How Unions Have Reduced Economic Inequality — And Why They May No Longer Be Able to Do so in Many U.S. States

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Although economic inequality has been increasing across advanced democracies since the 1970s, it has grown faster and reached greater extremes in the United States. Labor unions have been able to limit or even shrink gaps in income through workplace actions and by lobbying for redistributive public policies. But in its late June 2018 finding in *Janus vs. American Federation of State, County and Municipal Employees,* the U.S. Supreme Court majority ruled against the collection of union fees from non-members who benefit from collective bargaining – a ruling certain to undercut union memberships and clout. This decision makes understanding the role that unions have played in controlling levels of economic inequality all the more crucial.

Unions, Liberal Policies, and Economic Inequality

By comparing nations, scholars have demonstrated that high rates of membership in labor unions, along with a social democratic party active in the legislature, reduce levels of inequality by increasing the political voice of low income people. However, U.S. unions have never been as strong at the national level as unions in other democracies, are currently losing members, and must operate in a country without a social democratic political party. Despite these impediments, how have U.S. unions nevertheless be able to limit economic inequality?

Part of the answer is that, even though U.S. workers overall have a relatively low rate of unionization, declining membership happened unevenly, occurring decades earlier in the private than in the public sector, in states with varying levels of unionization, economic profiles, degrees of liberalism, and public policy choices. Although the U.S. states are nested within the same national context, similar trends have different meanings in various states – in previously highly unionized Michigan versus not-very-unionized South Carolina, for example. Therefore, my research on unionization and economic inequality examines state level conditions.

Influences on Inequality at the State Level

To understand variations in inequality at the state level, it is important to separate the effect of unions from the effect of liberal public policy. Labor policy is often set at the state level, and even though no states have true social democratic parties, the Democratic Party is more likely to advocate for redistribution in more liberal states. My research shows that, regardless of how liberal they may be, states with more union members are more equal. These findings persist through 2014 (the last year I examined) and refer both to degrees of inequality in the labor market and to relative inequalities that persist after government policies are taken into account, that is the effect of policies that redistribute income to families through welfare, social security, survivors' benefits, or other public benefits.

Why do unions matter no matter how liberal and redistributive government policies happen to be? Unions' equalizing effects seem to stem from their ability to condense the income scale. My work shows that in states where unions have maintained their membership, income is more uniformly distributed and the rich claim a smaller share of the economic pie.

To determine how much stronger unions could have done to limit inequality, I simulated what levels of inequality would have looked like if unionization rates remained at 1970s levels, even while all other factors changed as they actually did. In this way, I shed light on the types of states that experienced the greatest increases in inequality due to union membership losses.

Even though all U.S. states would be more economically equal today if unions had not declined, some would be more equal than others. Interestingly, among the top ten states that would have limited inequalities the most, four passed "right to work" laws hobbling union capabilities between 2010 and 2014. Other states on this list either passed union-limiting legislation more recently (Missouri) or passed such legislation and then repealed it by referendum (Ohio).

Overall, my work shows that traditional union membership is still important for reducing levels of economic inequality in states. Inequality will grow where unions are absent or weakened, unless countervailing steps are taken. As of now, of course, the future of organized labor in the states remains more uncertain than ever. And there are powerful forces pushing to curtail unions through "right to work" laws or limits on public sector bargaining, especially where unions have in the past been most effective at countering economic inequality.

Prospects After *Janus*

The Supreme Court's 2018 *Janus* ruling increases the strain on public sector unions by requiring them to represent workers with fewer monetary resources. Anti-union campaigns are already under way to persuade workers to opt out of fees associated with bargaining. States are planning to deal differently with the *Janus* aftermath, and their choices will influence both the strength of organized labor and degrees of inequality across the states. Some states are taking steps ranging from making up for lost union fees by payments from public coffers, to allowing unions to meet with incoming employees, or even allowing unions to withhold some benefits from employees who opt out of dues. Other states that insist on leaving unions prostrate or weakened may come to regret that choice, if they suffer more wildcat strikes in schools and public agencies whose employees decide to pursue their interests by means other than regulated collective bargaining.

Workers and unions themselves must respond to the new economic and legal environment by finding new ways to organize and conduct campaigns for improved wages, benefits, and work conditions. So far, innovations are happening first and most successfully in states with already relatively high union density. If America's state-level labor rights movements diverge even more in the future than they have in the past, crucial levers for limiting and reducing rising U.S. economic inequalities overall will be lost in many states – and American democracy as a whole will suffer as a result.

Read more in Laura C. Bucci, "Organized Labor's Check on Rising Economic Inequality in the U.S. States" *State Politics and Policy Quarterly*, 18, no. 2, (2018): 148-173.