Economic Policy Institute

Briefing Paper

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HOW UNIONS HELP ALL WORKERS

by Lawrence Mishel with Matthew Walters

Unions have a substantial impact on the compensation and work lives of both unionized and non-unionized workers. This report presents current data on unions' effect on wages, fringe benefits, total compensation, pay inequality, and workplace protections.

Some of the conclusions are:

- Unions raise wages of unionized workers by roughly 20% and raise compensation, including both wages and benefits, by about 28%.
- Unions reduce wage inequality because they raise wages more for low- and middle-wage workers than for higher-wage workers, more for blue-collar than for white-collar workers, and more for workers who do not have a college degree.
- Strong unions set a pay standard that nonunion employers follow. For example, a high school graduate whose workplace is not unionized but whose industry is 25% unionized is paid 5% more than similar workers in less unionized industries.
- The impact of unions on total nonunion wages is almost as large as the impact on total union wages.
- The most sweeping advantage for unionized workers is in fringe benefits. Unionized workers are more likely than their nonunionized counterparts to receive paid leave, are approximately

18% to 28% more likely to have employer-provided health insurance, and are 23% to 54% more likely to be in employer-provided pension plans.

- Unionized workers receive more generous health benefits than nonunionized workers. They also pay 18% lower health care deductibles and a smaller share of the costs for family coverage. In retirement, unionized workers are 24% more likely to be covered by health insurance paid for by their employer.
- Unionized workers receive better pension plans. Not only are they more likely to have a guaranteed benefit in retirement, their employers contribute 28% more toward pensions.
- Unionized workers receive 26% more vacation time and 14% more total paid leave (vacations and holidays).

Unions play a pivotal role both in securing legislated labor protections and rights such as safety and health, overtime, and family/medical leave and in enforcing those rights on the job. Because unionized workers are more informed, they are more likely to benefit from social insurance programs such as unemployment insurance and workers compensation. Unions are thus an intermediary institution that provides a necessary complement to legislated benefits and protections.

The union wage premium

It should come as no surprise that unions raise wages, since this has always been one of the main goals of unions and a major reason that workers seek collective bargaining. How much unions raise wages, for whom, and the consequences of unionization for workers, firms, and the economy have been studied by economists and other researchers for over a century (for example, the work of Alfred Marshall). This section presents evidence from the 1990s that unions raise the wages of unionized workers by roughly 20% and raise total compensation by about 28%.

The research literature generally finds that unionized workers' earnings exceed those of comparable nonunion workers by about 15%, a phenomenon known as the "union wage premium." H. Gregg Lewis found the union wage premium to be 10% to 20% in his two well-known assessments, the first in the early 1960s (Lewis 1963) and the second more than 20 years later (Lewis 1986). Freeman and Medoff (1984) in their classic analysis, *What Do Unions Do?*, arrived at a similar conclusion.

Table 1 provides several estimates of the union hourly wage premium based on household and employer data from the mid- to late 1990s. All of these estimates are based on statistical analyses that control for worker and employer characteristics such as occupation, education, race, industry, and size of firm. Therefore, these estimates show how much collective bargaining raises the wages of unionized workers compared to comparable nonunionized workers.

The data most frequently used for this analysis is the Current Population Survey (CPS) of the Bureau of Labor Statistics, which is most familiar as the household survey used to report the unemploy-

TABLE 1
Estimates of the union wage premium

Data source (date)	Union premium*	Source
Household Surveys		
Current Population Surveys (CPS)		
All wages and salary (1997)	17.8%	Hirsch and Macpherson (2003, Table 2a)
Private (1997)	18.4%	Hirsch and Shumacher (2002, Table 4)
Private adjusted for imputations (1997)	23.2%	Hirsch and Shumacher (2002, Table 4)
Survey of Income and Program Participation (SIPP)		
All (1992, 1993, 1996)	24.5%	Gundersen (2003, Appendix B)
Employer Surveys		
National Compensation Survey (NCS) All except agriculture and federal (1997)	17.4%	Pierce (1999a, Table 5)
Employment Cost Index (ECI)		
All except agriculture and federal (1994)		Pierce (1999b, Table 3)
Hourly wages	20.3%	
Hourly compensation	27.5%	

* Union premium is the percent by which union workers earn more than comparable nonunion workers. These estimates are obtained from analyses which employ "controls" for worker and employer characteristics, industry, and occupation.

ment rate each month. The CPS reports the wages and demographic characteristics (age, gender, education, race, marital status) of workers, including whether workers are union members or covered by a collective bargaining contract, and employment information (e.g., industry, occupation). Using these data, Hirsch and Macpherson (2003) found a union wage premium of 17.8% in 1997. Using data from a different, but also commonly used, household survey—the Census Bureau's Survey of Income and Program Participation (SIPP)—Gundersen (2003) found a union premium of 24.5%. So, estimates from household surveys that allow for detailed controls of worker characteristics find a union wage premium ranging from 15% to 25% in the 1990s.

Another important source of workplace information, employer surveys, has advantages and disadvantages. On the plus side, wages, occupation, and employer characteristics—including the identification of union status—are considered more accurate in employer-based data. The disadvantage is that data from employers do not include detailed information about the characteristics of the workers (e.g. education, gender, race/ethnicity). However, the detailed occupational information and the skill ratings of jobs (education requirements, complexity, supervisory responsibilities) used in these studies are most likely adequate controls for "human capital," or worker characteristics, making the surveys reliable for estimating the union wage premium.

Pierce (1999a) used the new Bureau of Labor Statistics survey of employers, the National Compensation Survey, to study wage determination and found a union wage premium of 17.4% in 1997. Pierce's study was based on observations of 145,054 nonagricultural jobs from 17,246 different establishments, excluding the federal government.

In another study, Pierce (1999b) used a different employer survey—the Employment Cost Index (ECI), a precursor to the National Compensation Survey—and found a union wage premium of 20.3%. This estimate is for all nonagricultural employers except the federal government, the same sector employed in Pierce's NCS study (though for an earlier year—1994).

These two estimates of the union wage premium from employer surveys provide a range of 17% to 20%, consistent with the range identified by the household surveys. Thus, a variety of sources show a union wage premium of between 15% and 20%.

Since unions have a greater impact on benefits than wages (see Freeman 1981), estimates of the union premium for wages alone are less than estimates of the union premium for all compensation (wages and benefits combined). That is, estimates of just the wage premium understate the full impact of unions on workers' pay. A 1999 study by Pierce estimates the union premium for wages at 20.3% and compensation at 27.5% in the private sector (see Table 1). Thus, the union impact on total compensation is about 35% greater than the impact on wages alone. (A later section reviews the union impact on specific fringe benefits such as paid leave, health insurance, and pensions.)

Many "measurement issues" have been raised about estimates of the union wage premium. Some researchers have argued that union wage premiums are significantly underestimated by some measurements. Hirsch (2003), in particular, raises an important question regarding the rising use of "imputations" in the CPS. Information is "allocated," or "imputed," to a respondent in the CPS when they either refuse to report their earnings or a proxy respondent is unable to report earnings. Hirsch reports that earnings were imputed for fewer than 15% of the CPS in the 1980s but 31% in 2001. The method of imputing earnings to workers for whom earnings aren't reported does not take account of their union status, thus reducing the estimates of the union wage premium. The increase in imputations has, Hirsch says, created an increasing underestimate of the union wage premium. Table 1 shows Hirsch's estimates for the union premium in the private sector using traditional methods (18.4%) and using a correction for imputation bias (23.2%). Hirsch's results imply that imputations depress estimates of the union wage premium for 1997 by 20%, and that the union wage premium is actually one-fourth higher than conventional estimates show.

Union wage premiums and inequality

Historically, unions have raised the wages to a greater degree for "low-skilled" than for "high-skilled" workers. Consequently, unions lessen wage inequality.

Hirsch and Schumacher (1998) consider the conclusion that unions boost wages more for low- and middle-wage workers, a "universal finding" of the extensive literature on unions, wages, and worker skills. As they state:

> The standard explanation for this result is that unions standardize wages by decreasing differentials across and within job positions (Freeman 1980) so that low-skilled workers receive a larger premium relative to their alternative nonunion wage.

TABLE 2
Union wage premium for subgroups

Demographic group	Union wage premiums	Percent union	Source
Occupation			
White collar (1997)	2.2%	11.6%	Mishel et al. (2003, Table 2.3a)
Blue collar (1997)	23.3	20.8	Mishel et al. (2003, Table 2.3a)
Education			
College (1997)	5.1%	10.4%	Mishel et al. (2003, Table 2.3a)
High school (1997)	20.8	23.6	
All (1992, 1993, 1996)	24.5	NA	Gundersen (2003, Table 5.1 and Appendix C)
High school or less	35.5	NA	
Wage distribution (1989)			Card (1991)
Lowest fifth	27.9%	23.5%	
Second fifth	16.2	30.3	
Middle fifth	18.0	33.1	
Fourth fifth	0.9	24.7	
Top fifth	10.5	17.7	

The larger union wage premium for those with low wages, in lower-paid occupations and with less education is shown in **Table 2**. For instance, the union wage premium for blue-collar workers in 1997, 23.3%, was far larger than the 2.2% union wage premium for white-collar workers. Likewise, the 1997 union wage premium for high school graduates, 20.8%, was much higher than the 5.1% premium for college graduates. Gundersen (2003) estimated the union wage premium for those with a high school degree or less at 35.5%, significantly greater than the 24.5% premium for all workers.

Card's (1991) research provides a comprehensive picture of the impact of unions on employees by estimating the union wage premiums by "wage fifth," where the sample is split into five equal groups of workers from the lowest wage up to the highest wage workers. As Table 2 shows, the union wage premium was far greater among low-wage workers (27.9%) than among middle-wage (18.0%) or the highest-wage workers (10.5%).

Unions reduce wage inequalities because they raise wages more at the bottom and in the middle of the wage scale than at the top. Lower-wage, middle-wage, blue-collar, and high school educated workers are also more likely than high-wage, white-collar, and college-educated workers to be represented by unions (see Table 2). These two factors—the greater union representation and the larger union wage impact for low- and mid-wage workers—are key to unionization's role as a major factor in reducing wage inequalities (see Freeman 1980, 1982; and Freeman and Medoff 1984).

That unionization lessens wage inequality is also evident in the numerous studies that attribute a sizable share of the growth of wage inequality since 1979 to the erosion of union coverage (Freeman 1991; Card 1991; Dinardo et al. 1996; Blackburn et al. 1991; Card et al. 2003; Blanchflower and

TABLE 3
Union impact on paid leave, pension, and health benefits

	Paid leave	Pension and retirement	Health insurance
Union impact on benefit incidence	3.2%	22.5%	18.3%
Union impact on benefit cost per hour			
Total impact	11.4%	56.0%	77.4%
From greater Incidence	3.4%	28.4%	24.7%
From better benefit	8.0%	27.7%	52.7%

Source: Pierce (1999b, Tables 4, 5, and 6).

Bryson 2002). Several studies have shown that deunionization is responsible for at least 20% of the large increase in wage inequality (Mishel et al. 2003). This is especially the case among men, where steep declines in unionization among blue-collar and non-college-educated men has led to a rise in education and occupational wage gaps. Farber's (2002) estimate shows that deunionization can explain as much as 50% of the growth in the wage gap between workers with a college education and those with a high school education.

Unions and fringe benefits

In and earlier era, non-wage compensation was referred to as "fringe benefits." However, items such as adequate health insurance, a secure retirement pension, and sufficient and flexible paid leave to manage work and family life are no longer considered "fringe" components of pay packages. Thus, the union impact on benefits is even more critical to the lives of workers now than in the past. This section presents evidence that unionized workers are given employer-provided health and pension benefits far more frequently than comparable nonunion workers. Moreover, unionized workers are provided better paid leave and better health and pension plans.

The previous section reviewed data that showed that unions have had a greater impact in raising benefits than in raising wages. This section examines the union effect on particular benefits, primarily paid leave, health insurance, and pensions. Unions improve benefits for nonunionized workers because workers are more likely to be provided particular benefits and because the specific benefits received are better.

Table 3 provides information from the employer survey (the ECI) about the impact of unions on the likelihood that a worker will receive benefits. The table shows that unionized workers are 3.2% more likely to have paid leave, a relatively small impact, explained by the fact that nearly all workers (86%) already receive this benefit. Unions have a much greater impact on the incidence of pensions and health insurance benefits, with union workers 22.5% and 18.3% more likely to receive, respectively, employer-provided pension and health benefits.

TABLE 4
Union premiums for health, retirement, and paid leave

Benefit	Union	Nonunion	Difference		Union premium
			Unadjusted	Adjusted*	
Health insurance					
Percent covered	83.5%	62.0%	21.5%	17.5%	28.2%
Employer share (%)					
Single	88.3%	81.8%	6.5%	9.1%	11.1%
Family	76.3%	64.9%	11.4%	10.1%	15.6%
Deductible ($)	$200	$300	-$100	-$54	-18.0%
Retiree health coverage	76.6%	59.8%	16.7%	14.6%	24.4%
Pension					
Percent covered	71.9%	43.8%	28.1%	23.6%	53.9%
Employer costs (per hour)	-	-			
Defined benefit	-	-	-	$0.39	36.1%
Defined contribution	-	-	-	-$0.11	-17.7%
Time off					
Vacation weeks	2.98	2.35	0.63	-	26.6%
Paid holiday/vacation (hours)	-	-	-	22.2	14.3%

* Adjusted for establishment size, occupation, industry, and other factors.

Source: Buchmueller, Di Nardo, and Valletta (2001) and Mishel et al. (2003).

Table 3 also shows the union impact on the financial value of benefits, including a breakdown of how much the greater value is due to greater incidence (i.e., unionized firms are more likely to offer the benefit) or to a more generous benefit that is provided.

Union workers' paid leave benefits are 11.4% higher in dollar terms, largely because of the higher value of the benefits provided (8.0% of the total 11.4% impact). Unions have a far larger impact on pensions and health insurance, raising the value of these benefits by 56% and 77.4%, respectively. For pensions, the higher value reflects both that unionized workers are more likely to receive this benefit in the first place and that the pension plan they receive is generally a "richer" one. For health benefits, the value added by unions mostly comes from the fact that union workers receive a far more generous health plan than nonunionized workers. This factor accounts for 52.7% of the total 77.4% greater value that organized workers receive.

Table 4 provides further information on the union premium for health insurance, pensions, and paid leave benefits, drawn from a different data source (a series of supplements to the CPS) than for Table 3.[1] The first two columns compare the compensation characteristics in union and nonunion settings. The difference between the union and nonunion compensation packages are presented in two ways: unadjusted (the difference between the first two columns) and adjusted (differences in characteristics other than union status such as industry, occupation, and established size). The last column presents the union premium, the percentage difference between union and nonunion compensation, calculated using the adjusted difference.

These data confirm that a union premium exists in every element of the compensation package. While 83.5% of unionized workers have employer-provided health insurance, only 62% of nonunionized workers have such a benefit. Unionized workers are 28.2% more likely than comparable nonunion workers to be covered by employer-provided health insurance. Employers with unionized workforces also provide better health insurance—they pay an 11.1% larger share of single worker coverage and a 15.6% greater share of family coverage. Moreover, deductibles are $54, or 18%, less for unionized workers. Finally, unionized workers are 24.4% more likely to receive health insurance coverage in their retirement.

Similarly, 71.9% of unionized workers have pensions provided by their employers, while only 43.8% of nonunion workers do. Thus, unionized workers are 53.9% more likely to have pension coverage. Union employers spend 36.1% more on defined benefit plans but 17.7% less on defined contribution plans. As defined benefit plans are preferable—they provide a guaranteed benefit in retirement—these data indicate that union workers are more likely to have better pension plans.

Union workers also get more paid time off. This includes having 26.6% more vacation (or 0.63 weeks—three days) than nonunion workers. Another estimate, which includes vacations and holidays, indicates that union workers enjoy 14.3% more paid time off.

Union wages, nonunion wages, and total wages

There are several ways that unionization's impact on wages goes beyond the workers covered by collective bargaining to affect nonunion wages and labor practices. For example, in industries and occupations where a strong core of workplaces are unionized, nonunion employers will frequently meet union standards or, at least, improve their compensation and labor practices beyond what they would have provided if there were no union presence. This dynamic is sometimes called the "union threat effect," the degree to which nonunion workers get paid more because their employers are trying to forestall unionization.

There is a more general mechanism (without any specific "threat") in which unions have affected nonunion pay and practices: unions have set norms and established practices that become more generalized throughout the economy, thereby improving pay and working conditions for the entire workforce. This has been especially true for the 75% of workers who are not college educated. Many "fringe" benefits, such as pensions and health insurance, were first provided in the union sector and then became more generalized—though, as we have seen, not universal. Union grievance procedures, which provide "due process" in the workplace, have been mimicked in many nonunion workplaces. Union wage-setting, which has gained exposure through media coverage, has frequently established standards of what workers generally, including many nonunion workers, expect from their employers. Until, the mid-1980s, in fact, many sectors of the economy followed the "pattern" set in collective bargaining agreements. As unions weakened, especially in the manufacturing sector, their ability to set broader patterns has diminished. However, unions remain a source of innovation in work practices (e.g., training, worker participation) and in benefits (e.g., child care, work-time flexibility, sick leave).

The impact of unions on wage dynamics and the overall wage structure is not easily measurable. The only dimension that has been subject to quantification is the "threat effect," though measuring this phenomenon is a difficult task for several reasons. First, the union presence will likely be felt most in the markets where unions are seeking to organize—the nonunion employers affected are those in competition with unionized employers. These markets vary in nature. Some of these markets are national, such as many manufacturing industries, while others are local—janitors and hotel and supermarket workers. Some markets are defined by the product—what employers sell, such as autos, tires and so on—while other markets are occupational, such as music, carpentry, and acting. Therefore, studies that compare industries cannot accurately capture the economic landscape on which unions operate and do not adequately measure the "threat effect."

A second difficulty in examining the impact of the "threat effect" on nonunion wages is identifying a measure, or proxy, for the union presence. In practice, economists have used union density, the percentage of an industry that is unionized, as their proxy. The assumption here is that employers in highly organized settings face a higher threat of union organization than a nonunion employer in a mostly unorganized industry. In broad strokes, this is a reasonable assumption. However, taken too literally and simply, union density can be misleading. First, it is not reasonable to consider that small changes in union density—say, from 37% to 35%, or vice-versa—will produce observable changes in nonunion wages. Any measurement of the "threat effect" that relies on small changes in union density will almost surely—and erroneously—yield little or no effect. Second, the relationship between union density and nonunion wages is not linear. Union density is not likely to produce any threat effect until some threshold level of unionization is reached, as much as 30% to 40%. That is, unionization of 20% in a particular industry may have no impact but 40% unionization may be sufficient to make employers aware of union organizing and union pay and practices. Empirically, this means a 20 percentage point change in unionization density from zero to 20 may have no effect, but a change from 20 to 40 will have an effect. Likewise, a union presence of 60% to 70% may provide as strong a threat, or ability to set standards, as unionization of 80% or more. Therefore, the relationship between union density and nonunion wages depends on the level of density: significant effects after a threshold level of density (e.g., 30% to 40%), a greater effect when density is higher, but no continued increase of impact at the highest densities.

The sensitivity of the results to the specification—a linear or nonlinear specification of union density—is seen in studies of the union threat effect. A linear specification assumes that small changes at any level have the same impact, while a nonlinear specification allows the union effect to differ at different levels of unionization—perhaps less at low levels and more at medium or high levels. In an important early study of the "threat effect," Freeman and Medoff (1981) examined the relationship between union density and nonunion wages and compensation in manufacturing. They found that union density had no association with higher nonunion pay (the relationship was positive but not statistically significant). Mishel (1982) replicated those results (p. 138) but also employed a nonlinear, qualitative specification (Table 4) that found large threat effects: nonunion establishments in industries with union density from 40% to 60% and from 60% to 80% paid 6.5% and 7.3% more, respectively, than nonunion establishments with low union density (0% to 40%).

TABLE 5
Illustration of impact of unions on average wages of high school graduates

	Share of workforce	Union wage impact	Union contribution to higher average wage
Nonunion	75%	5.0%	3.8%
Union	25%	20.0%	5.0%
Total	100%	8.8%	8.8%

Farber (2002, 2003) has conducted the most recent analysis of union threat effects, the relationship between union density and nonunion wages across industries, in the private sector. Farber's analysis, which uses a linear specification of union density (i.e., assumes small changes at any level have an impact), combines sectors where threat effects, if any, are geographic (hotel, construction, and janitorial work) and national (manufacturing). In one analysis, Farber finds a positive threat effect for the 1970s, 1980s, and mid-1990s. For example, the average nonunion worker in an industry with 25% union density had wages 7.5% higher because of unionization's presence. Farber's results show a lower, but still significant, threat effect in later years, though the effect on the average nonunion wage has diminished because of the erosion of union density. Farber also shows, not surprisingly, that the threat effect is greater for workers with no more than high school degree but minimal for those with a college degree.

Farber pursues much more stringent tests of the threat effect in models that use "industry fixed effects" in order to ensure that the effect of other industry characteristics are not wrongly being attributed to union density. Farber's results in this further analysis show a threat effect among all workers in the 1970s and 1980s but not in the 1990s. Nevertheless, threat effects still prevailed across decades for those without high school degrees and for those with high school degrees, and in the 1980s for those with some college education. For example, nonunionized high school graduates (the largest category of workers in the United States) earned 2.0% to 5.5% higher wages in industries with 25% unionization than they did in completely nonunionized industries.

The union effect on total nonunion wages is nearly comparable to the effect of unions on total union wages. **Table 5** illustrates the union impact on union, nonunion, and average wages among workers with a high school education. Farber's stringent model from 1983 estimates that, for high school workers in a 25% unionized industry, the "threat effect" raises the average nonunion wage by 5.0%, thereby lifting the average wage by 3.8%. Assuming that unions have raised the wages of union workers by 20%, this raises the average high school wage by 5% (25% of 20%). The total effect of unions on the average high school wage in this example is an 8.8% wage increase, 3.8 percentage points of which are due to the higher wages earned by nonunion workers and 5.0 percentage points of which are due to the union wage premium enjoyed by nonunionized workers.

Two conclusions can be reached based on these studies. First, unions have a positive impact on the wages of nonunion workers in industries and markets where unions have a strong presence. Second, because the nonunion sector is large, the union effect on the overall aggregate wage comes almost as much from the impact of unions on nonunion workers as on union workers.

Unions and workplace protections

An extensive array of labor laws and regulations protects workers in the labor market and the workplace. From the National Labor Relations Act and Social Security Act of 1935 to the Occupational Safety and Health Act of 1970 and the Family Medical Leave Act of 1993, labor unions have been instrumental in securing labor legislation and standards. However, beyond their role in initiating and advocating enactment of these laws and regulations, unions have also played an important role in enforcing workplace regulations. Unions have provided labor protections for their members in three important ways: 1) they have been a voice for workers in identifying where laws and regulations are needed, and have been influential in getting these laws enacted; 2) they have provided information to members about workers' rights and available programs; and 3) they have encouraged their members to exercise workplace rights and participate in programs by reducing fear of employer retribution, helping members navigate the necessary procedures, and facilitating the handling of workers' rights disputes (Weil 2003; Freeman and Medoff 1984; Freeman and Rogers 1999).

Unions have played a prominent role in the enactment of a broad range of labor laws and regulations covering areas as diverse as overtime pay, minimum wage, the treatment of immigrant workers, health and retirement coverage, civil rights, unemployment insurance and workers' compensation, and leave for care of newborns and sick family members. Common to all of these rules is a desire to provide protections for workers either by regulating the behavior of employers or by giving workers access to certain benefits in times of need (Weil 2003; Davis 1986; Amberg 1998). Over the years, these rules have become mainstays of the American workplace experience, constituting expressions of cherished public values (Gottesman 1991; Freeman and Medoff 1984).

Less well recognized perhaps, is the important role that unions play in ensuring that labor protections are not just "paper promises" at the workplace. Government agencies charged with the enforcement of regulations cannot monitor every workplace nor automate the issuance of insurance claims resulting from unemployment or injury. In practice, the effectiveness of the implementation of labor protections depends on the worker's decision to act. This is done either by reporting an abuse or filing a claim. Unions have been crucial in this aspect by giving workers the relevant information about their rights and the necessary procedures, but also by facilitating action by limiting employer reprisals, correcting disinformation, aggregating multiple claims, providing resources to make a claim, and negotiating solutions to disputes on behalf of workers (Freeman and Rogers 1999; Weil 2003; Hirsch, et al. 1997).

Evidence of the vital role of unions in implementing labor protections can be found in the research on various programs and benefits. Union membership significantly increases the likelihood that a

worker will file a claim or report an abuse. Examples of this research can be found in such areas as unemployment insurance, worker's compensation, the Occupational Safety and Health Act, the Family Medical Leave Act, pensions, and the Fair Labor Standards Act's overtime provision.

Unemployment insurance

Unemployment insurance (UI) is a joint federal and state program that was created in the Social Security Act of 1935 to provide some income replacement to workers who lose their job through no fault of their own. Budd and McCall (1997) offer a cost-benefit decision-making analysis to explain the costs facing the unemployed worker in filing a UI claim. In a system with complex eligibility rules and benefit calculations and a lack of uniformity among states regarding these rules, the difficulty, or "cost," of obtaining information is formidable. In fact, the main reason that many unemployed workers never file a claim is because they thought they were not eligible (Wandner and Stettner 2000). The threat of an employer retaliating by not rehiring a laid-off worker might be another cost weighing on the decision to file a claim. Unions can help offset the costs of workers who are laid off.

Primarily, unions provide information to workers about benefit expectations, rules, and procedures, and dispel stigmas that might be attached to receiving a social benefit. Unions also can negotiate in their contracts layoff recall procedures based on seniority and protection against firing for other than a just cause, as well as help workers build files in the case of a disputed claim (Budd and McHall 1997). Additionally, the union-wage differential reduces the likelihood that unemployed workers will be ineligible for benefits because their pay is too low (Wenger 1999).

Budd and McHall (1997) have estimated that union representation increases the likelihood of an unemployed worker in a blue-collar occupation receiving UI benefits by approximately 23%. At the peak of UI coverage in 1975, one in every two unemployed workers received UI benefits. By the mid-1980s, the ratio of claims to unemployed workers (the recipiency rate) had fallen to almost 30%. Blank and Card (1991) found that the decline in unionization explained one-third of the decline in UI recipiency over this period. These findings underscore the difference unions make in ensuring that the unemployment insurance system works. Considering that UI acts as a stabilizer for the economy during times of recession, the role of unions in this program is pivotal (Wandner and Stettner 2000).

Worker's compensation

Laws governing workers' compensation are primarily made at the state level (with the exception of federal longshoremen), but they generally form an insurance system in cases where a worker is injured or becomes ill at the workplace. The employer is liable in the system, regardless of fault, and in return they are protected from lawsuits and further liability. Once again, lack of information about eligibility and the necessary procedures for filing a claim forms the greatest obstacle to receipt of benefits. Fear of employer-imposed penalties and employer disinformation are important other factors weighed by workers deciding whether to act.

As with unemployment insurance, unions provide information to workers through their representatives, and they often negotiate procedures to handle indemnity claims. Through grievance procedures and negotiated contracts, unions protect workers from employer retaliation and, furthermore, act to dispel the notion among workers that employer retaliation is commonplace (Hirsch et al. 1997).

Hirsch et al. (1997) found that, after controlling for a number of demographic and occupational factors, union members are 60% more likely to file an indemnity claim than nonunion workers. Employers and the private insurance companies that sell worker's compensation insurance policies have mutual interests in denying claims to limit costs (Biddle 2001). According to Biddle, higher denial rates lead to lower claim rates. The robust finding of Hirsch et al. demonstrates that unions provide a needed counterbalance to this interest.

Occupational Safety and Health Act (OSHA)

The Occupation Safety and Health Act of 1970 (OSHA) provided the foundation for the Occupation Safety and Health Administration, which enforces safety and health standards at places of work. The administration's purpose is to limit work-related injury, illness, and death due to known unsafe working conditions. They currently have only 2,100 inspectors to monitor over seven million establishments. Enforcement of OSHA regulations presents an obvious challenge; OSHA implementation requires worker action to initiate complaints.

In two studies of OSHA and unions in the manufacturing and construction industries (1991a and 1991b), Weil found unions greatly improve OSHA enforcement. In the manufacturing industry, for example, the probability that OSHA inspections would be initiated by worker complaints was as much as 45% higher in unionized workplaces than in nonunion ones. Unionized establishments were also as much as 15% more likely to be the focus of programmed or targeted inspections in the manufacturing industry. In addition, Weil found that in unionized settings workers were much more likely to exercise their "walkaround" rights (accompanying an OSHA inspector to point out potential violations), inspections lasted longer, and penalties for noncompliance were greater. In the construction industry, Weil estimated that unions raise the probability of OSHA inspections by 10%.

In addition to the findings above, Weil notes that the union differential could be even larger if OSHA's resources were not so limited. He claims, "Implementation of OSHA seems highly dependent upon the presence of a union at the workplace" (Weil 1991a). Following the trend of declining unionization, OSHA claims have dropped from their peak in 1985 of over 71,500 and are currently at close to 37,500 (Siskind 2002; OSHA 2003).

Family Medical Leave Act (FMLA)

Passed in 1993, the FMLA grants workers 12 weeks of unpaid leave in a 12-month period to care for newborn or newly adopted children, or in case of a personal or family member's health condition. The leave taker is guaranteed the same or equivalent position upon return. One of the most striking characteristics of the act is that less than an estimated 60% of employees covered by the FMLA are not even

aware that it exists. There is also widespread misunderstanding on the part of the employer about whom the act covers and when it applies. There is evidence that this leads employers to reject legally entitled leaves (Budd and Brey 2000).

According to Budd and Brey (2000), union members were about 10% more likely to have heard of the FMLA and understand whether or not they were eligible. Union members were found to have significantly less anxiety about losing their job or suffering other employer-imposed penalties for taking leave. And although the authors did not find union membership significantly increases the likelihood that a worker would take leave, they did find that union members were far more likely to receive full pay for leave taken.

The biggest obstacle to workers exercising their rights under the FMLA—besides the fact that the leave is unpaid rather than paid—is information, since only a very slim majority has even heard of the act. With the exception of a $100 fine for failing to post a notice, employers have little incentive to inform employees of their rights. Unions are one of the few institutions to create awareness about FMLA's existence and regulations.

Fair Labor Standards Act (FLSA)

This act, passed in 1938, had two main features: first, it established a federal minimum wage. Second, it established the 40-hour work week for hourly wage earners, with an overtime provision of time and a half the hourly wage for work done beyond 40 hours. Trejo (1991) examined the union effect on compliance of the latter part of the FLSA, finding that employer compliance with the overtime pay regulation rose sharply with the presence of a union. He hypothesizes that this result reflects the policing function of unions because unions often report violations to enforcement agencies.

Summary: union impact on workplace protections

The research evidence clearly shows that the labor protections enjoyed by the entire U.S. workforce can be attributed in large part to unions. The workplace laws and regulations, which unions helped to pass, constitute the majority of the labor and industrial relations policies of the United States. However, these laws in and of themselves are insufficient to change employer behavior and/or to regulate labor practices and policies. Research has shown convincingly that unions have played a significant role in enforcing these laws and ensuring that workers are protected and have access to benefits to which they are legally entitled. Unions make a substantial and measurable difference in the implementation of labor laws.

Legislated labor protections are sometimes considered alternatives to collective bargaining in the workplace, but the fact of the matter is that a top-down strategy of legislating protections may not be influential unless there is also an effective voice and intermediary for workers at the workplace—unions. In all of the research surveyed, no institutional factor appears as capable as unions of acting in workers' interests (Weil 2003). Labor legislation and unionization are best thought of as complements, not substitutes.

Conclusion

This paper has presented evidence on some of the advantages that unionized workers enjoy as the result of union organization and collective bargaining: higher wages; more and better benefits; more effective utilization of social insurance programs; and more effective enforcement of legislated labor protections such as safety, health, and overtime regulations. Unions also set pay standards and practices that raise the wages of nonunionized workers in occupations and industries where there is a strong union presence. Collective bargaining fuels innovations in wages, benefits, and work practices that affect both unionized and nonunionized workers.

However, this review does not paint a full picture of the role of unions in workers lives, as unions enable due process in the workplace and facilitate a strong worker voice in the broader community and in politics. Many observers have stated, correctly, that a strong labor movement is essential to a thriving democracy.

Nor does this review address how unionism and collective bargaining affect individual firms and the economy more generally. Analyses of the union effect on firms and the economy have generally found unions to be a positive force, improving the performance of firms and contributing to economic growth (Freeman and Medoff 1984; Mishel and Voos 1992; Belman 1992; Belman and Block 2002; Stiglitz 2000; Freeman and Kleiner 1999; Hristus and Laroche 2003; with a dissenting view in Hirsch 1997). There is nothing in the extensive economic analysis of unions to suggest that there are economic costs that offset the positive union impact on the wages, benefits, and labor protections of unionized and nonunionized workers. Unions not only improve workers' benefits, they also contribute to due process and provide a democratic voice for workers at the workplace and in the larger society.

— August 2003

Endnote

1. The ECI data and the March CPS supplements show different benefit coverage rates with a union differential in coverage lower in the ECI than the CPS. This may reflect that the CPS reports individuals' coverage while the ECI reports the coverage of occupational groups in establishments. The ECI overstates nonunion benefit coverage to the extent that uncovered nonunion workers are present in unionized occupation groups.

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