Worker Collective Action in the 21st Century Labor Market

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This note discusses the evidence on what union density does for wages and inequality, the source of union power in collective action (e.g. dues and strikes), and the policies that facilitate that. Institutionalized worker power is worth enough that leftists should be willing to do whatever it takes to build more of it, perhaps even if means compromising on other policy and normative goals. The note ends with some speculative ideas about domains that could be put under union jurisdiction that may make increasing worker power palatable to centrists and conservatives.

Unions Reduce Inequality, Full Stop.

Private sector union density in the United States is a terribly low 7%, and even in its last, institutionally idiosyncratic redoubt – among public sector workers – the labor movement has recently been greatly weakened by the Janus\(^1\) decision. Despite these blows, organizing collective action via the labor market remains a political economy lever that can’t be ignored. Unions both address pervasive labor market failures and increase the political voice of the bottom half of the income distribution. Historically, unions were an institution that accomplished three objectives: economic redistribution via higher wages for unskilled workers, better workplace amenities and allocations of control rights inside the firm, and political representation.

Farber et al. (2018) use Gallup data to examine patterns of unionization and inequality in the 20th century. They find that union density over the 20th century correlated with negative selection into unions even as the union income premium and the relatively more compressed within-union income distribution stayed relatively constant. Expanding union density lowers inequality by compressing wages among union members, as well as by increasing wages of lower-skilled workers.

\(^1\) Janus v. AFSCME is the 2018 Supreme Court case that eliminated mandatory union dues in public sector unions.
This mechanism explains correlations between union density and income inequality in both the time-series and state-year fixed effects specifications. Figure 1 shows the time-path of the union income premium as well the effect of education on union membership: union members get a solid 15-20% income premium, despite the fact that union membership has changed radically in both levels and composition.

Figure 1: Union Income Premium and Educational Effects on Union Membership From Farber, Herbst, Kuziemko, and Naidu (2018).

Figure 2 shows the residual correlation, at the state-year level, between union density and income inequality, measured both by top 10% share and the Gini. It also shows that union density changes the split of income between labor and capital, increasing the share of income that goes to workers relative to owners.

Figure 2: How does educational attainment predict union household status?

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2 Jaumotte and Osorio-Buitron (2016) provide cross-country panel evidence from the OECD that union density is negatively correlated with inequality, despite widely varying industrial relations systems across the various countries. They instrument union density with the presence of the Ghent system of administering unemployment benefits via unions and lagged unemployment.
Figure 2: State-Year regression of Gini coefficient, Top 10 Income Share, and labor share of income on Union density from 1940-2015, controlling for year and state FE, policy variables, industrial and skill mix. Farber, Herbst, Kuziemko, and Naidu (2018).
Figure 3 presents evidence that points to union membership virtually eliminating the correlation between father’s income and own income, suggesting unions do a lot for intergenerational mobility as well.

Figure 3: Survey evidence on rank-rank coefficient (IGE) between father and son’s household income and its interaction with son’s union status. Data sources are American National Election Survey, the 1973 Occupational Changes in a Generation Survey, and the General Social Survey. From Jacome, Kuziemko, and Naidu (2018).

Market power needs union power to curb it

The inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce. —National Labor Relations Act (1935)

Before tackling the question of union power, it is worth considering what “power” can mean in economics more broadly. “Power is important” is taken as axiomatic by many non-economists, but economists have a reflexive rebuttal: under conditions of perfect competition and information, there is no scope for power. Indeed, an old Samuelson-ism argued that it does not
matter if labor hires capital or capital hires labor, and many economists think the term “power” is not rigorous nor a properly economic idea.

But labor movements and the economists closest to them have always had compelling counter-narratives about why the boss had the whip hand in the labor transaction.\footnote{See Gourevitch (2014) for an exploration of the 19th century labor movement’s criticisms of the labor market.} Institutionalist labor economists such as Sumner Slichter, John Dunlop, and Lloyd Reynolds all believed that frictions were pervasive in the labor market. One form of friction is imperfect mobility, which means that, from the perspective of workers, jobs are imperfect substitutes. This lack of mobility could be either due to few employers in a given skill-location segment, costly job search, or non-wage differentiation. Employers set wages to take advantage of this, losing a few workers in order to depress wages for the ones that remain.

What unions do makes a lot of sense in models with monopsony. Monopsony implies that unions can a) raise the wage within limits without necessarily costing jobs\footnote{Farber et al. (2018) find a remarkably stable household union premium of 15%-20%, which is consistent with constant returns and non-unionized firms facing a residual labor supply elasticity of roughly 4, which is the upper bound estimated in the literature (Sokoleva and Sorensen 2018). Unlike the labor demand elasticity, there is no reason to think the supply elasticity facing the firm depends on union density or composition.} and b) replace the haphazard pay-setting scheme inside a business with a much more efficient bargain, building seniority pay schedules that institutionalize returns to tenure and skill-building. Beyond power over the wage, the default rule in the employment relationship is that employers have the right to command workers on the shop floor. This results in plenty of inefficiently allocated control rights, as there are many workplace decisions where workers have superior information about their cost of doing things. A union contract can reallocate these decision rights toward the efficient division, and evidence in Ash, Macleod, and Naidu (2018) suggests that this reduces labor conflict (measured by strikes). Union contracts are efficiency-enhancing workplace constitutions.

**How Policy Is Hostile to Unions**

The American policy landscape has been almost perpetually hostile to unions, with the brief exception of the mid 1930s and World War 2. At least since the Supreme Court’s 1930s decisions, and certainly since the 1947 Taft-Hartley bill, the formal NLRB architecture has been
more about weakening worker collective action than strengthening it. The number of workers added to unions via NLRB elections is now tiny (Figure 4), and most unionized workers are joining already-unionized firms, not unionizing the firms they are already in.

The last major proposal to repeal Taft-Hartley under Carter in the 1970s failed, partially owing to the coordinated business interests who lobbied against it. But fixing labor law is not enough. First, the courts have already filled the precedent space with enough anti-union opinions that Taft-Hartley might actually be redundant. Second, without some very big technological or ideological or government edge, the aggressive anti-union tactics of employers are simply too good at wearing down union drives and breaking union attempts. Frandsen (2017) shows that there is bunching at close elections, and the asymmetry in the bunching varies depending on whether Republicans or Democrats are in control of the NLRB (Figure 5). When Republicans are in charge, there are a suspiciously high number of close union losses, suggesting employers can fight harder without being sanctioned. And fight they do, as the firing rate of pro-union workers shows in Figure 6. Among labor lawyers, playing by NLRB rules is widely acknowledged to be a losing strategy. In some unpublished work, Larry Mishel concludes that current organizing would need to double just to keep pace with decline of incumbent union firms; to get back to 11% in 10 years would require 626000 workers a year, or roughly 500 million dollars in organizing expenses each year. Something new needs to be tried, and I return to this at the end.
Figure 4: Number of employees in NLRB elections.

Figure 12: Density of the union margin of victory in terms of number of votes for elections with at least 20 votes. The left panel is for elections held during periods when Republicans controlled the NLRB. The right panel is for elections held during periods when Non-Republicans (i.e., Democrats and independents) controlled the NLRB. Data are from the NLRB. Histogram reproduced from Frandsen (2015).
**Figure 5:** Asymmetrically close losses in NLRB elections when Republicans control the NLRB. From Frandsen 2017.

**Figure 6:** Firing rate of pro-union workers. From Schmitt and Zipperer (2007).

**Why have unions declined? Economic and political forces.**

There are of course the usual suspects; globalization, technological change, increased skills of workers/flexibility of firms. But there are some anomalies: Canadian union density remains double the US level, despite superficially similar institutions and shocks\(^5\). Ghent system countries retain higher union density, due to unemployment benefits being administered by big cross-industry unions. The decline in unionization is not confined to tradable manufacturing; construction and transportation have seen similar declines.

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\(^5\) See Eidlin (2018) for an exploration of the differences between Canadian and US labor movements and political institutions.
Further, it is not clear exactly why services are so difficult to organize. They are not subject to international competition, and they are readily accessible to organizers (unlike isolated factories). One argument is that they have low barriers to entry, and so there are no rents to capture; but then these firms would also not be terribly profitable. Another possible story is that suppliers of other inputs or factors (e.g., landowners or financiers or upstream producers) extract most of the profit, and so low-skilled work is at the low-margin end of the value chain.

Another oft-heard agreement is that there was something unique about the kinds of industries that unions were strong in, with high fixed capital and really inelastic demand of workers making strikes quite easy to win. I return to this below.

While these explanations can account for the almost universal decline in unions across the OECD, a leading candidate for the peculiarly rapid deunionization in the United States is employer and government opposition to unions, discussed above. Some of this can be overcome with policy alone. Survey evidence reveals that workers want to join unions and there is significant latent demand for unionization (particularly for the selective benefits such as health care that unions provide). But organizational capacity to take advantage of worker demand at the scale necessary to extract rents still needs to be built.

**Collective Action Is the Basis of Union Power**

At the end of the day, what unions do is organize collective action on the basis of work. From strikes to pickets to phone banks to grievances, unions are powerful because they leverage the common interests that workers in a firm, occupation, or industry have into bargaining power and political power. It may very well be that firm-specific unions are artifacts of a particular technological period, or only feasible when big firms are also employers of low-wage labor, or in economies relatively insulated from trade with large, developing countries. But to the extent that unions are the outcome of a conflict between employers (or employers’ employers) and collectively organized workers, measures that raise the capacity of unions to solve their collective action problems will raise union efficacy, density and coverage.6

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6 In the US union membership closely tracks coverage, but this is different in other OECD countries (e.g., France) where density is low but coverage is high. As right-to-work laws expand in the US, the gap between coverage and membership may increase.
Before going too far down this path, it is worth being realistic: Unions will not return to their midcentury density without truly radical policy and organizational changes. In the 1930s and 1940s the mobilizations of the CIO followed by the National War Labor Board essentially made union membership the “default option” in the key sectors of American industry. Any comparable change today would have to move 70 million workers into unions within a decade and a half. Despite this formidable outlook, it is still worth considering what types of organizations can leverage work in the 21st century as a locus of shared identity and collective action.

Further, two economic trends might push in the direction of easing worker collective action. The first of these is the rise of platforms and large employers for low-skilled work, which are natural monopsonies but also make it easier to coordinate activities of workers in a sector. As the 19th century factory brought craftsmen together under one roof to reap productivity gains, it also allowed once-dispersed suppliers of labor to organize themselves collectively.

An example of this is the portable benefits platform for low-wage high-turnover workers being piloted by some labor organizations. By organizing workers to use a platform for a concrete service with increasing returns, it also gives the capacity for collective action, and regulation can demand that platforms must contract with some portable benefits platform. Further, the organization can use the platform to directly compete with the other platforms, forming a combination ”strike-and-worker-cooperative” that can amplify collective bargaining power. Worker ownership of a potential competitor platform makes the threat of withdrawing labor from other platforms much more credible and costly.

A second force is the rise of personalized service work, where workers and customers meet in spaces not policed by managers (e.g., home health care workers, various retail workers, delivery workers, etc.). The traditional organizing “salt” strategy of having to get a few dedicated organizers employed as workers in highly monitored, private spaces might give way to a more “swarm” based strategy, as workers are organized via their many interactions with pro-union customers. On the flip side, however, customers may be more likely to blame the workers and the union for poor service, making it harder to build customer-worker alliances (Naidu and Reich 2018).

There are of course a variety of policy options that could encourage unionization on the margin, from exempting unionized firms from other labor regulation, facilitating union recognition (e.g., card check and Taft-Hartley repeal) and minority unionism, and institutionalizing large-scale
worker organizations as distributors of benefits such as unemployment insurance (as in the Ghent system) or health care (some US unions run extremely efficient nonprofit health care insurance, and may provide a scaffolding for broader health coverage).

**Lowering the costs of collective action**

The traditional economic analysis of unions argues that unions can’t survive without compulsion, because the public good of the collective bargaining agreement is vulnerable to the free-rider problem. However, economists have learned a lot about how humans cooperate in the wild, which suggests that the free-rider problem (dues or political contributions, picketing and strike compliance, or simple participation in union activities) is not insurmountable.

The first place to look is selective benefits. What do workers get by being in the union that they do not get otherwise? In right-to-work states, where workers can opt out of union dues, the answer is often – perhaps surprisingly – training programs. In focus groups I observed with a large NYC local, training programs were the union benefit workers were most enthusiastic about. This is backed up by a recent experiment by Hertel-Fernandez (2018), who randomizes messages sent to the members of an Iowa teachers’ union: Members who were reminded of the training programs were the only treatment arm who differentially were likely to vote against a decertification.

Another idea is to use what we know from behavioral economics to make pro-sociality salient for (potential) union members. A large literature has documented pro-social preferences in a variety of public goods environments, as well as mediators that make pro-sociality more or less expressed. One important insight from behavioral economics is that a sizeable fraction of agents exhibit strong reciprocity: They punish free-riders even at a cost to themselves. The get-out-the-vote literature (see Gerber and Green 2017 for a survey) has leveraged numerous insights from social psychology and behavioral economics to move voter turnout, and these tools might be even more effective in the workplace, where the competition among information sources is less severe.7

Recent research has also shown the importance of networks and information diffusion in facilitating collective action. Gonzalez (2018) shows that protest attendance increases among high school students when their peer groups of friends from junior high are more likely to go,
with the critical threshold being around 40%, suggesting strategic complementarities. In contrast, Cantoni et al. (2018) have experimental evidence showing that Hong Kong student protest attendance looks much more like strategic substitutes, where students protest less the more they think other students are going to attend. This result was replicated among German party activists by Hensel et al. (2018), with activists less likely to knock on doors when told that a greater-than-expected number of activists were going to knock on doors. Encouraging collective action would take the form of solving coordination games within cliques of associates and friends, but providing incentives to overcome the free rider problem in the whole population. Solving coordination games is the focus of organizer tactics like finding the most prestigious worker on a shop floor and convincing them first, but solving the free-rider problem is something every organization will have to grapple with sooner or later.

Further, to have bargaining power, unions must finance strike funds, staff and lawyer pay, and other expensive services. Without a device to compel dues, unions are forced to spend all their time perpetually campaigning. The problem of unresponsive unions coasting on coerced dues is real but rare, and there are better mechanisms to ensure accountability than eliminating agency fees. One idea is to have a “voluntarily compelled” dues structure that was like an assurance contract: everyone commits to pay contingent on at least 20 or 50% of workers paying. Governments can also assist in voluntary dues environments, matching voluntary contributions to worker organizations, with smaller contributions more than proportionally subsidized (Hitzig and Weyl 2019). But some mechanism of overcoming the free-riding problem in dues collection to keep a strike threat credible is needed.

**Increasing the returns to collective action**

The other side of the equation is making the collective action that unions can generate more effective. Ultimately, this will require the restoration of an effective threat of raising employers’ costs to intolerable levels and forcing bargaining over profits. Workers in a few key sectors still have this power, as in the public, health, and transportation sectors. But in an economy where the immediate employer’s profit is passed up the value chain to other input suppliers like land, intellectual property, or capital, it means that organizations of workers might not have as their primary target the direct employer, but rather entities further upstream (as in the Justice for
Janitors campaign, which went after the building that the janitors’ employers serviced rather than the employers themselves). This would require a large change in the legal architecture of collective bargaining, moving the level of bargaining away from employer-employee and encapsulating the whole value chain, including the financial entities at the top of it.

What collective action can accomplish also varies with economic fundamentals. The traditional view is that union leverage came via the strike; depriving the employer of labor was the costliest thing the organization of workers could do. Almost since the beginning of the modern labor movement, the strike has been hemmed in by the courts (Pope 2004). The 1937 *Fansteel* decision eliminated the sit-down strike as a tactic, asserting employer property rights over workers’ right to strike. Since the 1938 *Mackaye* Supreme Court decision, employers can legally hire permanent replacement workers during a strike. These judicial decisions have been an effective check on the right to strike effectively, albeit with a lag (the use of permanent replacements accelerated greatly in the 1980s). Modern unions have adapted to this weakening of the strike as well as the other changes in the economy, and use both consumer pressure as well as capital market pressure (Webber 2018) in order to force employers to concede in contracts.

At the end of the day, reasonable people, facing the choice of whether to join a new union, will look down the decision tree and see if it passes a cost-benefit test. If the union cannot effectively pressure and persuade a company, they cannot win a good first contract; if no first contract, no wage premium; if no wage premium, no reason to risk signing an NLRB petition or voting against your employer. The ultimate determinant of union power is the capacity to use collective action to threaten firm profits; even density is subordinate to this basic capacity.

And here policy can potentially do a lot. One legal change is banning (i.e., making criminal) hiring replacement workers during strikes (which was rare prior to the 1980s); plenty of evidence finds that the ability to hire replacement workers during strikes is one of the largest contributors to strikes losing. Another way around this is to eliminate exclusive representation and allow minority unionism, where a subset of workers can get legal recognition and strike protection without needing the whole firm. One implication of monopsony is that a good share of profits comes from the rents extracted from inframarginal workers; protected minority strikes would cut those profits and be even costlier than under competitive labor markets. A third way is to allow
secondary strikes and boycotts; the complexity of the value chain makes solidarity across industries more valuable than before.

**Political Bargains: Union Power + Union Partnership**

I think encompassing, institutionalized, and disruptive worker power, backed by the capacity to strike and shut down economic activity, is up there with climate change mitigation as things policy should try as best as it can to foster. I take worker power so seriously that I’m willing to give up on some other policies in order to achieve it. If and when a conservative party that can credibly bargain over policy re-emerges, securing bi-partisan (or at least centrist-endorsed) support for pro-labor institutions may become important. In this section, I briefly float some speculative ideas for places where worker power can be enhanced with policy tools generally favored by centrists and conservatives.

This is not alien territory. While unions and business have often been in conflict, there has also been important periods of cooperation. In many high union density countries unions are in close collaboration with employer’s associations and government in determining macroeconomic policy as well as labor market policy, which are tightly linked, particularly in open economies. European green energy companies are finding themselves particularly welcome in pro-union jurisdictions, exactly because US trades unions have relationships with the powerful unions in those countries so that promises to provide US union jobs are not just empty talk.

In the United States many dismiss the possibility that unions can be credible, productivity-enhancing organizations. But this misses the basic point that there are policies, job conditions and workplace organization which would be run more in society’s interest if workers’ voice, representation and bargaining power were increased. Union representatives being in the room with technologists can make sure that design of technology improves the quality of work rather than degrades it. If automation is on the horizon anyway, collective bargaining agreements can ensure that the productivity gains are shared with incumbent workers, blunting incentives for excess automation that merely takes advantage of lowered tax rates on capital.

As a first compromise with EITC-obsessed centrists and conservatives, one might hope for a US variant of the Ghent system, where unions are given administrative priority in assisting their members qualifying for the EITC and other federal benefits. Given the limited effects of the
currently designed EITC on employment, it might actually improve employment to take its administration away from tax-filing companies like HR block (who make it particularly salient to self-employment tax evaders) and allowing unions to administer it easily. This would allow unionized firms to benefit from the additional labor supply given by unionized workers for whom the EITC is salient and an important part of their union members.

A 21st century source of leverage might be control over data generated in the workplace; unions might find a role as stewards of data (e.g., value-added scores) generated by their members, and withhold access as a tool to secure higher pay. Unions could act as credible “data brokers” of their members, protecting the data generated on the shopfloor from exploitation by employers and thereby increasing the willingness of workers to participate in the development of the datasets needed to train useful artificial intelligences.

Extending union contract provisions to guest workers and H1-B visa employees not only protects immigrant rights, it also ensures that immigration isn’t being used to lower wages of domestic workers, and can in fact be the institutional prerequisite for political support for expanded immigration. In Switzerland, for example, the trade union UNIA holds that “The free movement of socially supported persons is not only a better alternative to any quota system but also to uncontrolled free movement of persons, with the right to strengthen exploitation, as advocated by neoliberal forces” and unions have won expanded jurisdiction as part of labor market opening, and have in fact seen their membership increase with increased immigration.

Another “grand bargain” type policy idea, put forward by Oren Cass, is that unions could be partners in bargaining around federal employment regulations (like the overtime pay requirement, ERISA regulations, or even the minimum wage), but the ability of those unions to strike is protected, e.g. banning replacement workers, repealing right-to-work, and the like. Employers will have incentives to work with, rather than hire consultants to legally decimate, union activists inside a shop. The federal government will be able to demand meaningful national standards knowing that there is a pro-worker opt-out for companies that find it too costly. And large, encompassing, multi-employer unions will eagerly seek the additional dues revenue and target low-income areas that find federal employment regulation extra-onerous.

Labor market policy might be made more technocratic and less politicized by the construction of tripartite wage boards, with representatives from unions, employers, and government experts.
Wage boards, setting minimum wages at the labor market level (say industry X occupation X region) could act as a complementary mechanism to collective bargaining agreements, where non-unionized firms are covered by agreements derived from collective bargains, but tailored to handle circumstances of the non-union members and employers. Setting these minimum wages, by taking wages out of competition among employers, would lower employer hostility to union organizing. Unions would leverage expertise gained from negotiating contracts in sectors in representing non-member worker interests, but would be reined in from merely imposing the same contract by employers and government officials. Further, the teeth of the workers’ representation would be bolstered by the fact that there was a membership-based organization doing the negotiating, with ability to leverage economic and political power to make sure the board isn’t captured or rubber stamping employer proposals.

References


