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Does Union Activism Actually Raise Wages?

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In October 2016, after a month-long strike, 750 dining hall workers at Harvard University won an increase in their minimum annual salary to $35,000. This wage boost seems to demonstrate that union activism can pay off for workers who are union members.

But the Harvard wage increase happened while the labor market was tightening for low-skilled workers, as the Massachusetts unemployment dropped to 3.6%. Maybe Harvard would have struggled unnecessarily to retain good dining hall workers at a lower salary – and maybe the university would have responded by boosting pay, since Harvard is rich and can easily afford higher wages. Absent union pressure, this wealthy university might still pay dining hall workers more than its less well-funded peer institutions.

Among scholars who argue about such matters, some who are skeptical that unions make much difference reason that maybe the observed nationwide U.S. 10% to 25% "union wage premium" – that is the higher level of wages earned by unionized compared to non-unionized workers – is merely a byproduct of the conditions various employers face. According to this view, the union wage advantage happens because unions flourish among employers, like Harvard, that would have paid higher wages anyway, with or without union representation or activism for their workers.

Following this view, recent research has been skeptical about unions' capacity to increase workers' wages. Labor union membership density in the United States has declined by half, going from around one in five workers unionized in the early 1980s to just one in ten today. During same period, product markets have become more and more competitive, narrowing profit margins for employers – and arguably leaving scant room for unions to bargain. Studies of close union representation elections show that when a union barely wins, wages do not increase any more than they do when a union barely loses.

The key question, in short, is do unions matter for workers' wages? Or do unions just get credit for pay increases that would have come along anyway? To pinpoint the effects of unions versus those of changing market conditions, I study the effect of union activism above and beyond the market position of workers and their employers. My work speaks to would have happened to the Harvard dining hall workers if their union hadn't done anything for them, even though Harvard University is very rich and the unemployment rate was low in Massachusetts.

Distinguishing Union Activism from Market Forces

To answer this question, I look directly at what happens when unions engage in more or less activism on behalf of their members. In extreme cases, like that of the Harvard dining workers, this activism could take the form of a strike, but unions also conduct everyday activities like issuing update newsletters about pay negotiations or vigorously pursuing grievances on wage-related contract violations. When unions do more, hypothetically their members' earnings should increase.

To sort out the effects on wages of varying degrees of union activism, I tried to find situations where unions randomly get more active. First, I looked at returns from unions' $23 billion in financial investments. I isolated instances when a union's investment portfolio performed randomly better or worse than overall market returns. In better years for a union's investments, the union has more resources and can engage in more activism on behalf of its members. Second, I considered the timing of union officer elections. Because union officials worry about losing internal union elections, they seem to spend more union money on activism in the lead-up to union elections. Fortunately for my analysis, uncertain investment returns and pre-scheduled union officer elections are uncorrelated with tight labor markets and unaffected by the profitability of union companies. So, when very good union investment returns or officer elections boost union activism, it is reasonable to attribute any ensuing wage improvements to union activism.

Union Activism Raises Workers' Wages

I find that in both of these cases, increased union activity increases a measure of union members' earnings. A one percent boost in union spending increases a proxy for union members' wages between 0.15 percent and 0.30 percent. These wage effects are larger in years of active collective bargaining, and when unions increase spending in ways that could pressure companies. (Important caveat: A limitation of my data is that I cannot measure union members' wages directly. Instead I use the union dues collected per member, which are indexed – or linked – to union members' earnings. This indirect measure could be misleading, so I did further tests. For instance, I find that only dues indexed to wages, and not unindexed dues, increase with investment return hikes and elections. That is reassuring for the overall validity of my findings.)

Overall, my study reveals that unions still matter despite overall union decline. To increase their members' wages, unions might not need full-scale industrial dominance of the sort the Teamsters or Autoworkers enjoyed in the 1950s. My research underlines that even when unions have more limited memberships, their activism increases pay for union members regardless of how employers are doing in the market. Today's workers can still look to unions to help them get a raise. From 1947 to 1979, earnings for the bottom 90% of U.S. workers increased by an average of 2% each year, but earnings have since grown by only an average of 0.5% per year; and the labor share of U.S. national income has contracted by around five percentage points. Union decline in recent decades is surely part of the reason for such worrying trends – and my findings suggest that even a partial and uneven revitalization of union enrollments and activism could begin to improve the fortunes and standing of American workers.

Read more in Nathan Wilmers, "Labor Unions as Activist Organizations: A Union Power Approach to Estimating Union Wage Effects," in *Social Forces*, 95, 4, no. 1, (2017): 1451–1478.