
Conclusions

Main Findings

It is difficult to exaggerate the seriousness of the organizational setback suffered by the US union movement in the last quarter of the 20th century. Whereas the proportion of workers who were members of unions rose in the 1950s and 1960s (though not as rapidly as in the 1930s and 1940s), the share of the labor force belonging to unions began to decline in the early 1970s.

This deunionization took the form not just of a fall in the percentage of the labor force that was unionized (the definition of deunionization used in this study) but also of an absolute decline in the number of union members. A striking statistic is the decline in the number of basically educated (12 or fewer years of schooling) unionized workers in manufacturing activities—a key group in the labor movement—by 3.8 million, or 63 percent, during the entire 1977–97 period and by 2.6 million, or 43 percent, just between 1977 and 1987.

The main contribution of this study is to size up provisionally the contributors to the decline in US unions. We find that global forces, often mentioned as an important contributor, play only a modest quantitative role. Their impact is, however, somewhat larger for basically educated (blue-collar) workers than for others. And the medium through which basically educated unionists were pressured changed during the period being studied; it was imports for most of the 1980s and exports in the 1990s (export markets are extremely competitive, and exports are closely related to foreign direct investment; both can threaten unionization).

We also find that other familiar deunionization suspects—such as the temporal shift in production toward less unionized service sectors and the less-unionized South—play at best a modest role in explaining the decline in unionization rates. The decline is ubiquitous, in all sectors and regions, suggesting deep fundamental sources such as growing employer opposition, unfavorable legislative trends, and declining worker trust in union institutions.

As this and other studies point out, during the 1977–97 period the proportion of unionized workers declined within all major product groupings, namely, primary-product industries, construction, manufacturing, and services. At a more detailed industry level, the main exception to the downward trend was in services largely carried out by federal, state, and local governments, such as public administration and educational services, in which the education levels of the workers were relatively high. In these sectors, the share of unionized workers either increased or remained roughly the same during the period.

Unionization rates also fell among both basically educated and more-educated workers (13 or more years) in all the major product categories, although much less for the latter group of workers. The overall declines from 1977 to 1997 were from 28.5 to 14.3 percent for basically educated workers and 18.6 to 13.4 percent for more-educated ones. The absolute number of unionized workers with 13 or more years of schooling actually increased in primary-product production, construction, and services, though not in manufacturing.

Still another indication of the pervasiveness of the deunionization is the decline in union membership by at least 50 percent in all regions of the country between 1977 and 1997. As with the national data, within-industries declines in unionization rates dominated shifts in the employment structure across industries in each region. There is some evidence, however, from my structural analysis that the South gained in total employment and unionization rates from a shift of such industries as transportation equipment and electric and electronic products from the North to the South.

Deunionization had a comparatively small effect on the earnings premium of union over nonunion workers. The ratio of the average weekly earnings of union members to nonunion workers fell from 1.40 in 1977 to 1.32 in 1997 over all sectors and from 1.19 to 1.16 in manufacturing.

“Decomposition” is the first method I used to assess the sources of deunionization. As a result of algebraically dividing the decline the national unionization rate into “between-industries” and “within-industries” components, we find that only about 27 percent of the decrease in the national unionization rate between 1977 and 1987 and 11 percent of the decrease between 1987 and 1997 can be attributed to shifts in the industry distribution of union workers away from industries that were historically more unionized to those that were less unionized. The decline of

the rate of unionization within almost all industries is the dominant factor accounting for the deunionization.

The same result holds with regard to primary-product industries and construction, manufacturing activities, and the services sector. (In the small number of industries making up the primary-product and construction industries, the change in the structure of union employment across industries had the effect of increasing the rate of unionization.) When this decomposition exercise is undertaken for manufacturing activities in each of nine regions of the United States separately for the 1977–87 and 1987–97 periods, within-industry declines in unionization rates again dominate shifts in the distribution of union workers among industries in accounting for changes in regional unionization rates.

Still another decomposition analysis aims to indicate the extent to which the national deunionization in manufacturing is affected by changes in unionization rates within the different regions of the United States versus a redistribution of national employment from more unionized to less unionized regions. Just as the other decomposition exercises indicate shifts in the distribution of workers between industries (either nationally or within regions) play a relatively small role in accounting for deunionization in manufacturing, this analysis also indicates only a small role for the redistribution of workers across regions in explaining the extent of overall deunionization. Although the gain in national employment shares in the South and West (where unionization rates are generally lower than the national average) at the expense of the Mid-Atlantic and Upper Midwest accounts for part of the decline in the national unionization rate, a general decline in unionization rates within all regions is the dominant explanatory factor.

Regression analysis makes up the main empirical part of the study. This empirical investigation is based on a theoretical analysis of the economic effects of major real-side economic forces that affected the US economy during the last quarter of the 20th century. The investigation primarily seeks to ascertain whether the employment effects of changes in the volume of imports or exports affected union workers compared with non-union workers in a more adverse (or less favorable) manner than would be expected, given their relative importance in the workforce.

In addition to analytically reviewing the impact of increases in international trade and foreign direct investment on the degree of unionization, I consider the possible effects of rapid technological progress, the increase in the supply of more-educated workers, and shifts in consumer preferences that occurred during the study period. The analysis demonstrates how major economic forces that operated in the world economy during the last quarter of the 20th century provide a number of plausible explanations for the membership difficulties faced by US labor unions, given the initial distribution of union members across industries and among different skill groups.

Because these various real-side economic forces all influence domestic output, imports, exports (in constant dollars), and the number of union and nonunion workers employed, and because data by industry are available on these variables for the period, I utilize regression analysis to determine if changes in US trade (controlling for changes in other real-side economic factors) affect union versus nonunion employment in a differential manner.

More specifically, I investigate whether changes in imports and exports across industries are associated with changes in the ratio of union to nonunion workers that differ in a statistically significant sense from the ratio of union to nonunion workers employed in these industries. Furthermore, I ask, if this is so, whether these trade changes in themselves are important factors associated with the changes in the number of union versus nonunion workers.

The main finding from my regression analysis is that factors *other* than changes in trade account for most of the large decrease in the number of union relative to nonunion workers. These factors are not associated with the other independent variables included in the regression equation, namely, changes in the number of workers required to produce a unit of the different goods and services resulting from technological change or changes in relative factor prices and relative shifts in spending among these goods and services. Instead, the constant term in the regression equation, which measures the effect of factors omitted from the regression model, “explains” most of the deunionization.

This finding is consistent with the belief of labor unions and many labor economists that a shift across most industries in attitudes by employers and workers unfavorable to unions—coupled with the enactment of new antiunion legislation and the administration of existing labor laws in an antiunion manner—are the main factors in the deunionization.

Although changes in the volume of international trade were not the dominant factor in deunionization during either the 1977–87 or 1987–97 period, import increases during the 1977–87 period did more adversely affect the employment of basically educated union workers in manufacturing than that of basically educated nonunion workers. This statistically significant effect is equal to about one-quarter of the negative employment impact on basically educated union workers attributable to the “other factors” measured by the constant term. In contrast, during the 1987–97 decade, basically educated union workers in manufacturing fared less adversely in employment than did basically educated nonunion workers.

Also in this period, however, increases in exports of manufactured goods are associated in a statistically significant manner with an absolute decline in the employment of basically educated union workers—even though, as expected, export increases are associated with increases in the employment of basically educated nonunion workers as well as more-educated union and nonunion workers.

I suggest that this relationship may be the consequence of increased foreign direct investment and outsourcing of production activities that can be performed by less-skilled, low-wage labor, which represent responses to increased competition in export markets and the unfavorable shifts in attitudes toward unions by US firms. Of course, inaccurate data on relevant variables may also account for this result, and I stress the need for a more complex econometric model that measures more directly the various economic forces affecting international trade and employment.

Still another relationship that differs between the 1977–87 and 1987–97 periods is the employment-displacing impact of increased imports on more-educated union versus more-educated nonunion workers employed in the manufacturing sector. During the first period this impact was roughly proportional to their employment ratio in 1977. However, in the 1987–97 decade the displacement ratio from increased imports of unionized workers with 13 or more years of schooling to nonunionized workers with this level of education was greater than their 1987 employment ratio in a statistically significant manner. The employment-creating impact in manufacturing of increased exports on more-educated unionists versus more-educated nonunionists was roughly proportional to their importance in employment terms in both periods.

The Need for More Extensive Worker Assistance Programs

Although this study finds that the increase in the openness of US markets is not the major factor contributing to deunionization in the United States, there is no doubt that deunionization has adversely affected the employment security and earnings levels of many workers, especially basically educated union members. Given the absence and decline of private workers' associations and representation—such as unions—much greater governmental efforts are needed to assist those who lose their jobs though no fault of their own.

These assistance programs should cover workers who have been displaced not only by deunionization pressure but also by a wide variety of other forces, such as technological change and natural disasters. The programs should involve more extensive retraining and job search resources, insurance to partly compensate for wage losses associated with new jobs, and broad governmental efforts in depressed communities aimed at attracting more dynamic industries and helping workers receive the education required by these industries. And the appropriate response by organized labor to deunionization would seem to be devoting more attention to explaining the benefits of unions to both employers and workers and to eliminating antiunion provisions from existing legislation.

The wage insurance program proposed by Lori Kletzer and Robert Litan (2001; also see Kletzer 2001) is especially appealing because it not only provides a safety net for economically vulnerable workers but also promotes economic efficiency by encouraging workers to accept a new job even if it pays less than a lost one. Workers displaced from a job they had held for a certain minimum period (e.g., two years) would have a significant share (e.g., 50 percent) of their lost earnings replaced for up to two years after the date the job was lost. Subsidized health insurance would also be provided.

By tying the program's benefits to reemployment and limiting its benefits to a period starting from the date of job loss, this wage insurance program would discourage workers from waiting until a few weeks before their unemployment payments are about to expire before seriously looking for a new job. Kletzer and Litan estimate that with a two-year insurance period, 50 percent replacement rate, and \$10,000 annual cap, the cost of the program would have been about \$3 billion in 1997, when the average unemployment rate was 4.9 percent.

The main theme of this book underscores the need for such comprehensive adjustment and skill-building programs rather than, as now exists, programs mainly directed at workers in particular types of industries (e.g., seriously injured import-competing industries) or specific types of jobs. We find that increased openness to trade with other countries plays only a modest role in US deunionization. Many workers not employed in trade-related activities have also been adversely affected by the decline in unionization. This decline of unions seems due mainly to fundamental changes in attitudes and institutions associated with increased economic competitiveness throughout the entire economy, including employer opposition and worker disenchantment.

Consequently, dealing effectively with the resulting economic hardships imposed on vulnerable workers requires a broad policy approach. Efforts that focus on assisting only particular groups of workers are likely to prove inadequate in dealing with the adjustment problems associated with the basic causes of deunionization. Similarly, unless opportunities are provided for workers to acquire the education and skills needed to succeed in a highly competitive economy, the long-run political support needed to sustain such an economy will fail to develop.