Study: Union decline accounts for much of the rise in wage inequality

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Union membership in America has declined significantly since the early 1970s, and that plunge explains approximately a fifth of the increase in hourly wage inequality among women and about a third among men, according to a new study in the August issue of the *American Sociological Review*.

"Our study underscores the role of unions as an equalizing force in the labor market," said study author Bruce Western, a professor of sociology at Harvard University. "Most researchers studying wage inequality have focused on the effects of educational stratification—pay differences based on level of education—and have generally under-emphasized the impact of unions."

From 1973 to 2007, wage inequality in the private sector increased by more than 40 percent among men, and by about 50 percent among women. In their study, Western and co-author Jake Rosenfeld, a professor of sociology at the University of Washington, examine the effects of union decline on both between-group inequality and within-group inequality. Between-group compares people from different demographics and industries, while within-group looks at people from the same demographics and industries.

Focusing on full-time, private sector workers, Western and Rosenfeld find that deunionization—the decline in the percentage of the labor force that is unionized—and educational stratification each explain about 33 percent of the rise in within-group wage inequality among men.

Among women, deunionization explains about 20 percent of the increase in wage inequality, whereas education explains more than 40 percent.

Part of the reason for this gender discrepancy is that men have experienced a much larger decline in private sector union membership—from 34 percent in 1973 to 8 percent in 2007—than women (who went from 16 percent to 6 percent during the same period).

"For generations, unions were the core institution advocating for more equitable wage distribution," said Rosenfeld. "Today, when unions—at least in the private sector—have largely disappeared, that means that this voice for equity has faded dramatically. People now have very different ideas about what's acceptable in terms of pay distribution."

Interestingly, the study finds that union decline explains little of the rise in between-group inequality.

"Unions standardize wages so that people with similar characteristics—if they're union members—tend to have similar wages," Western said. "So, it makes sense that deunionization has little impact on between-group inequality, which, by definition, exists between groups of people that are different."

While the purpose of unions is to standardize wages for their members, Western and Rosenfeld find that even nonunion workers, if they're in highly unionized industries, tend to have fairly equal wages, partly because nonunion employers will raise wages to the union level to discourage unionization.

In terms of policy implications, Western and Rosenfeld think their study could help reignite the dialogue on labor unions, which they believe has disappeared from economic debates in recent years.

"In the early 1970s, unions were important for delivering middle class incomes to working class families, and they enlivened politics by speaking out against inequality," said Western. "These days, there just aren't big institutional actors who are making the case for greater economic equality in America."

The study relies on data from the Current Population Survey (CPS) from 1973 to 2007. A monthly survey conducted by the Bureau of Census, the CPS provides data from about 60,000 U.S. households representative of the U.S. population as a whole.

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