

LITTLE LABOR

How Union Decline Is Changing the American Landscape

BY JAKE ROSENFELD

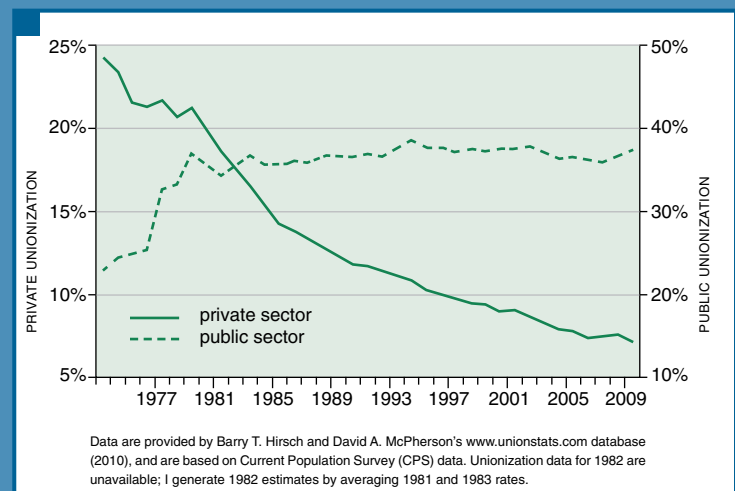
A recent *Wall Street Journal* editorial decrying the role of Big Labor in shaping the Obama administration's domestic policy expressed worry that unions' outsize clout would force higher taxes on investment income. Such articles are typical fare for a newspaper long critical of the labor movement's role in American life. But what's strange is the continued use of "Big Labor" as a shorthand moniker for trade unions in the contemporary United States. If organized labor remains big today, then back in its post–World War II peak, it was positively enormous. Fully one-third of the private sector workforce belonged to a labor union during the 1950s, and millions more resided in households reliant on a union wage. During the heyday of collective bargaining in this country, unions helped pattern pay and benefit packages among nonunion workers, as employers matched union contracts to forestall organizing drives and maintain a competitive workforce. Politicians, Democrats especially, depended on organized labor's support during elections and consulted closely with labor leaders when devising policy in office. Big Labor, then, was once quite big indeed.

The only thing that remains big about labor unions today is their problems. Figure 1 tracks unionization rates for private and public sector workers between 1973 and 2009. By the early 1970s, organized labor had already begun its decades-long decline, but still nearly a quarter of all private-sector employees belonged to a labor union at this time. The late 1970s and 1980s proved especially brutal for organized labor, with unionization rates halving during the period. The nation's intellectuals and journalists covered this phenomenon extensively, linking union decline to a new post-industrial economy increasingly open to global trade. Recent trends have garnered less attention, yet private-sector unionization rates *nearly halved again* between 1990 and 2009. The story for public sector unions has been a bit brighter. Rates of organization among government workers increased steadily during the 1970s, settling at slightly over one-third of all public sector workers, where they have remained relatively consistently up to the present. Three decades of stasis in public-sector organization rates suggests that the earlier

expansion may have reached its limit. And over four-fifths of the U.S. workforce is employed in the private sector. Moreover, recent research has demonstrated that the benefits of union membership are much smaller in the public sector, due to the relative transparency and standardization that govern many public-sector contracts. Organized labor, then, is disappearing in the sector where historically it has had the greatest impact on people's livelihoods.

But even less understood than the overall decline in unions' prevalence is the concomitant decline in unions' activity. Academics have long debated whether high levels of unionization are a net good when it comes to global competitiveness or overall economic performance. But fewer dispute that unions have been a historically positive force in bolstering the economic prospects of union members themselves. Unions bolster workers' clout in confrontations with employers, historically winning them higher wages, better benefits, and greater workplace protections than might be offered otherwise. Strikes represent unions' most potent weapon in confrontations with employers, and this weapon used to be a regular feature of America's

FIGURE 1 Unionization rates by sector, 1973–2009



industrial landscape, affecting millions of workers each year. But this has changed. Figure 2 below presents two series: the first shows the number of large strikes (involving 1,000 or more workers) over the last 45 years. The number of strikes involving 1,000 or more workers peaked at over 400 in 1974. In 2009, there were five. While the sheer precipitousness of this decline is staggering, we know that strikes of such magnitude are often unrepresentative of more typical work stoppages. But to date, no public data has been available to document strikes of all sizes in recent decades. Because of this, I filed a Freedom of Information Act (FOIA) request to obtain information on all strikes for the years in which data were collected. Figure 2 presents this data, and the trend mirrors what's been happening with large strikes. As late as the mid-1980s, nearly 1,000 walkouts occurred in a single year. By the dawn of the 21st century, that number had fallen to just over 200, a decline of nearly 80 percent in less than 20 years. What we've seen, then, is a rise in what might be called "union dormancy," whereby unions are no longer routinely agitating on behalf of their membership, at least not in the traditional form of the labor strike.

So what happened to Big Labor? Organized labor's penetration was especially deep in core manufacturing industries. The transformation to a post-industrial economy hit union workers in these industries hard, as jobs became increasingly vulnerable to outsourcing, deskilling, and technological innovations rendering many positions redundant. The process accelerated throughout the 1970s and 1980s, as traditionally protected industries like auto manufacturing opened up to competition from abroad, pushing domestic manufacturers to search for less labor-friendly jurisdictions. Yet private sector deunionization was not limited to the manufacturing sector; across all major industries with some union presence, membership rates remain lower today than in the past. This is true even in those industries not threatened by cheaper labor overseas, such as transportation and retail. The wave of deregulation that began in the Carter administration opened up some of these sectors to cutthroat competition, pres-

uring employers to shed expensive contracts and the unions that bargained for them. Partly as a response to deindustrialization and deregulation, there arose a concerted, broad-based effort by employers to shift bargaining power away from labor unions. By the early 1980s, innovative tactics adopted by management and used against organizing drives and existing unions shattered the relative detente between business and labor that had predominated for decades. These sophisticated strategies took full advantage of existing policies governing labor-management relations and proved incredibly effective at pushing back at what employers felt was overreach by unions.

A New Landscape

While the causes of organized labor's decades-long decline in the private sector are well known, the broad consequences are not. Existing research tends to focus on deunionization's consequences for the earnings of male, blue-collar workers. But the removal of organized labor from much of the private sector also affects the economic assimilation of recent immigrants and their offspring, widens black-white wage inequality among female workers, redistributes political power, and redefines the nature of strikes in modern America. I touch on each of these consequences below.

The Disappearing Economic Ladder for Hispanic Immigrants

Unionization has always been unevenly spread across demographic groups. The labor movement's great upsurge between the Great Depression and World War II relied heavily on European immigrants and their children, with many arrivals assuming top leadership posts in the nation's fastest growing unions. During the labor movement's peak, unions helped provide a firm economic foundation for these otherwise disadvantaged populations, propelling millions into the middle class. Some have argued that labor's future is brightening once again, given the influx of Hispanic immigration since the 1960s. That is, if labor can organize recent immigrants, unions might once again reclaim a powerful position in the economic landscape. This optimism is driven by events like the labor movement's success in organizing largely Hispanic janitors in Southern California, many of them recent immigrants.

But how is organized labor actually interacting with this new wave of immigration? Despite the historical role immigrants played in building the U.S. labor movement, in more recent decades top unions have eyed immigrant workers warily. Many assumed immigrants were largely unorganizable, due to the precarious legal status of some recent arrivals, the lower labor standards immigrants were accustomed to in their home countries, and the resulting worry that employers would use immigrant labor to undercut existing wages and benefits of native-born workers. The "Justice for Janitors" campaign in Southern California helped counter such claims and helped galvanize organizers across the nation, who sought to capitalize on the class-based solidarity exhibited by many Hispanic immigrants. And indeed, certain Hispanic subgroups, including immigrants who have lived in the United States for a number of years and immigrants

FIGURE 2 Work stoppages in the U.S., 1973–2009

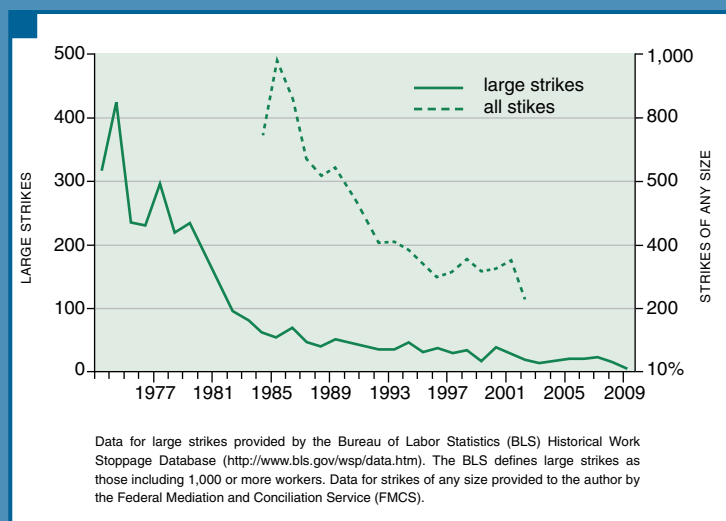
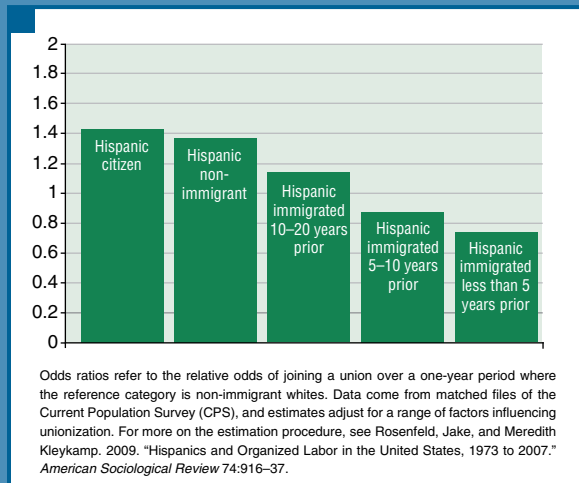


FIGURE 3 Odds of joining a union, 1973–2009



who are citizens, are joining unions at higher rates than native-born Whites. Figure 3 displays the odds of joining a union over a one-year period for various Hispanic subgroups compared to U.S.-born Whites. Odds ratios above 1 indicate that the Hispanic subgroup is more likely to join a union than a White nonimmigrant. U.S.-born Hispanics have over 40 percent higher odds of joining a union compared to U.S.-born whites, echoing the historical pattern of immigrant groups and their children seeking unionized employment to assimilate upward into the middle class. Hispanic immigrant citizens and Hispanic immigrants who have lived in the United States for many years are also joining unions at higher rates than native-born Whites.

But there are limits to such trends. Despite the highly publicized organizing drives of the “Justice for Janitors” campaign, the percentage of Hispanic janitors in labor unions has actually declined since 1990, as has the fraction of all janitors who claim union membership. Unlike the Southern and Eastern European migrants who once swelled the ranks of the union workforce, recent arrivals face an economic context largely hostile to trade unions. In those remaining parts of the private sector where unions remain active, Hispanics’ and Hispanic subgroups’ *relative* unionization rates are high, but their *overall* unionization rates are low—along with nearly everyone else’s. Thus, contemporary immigrants and their offspring enter labor markets that increasingly lack an established unionized pathway to the middle class, a pathway that past immigrant populations relied upon extensively.

The Declining Significance of Unions for Black Females

Aside from limiting mobility for low-skilled immigrant populations, the decline of organized labor exacerbates economic inequality between African Americans and Whites. Unionization rates for African Americans have exceeded those of Hispanics and Whites for decades now. As the labor movement began integrating its ranks, African-American workers, eager to escape discriminatory treatment institutionalized in U.S. labor markets, sought out organized labor as a partial refuge against

economic inequity. This is especially true for females. Despite the stereotypical image of the blue-collar male union worker, unionization rates for African-American females rose dramatically during the 1960s and 1970s, with nearly one in four Black women in the private sector belonging to a union by the end of the 1970s. In the heavily industrialized Midwest, rates of unionization for African-American females working in the private sector peaked at 40 percent. Past work by economists John Bound and Richard Freeman has found that union decline widened wage gaps between young Black and White males, especially in the Midwest. But the ramifications of deunionization for racial wage inequality are actually larger for *females*, given that differences in private sector unionization rates between Black and White females far exceed differences between Black and White males. Indeed, had unionization rates remained at their peak levels, Black–White wage differences among private sector females would be nearly 30 percent smaller than where they stand today.

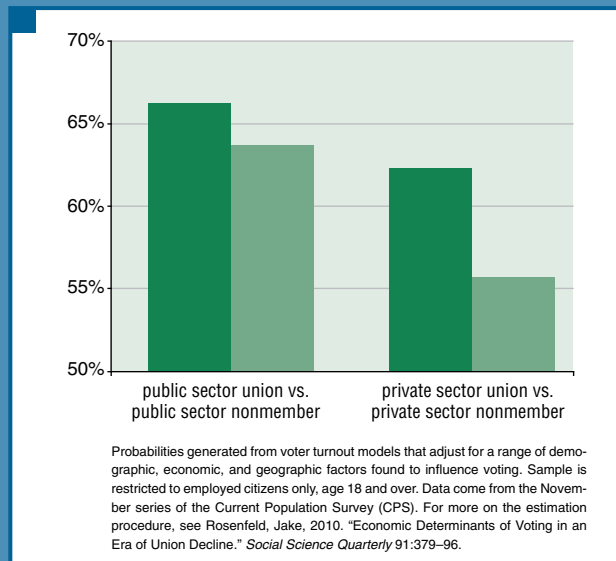
A Political Force Diminished

As unions vanish from the economic landscape, their presence in the political realm is reduced as well. Historically, the labor movement has channeled and organized the political energies of the working class, helping to counter the robust, positive connection between civic participation and socioeconomic status. Indeed, trade unions have historically stood as one of the few institutions equalizing political participation across income and educational divides. Nowhere was this role more pronounced than in the private sector, where voting rates run comparatively low, especially among those lacking a college education. This is not true in the public sector. The combined effects of unionization and public-sector employment are not simply additive; public-sector employment bolsters political participation, but being in a public-sector union results in only a slight increase in the propensity to vote. Figure 4 presents predicted probabilities of voting for public- and private-sector union members and nonmembers. The difference in voting turnout among public sector members and nonmembers is only 2.5 percentage points. The effect of union membership on voting in the private sector is nearly three times as large.

Today, the number of public sector union members equals the number of private sector union members, marking a dramatic break from when private sector union rolls dwarfed those of government employees. This shift has important political consequences. The already high voter turnout rates—and education levels—among government workers, union and nonunion alike, leave little room for unions to raise turnout in the public sector. Meanwhile, in the private sector, union status remains a significant indicator of whether an *individual* will vote or not. However, given the reduced fraction of private-sector workers in labor unions, the *aggregate* effect of unionization on voting turnout is now quite small, and shrinking union rolls reduce the ability of unions to drive up turnout among nonunion citizens.

The consequences of union decline described above largely focus on nonunion workers—those who in the past would have benefited from union membership but who no longer will,

FIGURE 4 Predicted probabilities of voting for union members and nonmembers, 1984–2006



whether they be an immigrant employee who once would have been organized, a female African-American worker no longer able to rely on a union wage to reduce pay gaps with her white counterpart, or a less-educated worker lacking the training, resources, and knowledge to participate in politics. But union decline affects remaining union workers as well. Research by economists John DiNardo and David S. Lee suggests that the union wage benefits for newly organized manufacturing firms are negligible. This may be due, in part, to the dramatic decline in strikes described earlier. In decades past, unions often authorized a walkout during contract negotiations, pressuring employers to raise wages and benefits. These pressure tactics worked; union members who had participated in a strike had higher wages, on average, than non-striking members. This no longer seems true today. While we lack direct measures of strikes' impacts on an individual striker's pay, the Federal Mediation and Conciliation Service data presented in Figure 2 allow for comparisons between pay scales in industries and regions in which strike activity remains relatively high and those in which strikes have disappeared. I find that the positive wage–strike relationship has been severed; workers in high-strike locales see no wage gains compared to workers in relatively quiescent sectors. Strikes now are often last-ditch attempts to hold the line on wages and benefits, as union leaders simply refrain from striking except in the most desperate situations. Thus, unions are not only failing to bolster the fortunes of those who once would have been organized, they are also struggling to protect the fortunes of those still in their ranks.

Where from Here?

It is difficult indeed to counter the self-perpetuating dynamic behind the foregoing trends. As union ranks shrink, so too does the constituency directly mobilized to press for change, and with

it, labor's leverage in convincing lawmakers to risk the political consequences of business opposition. The present economic climate further dampens enthusiasm for worker activism, as employees cling to their positions, while millions of others less fortunate scramble to find work.

Organized labor's signature legislative effort is the Employee Free Choice Act (EFCA). In its most robust form, the proposed legislation would radically recast how union elections are held in the United States, bypassing the traditional election campaign in favor of a "card check" policy whereby a union is recognized after over half of workers sign up in support of collective bargaining. A compromise version of the bill would retain the "secret ballot" election procedure but would reduce election times, grant organizers greater access to employees on the worksite, and institute binding arbitration if a contract has not been agreed upon after a specified period of time. Passage of either version would shift some of the power in organizing drives to labor, although it would not address the broader economic challenges labor faces, such as the continuing decline of manufacturing employment, the pressures of international competition among remaining manufacturing firms, and aggressive competition in many deregulated domestic industries.

There are other institutional changes that, if implemented, might alter the balance of power somewhat. The Obama administration has, for example, floated a proposal to revamp the way the government allocates federal contracts to companies. The proposal would prioritize firms that offer high wages while penalizing those that had committed labor violations, thereby giving an edge to unionized companies and benefiting millions of non-union workers by providing an incentive to nonunion firms to raise wages and improve treatment of workers. An estimated one in four workers is employed by a company that contracts with the government, so the scale of the regulatory change could be enormous. Importantly, the administration is exploring ways to change regulations through executive order, thus avoiding difficulties in generating a filibuster-proof majority in the Senate.

Any policy effort to help organized labor faces formidable political opposition, although we can't rule out the possibility that the administration will creatively short-circuit the full legislative process. For many employers, the costs of unionization are substantial, and thus the benefits of continuing inaction are clear. Unions often reduce flexibility in hiring and firing decisions, may slow managers' abilities to shift resources and capital as soon as opportunities arise, and substantially reduce managerial discretion in setting pay, all the while increasing wage and benefit bills. Strong employer opposition has helped push unionization down to levels unseen since before the Great Depression. Because such declines are self-perpetuating, at this point, it will take decisive legal and institutional action to reverse or even halt the trend—action that, if not taken soon, won't have much of a constituency behind it any longer. The simple fact: Big Labor cannot get much smaller.

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