefits of non-unionized workers in related industries.

Unions are a collective voice in the public sphere that amplifies individual efforts on behalf of strengthening the middle class. Unions fight for higher labor standards, increasing the minimum wage, equal pay for equal work, paid sick leave for all workers, fairer tax policies, greater access to quality education -- and not just for their members. Greater union density means more opportunity to realize the American dream for all who live and work in the USA.

Jewish Labor Committee

the voice of the labor movement in the Jewish community.

Founded in 1934, the Jewish Labor Committee was formed to mobilize unions, Jewish organizations and mutual aid societies across North America to help fight Nazism in Germany. The JLC supported anti-Nazi and anti-Fascist forces throughout Europe, and aided Jewish, trade union and democratic socialist leaders targeted by the Nazis.

Today, the JLC brings together the organized labor movement and the organized Jewish community to promote workers' rights, civil rights and human rights in the workplace and the community-at-large; to combat anti-Semitism and all other forms of prejudice; to strengthen the historic relationship between American and Israeli trade unions, and to promote a just peace between Israelis and Palestinians.

Aware of the key role that the labor movement can play to combat income inequality, the JLC mobilizes support in the Jewish community for union activities across the U.S. in support of hotel workers, public school teachers, carwashers, employees at big box stores such as Walmart, domestic workers and all others fighting for dignity, security and representation on the job. We are also active in working to increase the minimum wage on the federal and state levels, securing passage of earned sick days legislation, as well as fair and comprehensive national immigration reform.

Together with our partners and supporters, the JLC is committed to creating a fairer and more just society for all.

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