

Policy Memorandum

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A STRONG MIDDLE-CLASS DOES NOT DEPEND ON HIGHER UNIONIZATION RATES

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Contention: *From 2000 to 2007, the income of the median working-age household fell by \$2,000 - an unprecedented decline. In that time, virtually all of the nation's economic growth went to a small number of wealthy Americans. An important reason for the shift from broadly-shared prosperity to growing inequality is the erosion of workers' ability to form unions and bargain collectively.*

Lawrence Mishel, et.al., Passage of the Employee Free Choice Act is Critical to Rebuilding our Economy
Paid Advertisement, Washington Post, (February 25, 2009, A7)

Fact: A Wide Variety of Median Working Household and Family Income Measures Have Increased from 2000 to 2007, Despite a Decline in Unionization Rates The median income statistic cited above is a classic example of cherry-picking to make your case. In fact, U.S. Census Bureau data from 2000 to 2007 confirms:

- The real median income for households with one worker actually increased by \$232, and rose a substantial \$2,841 for households with two workers – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*¹
- The real median income for *all families* increased by \$272, remained about the same for families with one worker, and rose a significant \$3,912 for households with two workers.²
- The real median income for all individuals increased by \$719.³

Fact: The Share of Income Going to the Middle Class Increased From 2000 to 2007, Even as Unionization Declined It is simply not true that “virtually all of the nation's economic growth went to a small number of wealthy Americans.” In fact, U.S. Census Bureau data from 2000 to 2007 confirms:

- The share of income going to wealthy households (the top five-percent of income) actually *decreased* from 22.1 percent to 21.2 percent, and the share of income going to wealthy families *decreased* from 21.1 percent to 20.1 percent – while real GDP increased by 17.4 percent.⁴
- The share of income going to the broadest measure of middle-class households (the middle 60 percent) *increased* from 46.7 percent to 46.9 percent, while the share going to the very middle (20 percent of all households) remained the same (14.8 percent).⁵
- The share of income going to the broadest measure of middle-class families *increased* from 47.9 percent to 48.6 percent, while the share going to the very middle increased from 15.4 percent to 15.6 percent – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*⁶

This strongly suggests that any effort to increase unionization rates will have little or no impact on the relative incomes of middle-class workers and the share of income that goes to that group of families.

Conclusion: Few would disagree that a strong middle class is a key public policy objective. However, government statistics confirm that changing the nation's labor laws to increase union power is unlikely to have a positive impact on achieving that objective and may, in fact, negatively effect workers as illustrated by the collapse of the American steel industry in the 1980s and the challenges facing the U.S. auto industry today.

¹ Census Bureau, Table H-12, available at: www.census.gov/hhes/www/income/histinc/h12AR.html. The entire decline EFCA proponents cite occurred in households with median incomes above \$100,000 per year and four or more workers.

² Census Bureau, Table F-12, available at: www.census.gov/hhes/www/income/histinc/f12AR.html.

³ Census Bureau, Table P-7, available at: www.census.gov/hhes/www/income/histinc/p07AR.html.

⁴ Census Bureau, Table H-2 and Table F-2, available at: www.census.gov/hhes/www/income/histinc/h02AR.html, and www.census.gov/hhes/www/income/histinc/h02AR.html. Real GDP data from the Bureau of Economic Analysis.

⁵ Census Bureau, Table H-2, available at: www.census.gov/hhes/www/income/histinc/h02AR.html.

⁶ Census Bureau, Table F-2, available at: www.census.gov/hhes/www/income/histinc/f02AR.html.