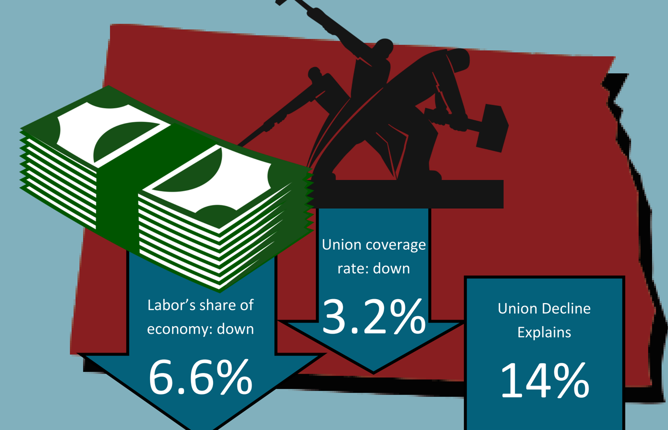
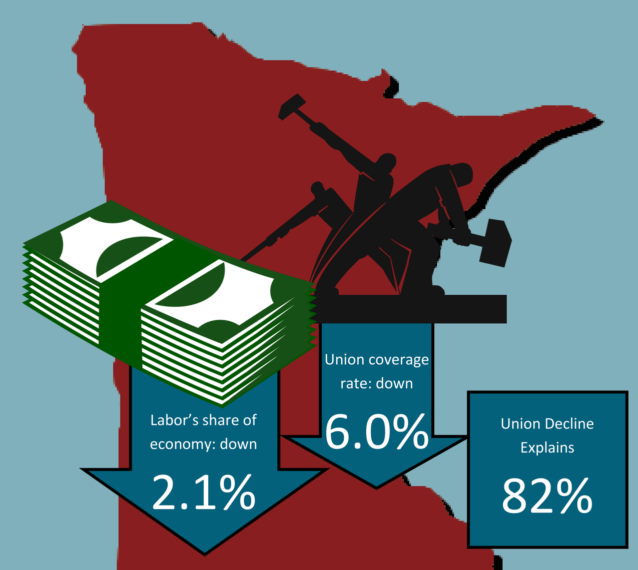
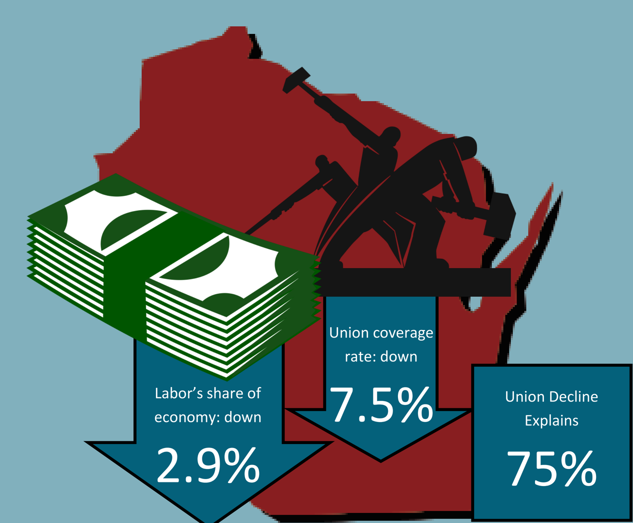
Union Decline and Economic Redistribution: A Report on Twelve Midwest States

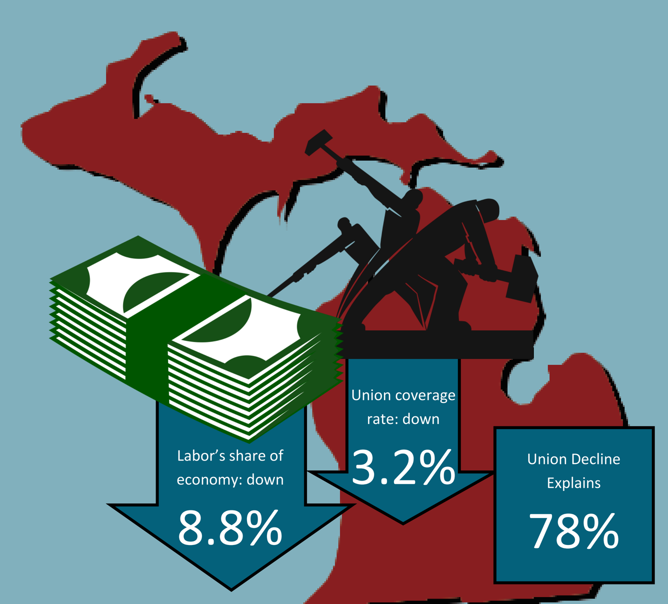
Frank Manzo IV, MPP, Policy Director, Illinois Economic Policy Institute
Robert Bruno, PhD, Director, Labor Education Program

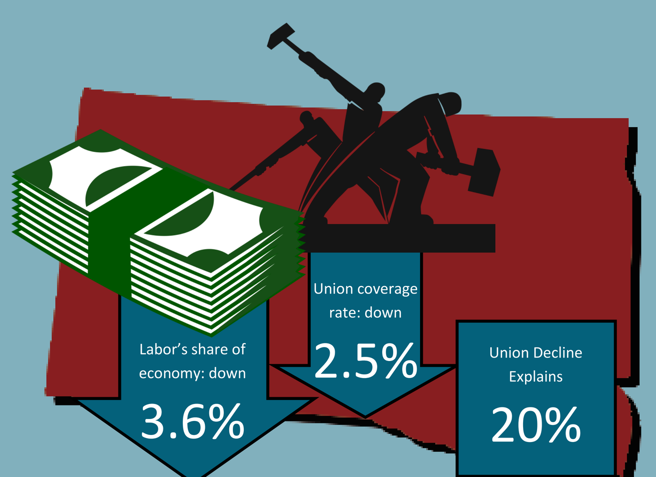
Union decline accounts for approximately two-fifths (42 percent) of the overall drop in labor's share of the economic value generated across the Midwest from 1997 to 2014

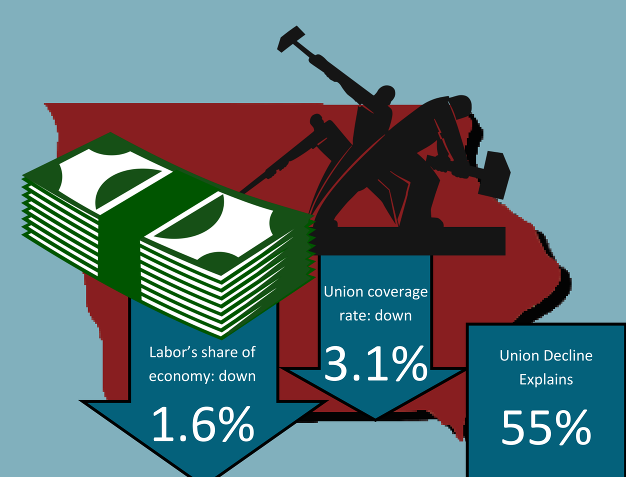


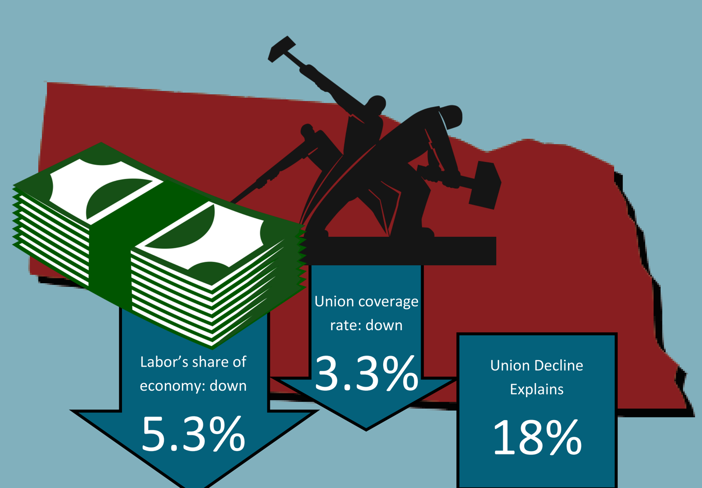


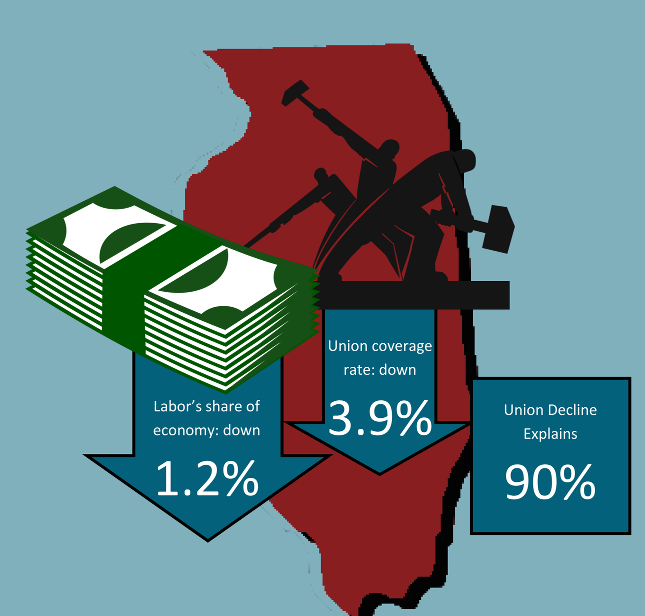


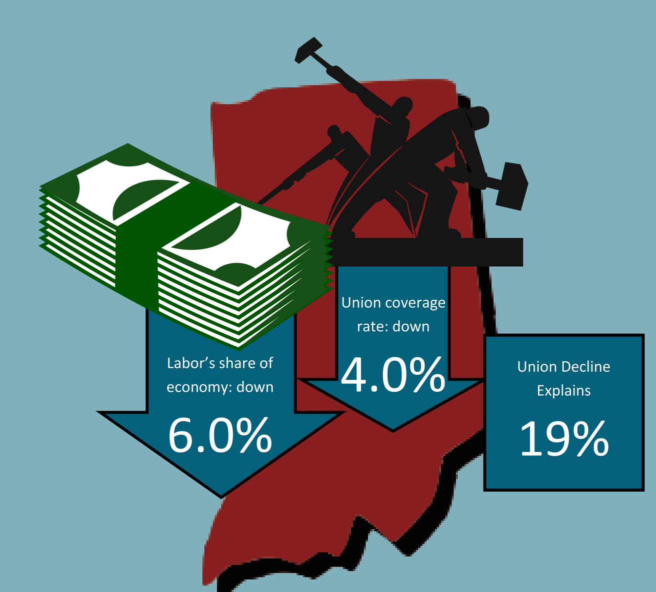


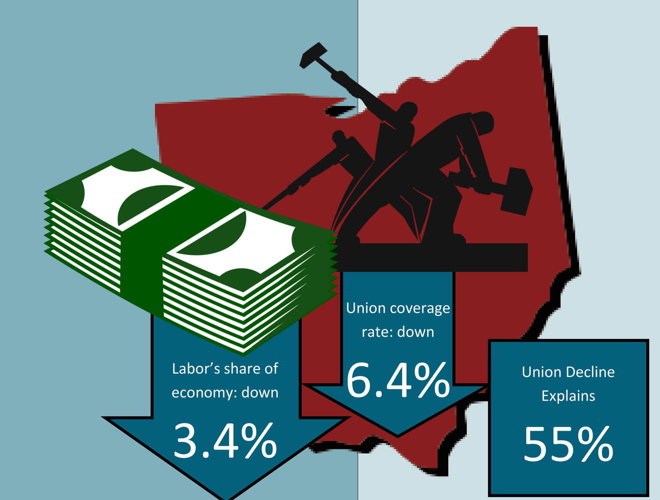


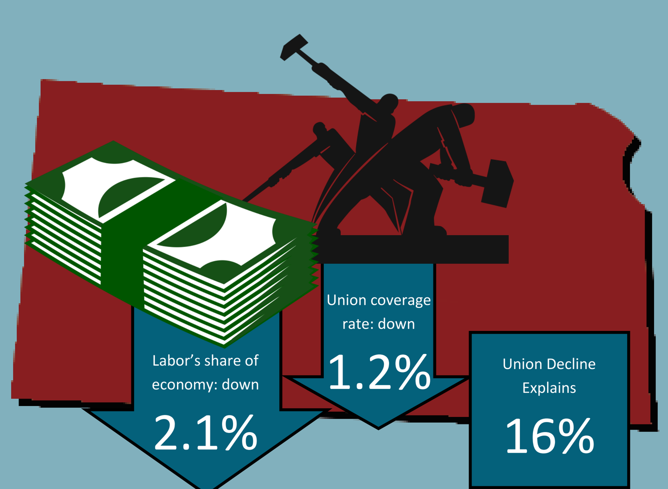


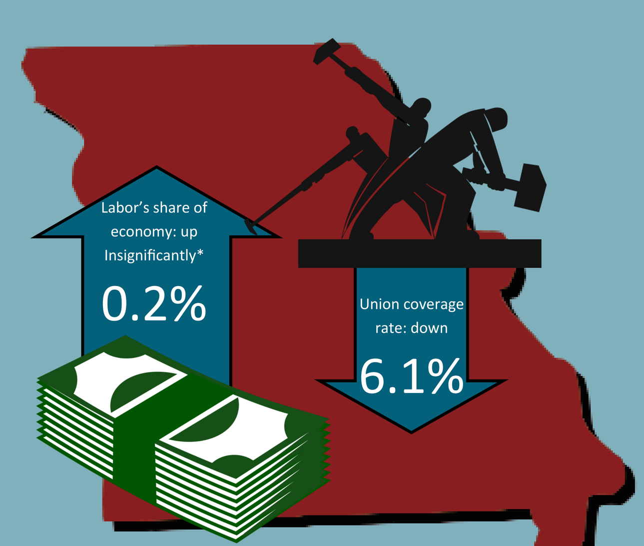








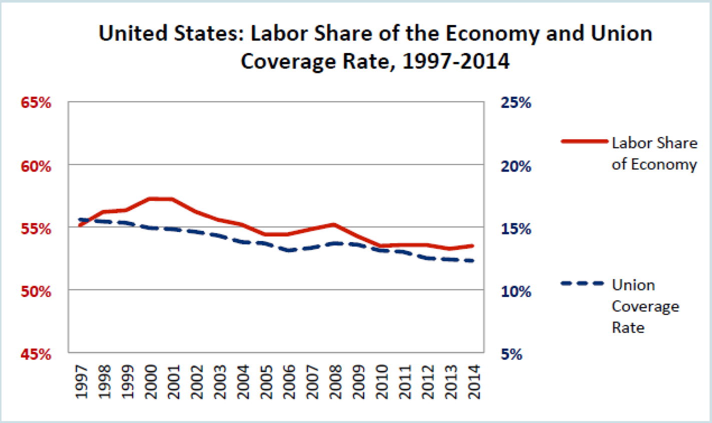


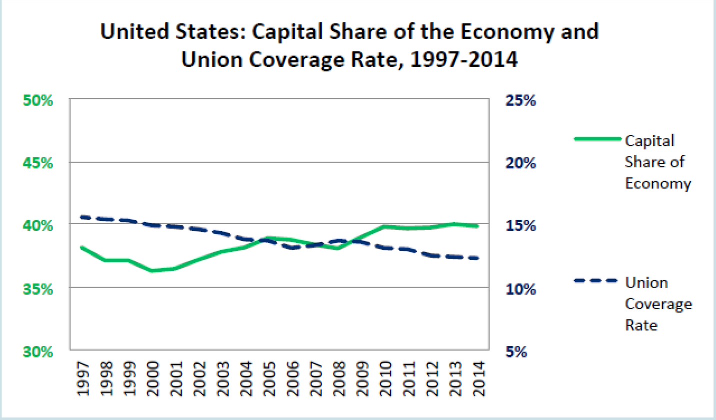


*Between 1997 and 2014, labor's share of the Missouri economy grew insignificantly by 0.2 percentage point, from 56.0 percent to 56.2 percent, and capital's share of the Missouri economy grew insignificantly by 0.1 percentage points, from 38.1 percent to 38.2 percent (Figures 23 and 24). Missouri is the only outlier in the Midwest where labor's share of the economy marginally increased. Unfortunately, a new 2017 "right-to-work" law in Missouri will likely reverse this phenomenon of Missouri bucking the regional trend.

BACKGROUND

Recently, the average union wage premium was 12 percent across America; however, hourly wages for the lowest earners were boosted by 15 to 21 percent and by 14 percent for the median worker. Accordingly, "unions benefit lower- and middle-wage workers most," helping to reduce wage inequality (Schmitt, 2008). The wage gap has also been found to be 25 percent lower in unionized workplaces than in nonunion companies. As a result, in the 1980s and 1990s, unionization reduced wage inequality in the national economy by as much as 10 percent (Freeman, 1996). Conversely, recent research has concluded that shrinking unionization for male workers has been the primary cause for the rise of income inequality (Gordon & Dew-Becker, 2008). Unionization has declined precipitously due to the proliferation of "right-to-work" (RTW) laws, especially in the Midwest. By reducing unionization, RTW laws have been one factor in redistributing income from workers to owners. Economic studies consistently show that "right-to-work" reduces worker earnings by 3 to 4 percent on average (Gould & Kimball, 2015; Bruno & Manzo, 2014; Gould & Shierholz, 2011). The laws also reduce the wages of nonunion workers by 3 percent (Lafer, 2011).





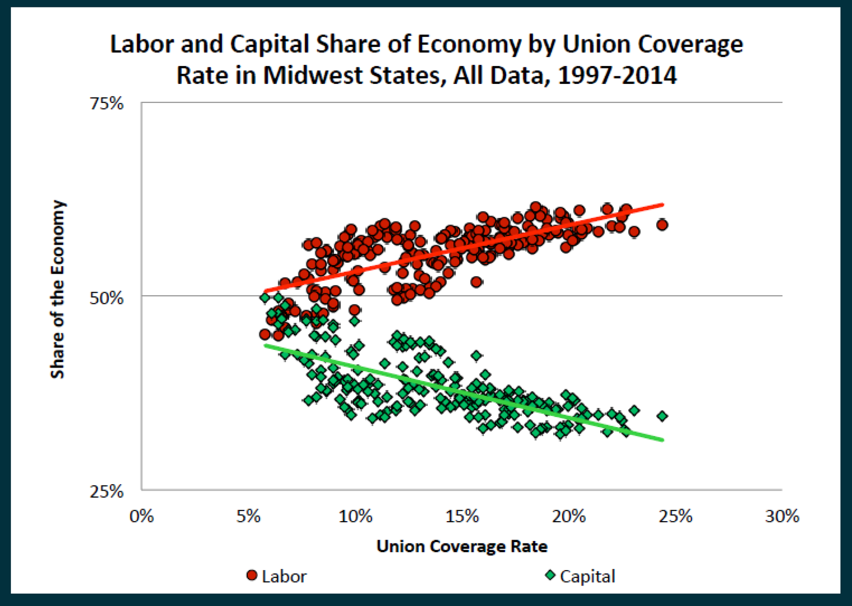
EXECUTIVE SUMMARY

Inequality has risen to historically high levels in the United States. While there are many causes, the most important labor market change has been the long-term decline in labor union membership. Unions raise wages, particularly for lower-income and middle-class workers. Union decline explains between one-fifth and one-third of the overall increase in inequality in the United States.

Union decline lowers labor's share of state economies and raises capital's share of state economies:

- In the Midwest, the correlation between the union coverage rate and labor's share of the economy is +0.71 and the correlation between the union coverage rate and capital's share of the economy is -0.70.
- The state with the most significant relationship is Wisconsin, where unionization was highly correlated with both labor's share of the economy (+0.83) and capital's share of the economy (-0.84).
- Recently, union coverage rate in the Midwest has fallen by more than the national trend. The largest union declines occurred in Michigan and Wisconsin, where "right-to-work" laws have been passed.

Unions help workers take home a larger share of the economic value they create. As unionization has declined across the Midwest, economic output has been redistributed from labor to capital.



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