



INEQUALITY:

REBUILDING THE MIDDLE CLASS REQUIRES

Reviving Strong Unions

By Robert A. Borosage

CAMPAIGN FOR **AMERICA'S FUTURE**
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America now suffers [the most extreme inequality](#) of the industrial world. For 40 years, wages have stagnated, while [incomes at the top have soared](#). Coming out of the 2008 recession, the richest 1 percent captured [a staggering 95 percent](#) of the nation's income growth. Most Americans now fear their children are likely to [fare worse than they have](#). The American dream is becoming a bygone fantasy as the broad middle class continues to sink.

Why does the U.S. no longer enjoy widely shared prosperity? The most popular explanations focus on the changes wrought by globalization and technology, and the transition to a service economy. The most tout-

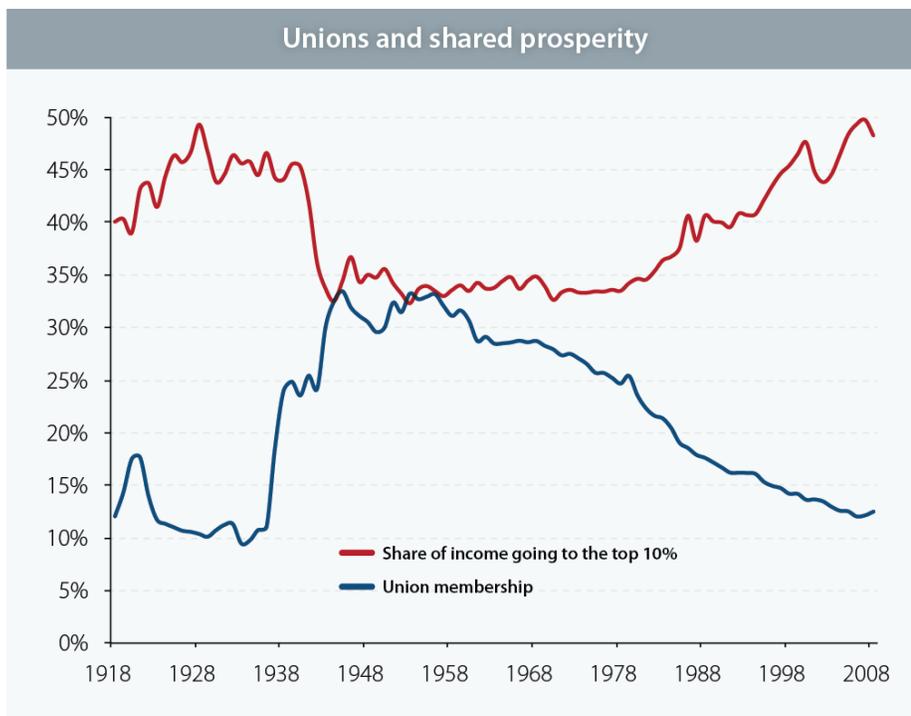
ed remedies are greater education and more worker training. But technological change was rapid when the middle class was being built. And globalization isn't an act of nature. It is a set of policy choices on trade, taxes, and currency that benefit some and not others. Americans are better educated than ever, with college graduates finding it hard to find work that requires a college degree. Manufacturing jobs aren't inherently good jobs with good wages. It took worker struggles and unions to win those wages and benefits.

What would begin to revive a broad middle class, to generate a prosperity that can be widely shared? There are many policies that can help: progressive taxation,

strengthened safety-net programs, a higher minimum wage, full employment policies and more.

But, if history is any guide, the most important policy is too often the least mentioned: workers regaining a voice at work, through organizing and broad-based collective bargaining. The power to bargain across entire sectors of the economy enables workers to demand a fair share of the profits and productivity they help to create. A voice at work limits executive excesses and curbs wage theft and other fair labor violations.

It is not a coincidence that prosperity was widely shared when unions were at the height of their power in the decades after World War II, and that inequality has soared as unions have been weakened.



Source: Author's analysis of *Historical Statistics of the United States*, [unionstats.com](#), Piketty and Saez 2003, and *The World Top Incomes Database*



Empowered Workers Built the Middle Class

The broad middle class in America was built in the wake of the Great Depression and World War II. For nearly four decades, America enjoyed a growing economy in which the benefits were widely shared. As workers became more productive, wages rose at about the same pace. And America grew together, with [the incomes of working people actually rising somewhat faster](#) than incomes at the top.

Central to this was the ability of workers to organize and bargain collectively. By the end of World War II, unions represented [over one-third of the workforce](#). They were able to negotiate industry-wide agreements that set standards for wages, benefits and working conditions. Non-union companies had to compete to attract good workers and to avoid union organizing. As President Obama [summarized](#), “Our middle class was built in part because unions were able to negotiate weekends, and overtime, and benefits. Things that now non-workers take for granted. Well, you got those because unions were out there fighting for you for a very long time.” Unions literally gave us the weekend.

Unions not only provided their members with higher wages, they won core benefits – health insurance, pensions, paid vacations – that spread through the economy. For example, after a series of brutal strikes, the United Auto Workers got General Motors to [accept cost-of-living adjustments to salaries](#) in 1948 to protect workers from having their pay increases wiped out by inflation. Unions helped extend that to companies across the economy, and in 1975 cost-of-living increases were added to Social Security benefits, [protecting seniors from rising costs](#).

Similarly, in 1946, the United Steelworkers began a battle to include pensions in collective bargaining. After the National Labor Relations Board agreed, pension plans spread rapidly. By 1970, 45 percent of all private workers were part of a pension plan. For the first time, [workers could enjoy a secure retirement](#), now increasingly at risk as pensions have disappeared as unions declined.

When workers had a seat at the table, pay not only

increased, but workplace safety rules and other labor protections were better enforced. Union pressure also helped keep corporate boards honest and limit excessive executive pay packages.

Equally important, unions were a major political force. Their ability to mobilize members and resources served as the primary counter to corporate and conservative money. Unions drove economic reforms – raising the minimum wage, strengthening Social Security, and creating Medicare, unemployment compensation, the 40-hour week and overtime. They provided indispensable leadership and support for the civil rights movement and other social reforms.

Although unions sometimes failed to live up to them, the values represented by worker organization – solidarity, mutual aid, dignity of work – served to temper the competitive dog-eat-dog ethos of the market economy. Unions helped educate members, giving them direct experience in democracy and self-governance, while providing a central source of community volunteers and activism.

Inequality Rises as Unions Decline

In the mid-1970s, in reaction to union successes, corporations and conservatives [launched a furious propaganda and political campaign](#) to discredit and weaken them. They blamed unions for the economic stagflation that traumatized the economy after the OPEC oil shocks in the 1970s. Unions, they charged, made it harder to compete in the emerging global economy. Conservatives targeted what they considered a central pillar of the Democratic Party. When Reagan fired striking air traffic control workers in 1981, the attack turned into a full-scale offensive.

Corporate lobbies drove trade and tax policies that rigged the rules of the global economy to protect investor rights but not worker rights or the environment. Companies used the threat of moving abroad to [squell union organizing drives and limit wage demands](#). Anti-union corporate consultants [peddled strategies to trample labor laws](#). The Labor Department and National Labor Relations Board were staffed with corporate lawyers and starved of funds, [weakening enforcement of worker rights](#). Reforms to update labor

law to adjust to the new realities of the workplace were blocked in Congress.

The campaign had devastating effects. Unions have lost one-third of their members, even as the workforce has expanded. They now represent the lowest share of the workforce since 1916, less than 7 percent of the private sector workforce.

As unions lost ground, inequality rose and the middle class started to sink. Workers no longer captured a fair share of rising productivity. Profits now are at record levels as a portion of national income, with [wages near record lows](#). CEO salaries soar as [household incomes decline](#).

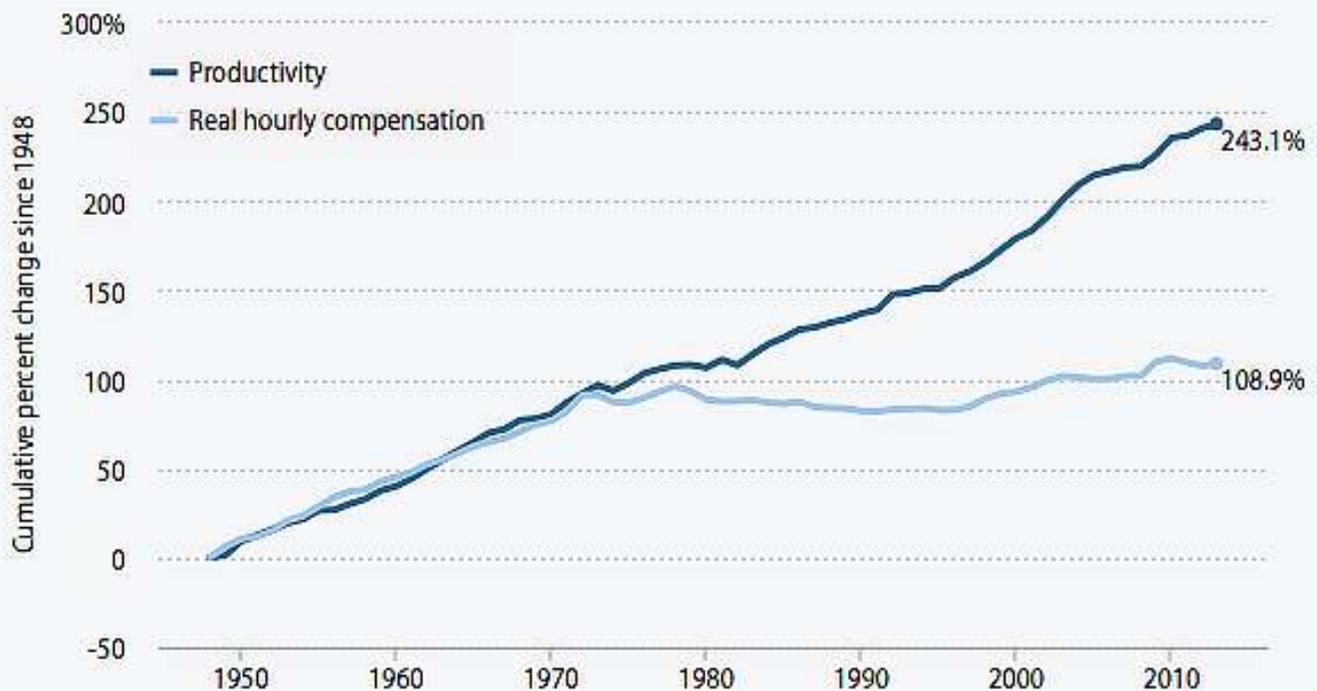
As unions grew weaker, economic reform stalled. The power of corporate money and lobbies grew without unions as a countervailing force. The minimum wage hit its peak in 1968, and now is [25 percent lower in comparable dollars](#). U.S. workers do not enjoy the

guaranteed paid vacations, paid sick days, paid family leave, and retirement security written into the law by worker movements in other industrial nations. Stagnant wages helped drive women into the workforce, but reforms to provide equal pay, affordable childcare, and flexible work hours were stymied.

Billionaires pay lower taxes than their secretaries, as [top-end tax cuts and loopholes proliferated](#). Wall Street drove deregulation of finance with calamitous results. Multinationals made China the low-wage factory of the world, winking at Chinese mercantilist policies that ran up record trade deficits and decimated American industry.

Shorn of union pressure, [wage theft became a national crime wave](#). Contingent work spread, with more and more workers forced into part-time, temporary, on-call and contract labor offering lower pay, less security and far fewer benefits. Companies abandoned pensions and

Cumulative change in total economy productivity and real hourly compensation of production/nonsupervisory workers, 1948–2013



Note: Data are for compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics Labor Productivity and Costs program and wage data from BLS Current Employment Statistics, BLS Employment Cost Trends, and Bureau of Economic Analysis National Income and Product Accounts

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pushed more and more health care costs onto workers.

And as unions lost ground, [so did the middle class](#).

Now the unions representing public workers – including teachers, police, firefighters, sanitation workers, nurses – are under fierce attack as conservative governors seek to [roll back their right to bargain collectively](#) and break pension promises made to the retired.

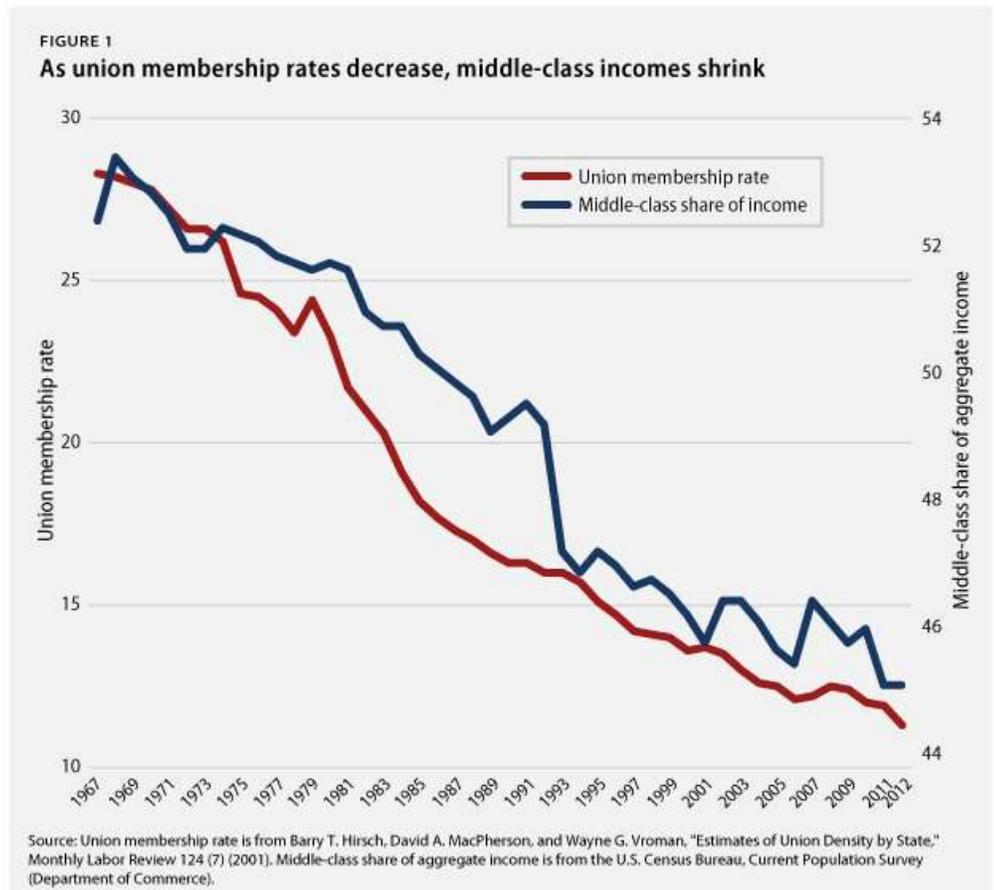
As unions have grown weaker, the values they represent have also lost traction. Workplaces become harsher, with workers on their own, competing one with another. Employers are emboldened, competing to cut back wages and benefits, or gain flexibility by increasing worker insecurity. Corporate CEOs have less investment in workers or communities. Shipping jobs abroad or avoiding taxes by hiding profits abroad carries no shame.

French economist Thomas Piketty, who documented America's extreme inequality, warned about the "drift to oligarchy" that results. Inequality not only impedes economic growth; it erodes our democracy. The decline of unions, the heart of democracy in the workplace, is a first indication of that.

Revive the American Dream: Strengthen Workers

Many Americans now view unions as vestiges of an old economy that is passing from sight. Some argue that they are no longer needed or relevant to the new service, high-tech, global economy.

But employers in the new economy are not less greedy than those in the old. Service industry jobs aren't inherently low-pay and insecure. Corporate lobbies are no less opposed to vital economic reforms, no



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less intent on capturing subsidies and carving out tax loopholes. Workers are more productive, but they lack power. They suffer from not being able to organize and bargain collectively.

Any remedy to America's extreme inequality, any way back to shared prosperity, must include rebuilding workers ability to organize and bargain collectively. [As President Obama said](#), "I would continue to argue that we should do everything we can to strengthen unions in this country."

Strong unions are vital so employees can negotiate with employers on everything from wages to hours and conditions of work. Moreover, a strong union movement is essential to driving full employment policies at the federal level that insure jobs are plentiful and workers are in demand.

Similarly, greater redistribution – taxing the wealthy and the corporations to provide services and security for the many – requires political power to overcome entrenched interests and big money. Only a revived workers' movement has that potential.

Down to 14 million members, unions are still one of the largest membership groups in the U.S. [Polls reveal](#) that far more working people would like to form a union than now have one.

To achieve that, the rules that have been rigged against workers – from the rules of the global economy to the trampling of labor laws – have to be changed. Government policy helped strengthen the hand of workers and build the middle class coming out of World War II; government policies have stacked the deck against workers in recent decades. Now government must once more become an ally of working people.

This won't be easy; it will meet fierce resistance, but the first steps have begun.

Los Angeles has demonstrated the possibilities at the local level. There, an aggressive union movement helped to elect progressive office holders who passed local regulations that require companies benefiting from local zoning or contracts to pay a living wage, and to facilitate worker organizing (by accepting unions when a majority of workers signed up).

Similarly, San Francisco has passed [elements of a new social compact](#) – including a living wage, card check and minimum labor standards for employers doing business with the city, and universal health care access for city residents.

President Obama has issued executive orders to raise the minimum wage for federal contract employees and to require contractors to adhere to fair labor standards. Public officials at all levels should emulate Franklin Roosevelt, who used public procurement and pressure

to encourage worker organizing during World War II, giving preference to companies with good labor practices.

New resources and attention should be devoted to cracking down on systemic corporate violations of labor laws. At the federal, state and local level, laws could be passed to make organizing in the workplace a civil right, giving workers [the right to sue employers who violate the laws](#). Rep. John Lewis (D-Ga.) has joined with the head of the Congressional Progressive Caucus, Rep. Keith Ellison (D-Minn.), to introduce the first legislation to establish this right.

Any new system will also require major changes in how unions organize and how they fight. We've witnessed the first stirrings of this in the strikes of fast-food workers across the country in 2014. New alliances could expose employers exploiting undocumented and low-wage workers, disgracing national corporations for violations of basic worker rights, just as has been done to employers like Nike abroad. To respond to the transformation of the workplace and the spread of contingent jobs, workers will need to find new ways of joining with consumers in creative protests.

What is clear is that empowering workers must be at the center of any agenda that claims to provide a remedy to our Gilded Age inequality or a path to more widely shared prosperity. If capital is mobilized and workers are not, growing inequality is virtually inevitable and the middle class will continue to sink. Only if workers are organized does the democracy have a chance to insure that the American dream becomes a reality and not a myth.

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