



# Unions and Upward Mobility for Latino Workers

---

John Schmitt

September 2008

---

**Center for Economic and Policy Research**

1611 Connecticut Avenue, NW, Suite 400

Washington, D.C. 20009

202-293-5380

[www.cepr.net](http://www.cepr.net)

# Contents

Executive Summary .....	1
Introduction .....	2
Latino Workers in Unions Earn More, More Likely to Have Benefits.....	3
Conclusion.....	5
References .....	6
Appendix .....	7
<i>Health</i> .....	7
<i>Pension</i> .....	7
<i>Union</i> .....	7
<i>Low-Wage Occupations</i> .....	8
<i>Data</i> .....	8

## About the Author

John Schmitt is Senior Economist at the Center for Economic and Policy Research in Washington, DC.

## Acknowledgements

The author thanks Nichole Szembrot for research assistance. The Center for Economic and Policy Research gratefully acknowledges financial support for this project from the Arca Foundation and the Ford Foundation. The findings and conclusions presented in this report remain those of the author alone and do not necessarily reflect the opinions of these foundations.

## Executive Summary

Latinos are the fastest growing ethnic group in the U.S. work force. At the end of the 1970s, less than five percent of U.S. workers were Latinos; by 2007, Latinos had grown to 14 percent of the American work force.

Latinos are also the fastest growing group in the U.S. labor movement. In 1983 (the earliest year for which comparable data are available), Latinos accounted for 6 percent of unionized workers; by 2007, they were almost 12 percent of the union work force.

This paper examines the impact of unionization on the pay and benefits of Latino workers. The most recent data suggest that even after controlling for differences between union and non-union workers—including such factors as age and education level—unionization substantially improves the pay and benefits received by Latino workers.

On average, unionization raised Latino workers' wages 17.6 percent—or about \$2.60 per hour—relative to Latino workers with similar characteristics who were not in unions.

The union impact on health insurance and pension coverage was even larger. Latino workers who were in unions were about 26 percentage points more likely to have employer-provided health insurance and about 27 percentage points more likely to have a pension plan than similar non-union workers.

The benefits of unionization were also high for Latino workers in typically low-wage occupations. Latino workers in unions in otherwise low-wage occupations earned, on average, 16.6 percent more than their non-union counterparts. Unionized Latino workers in low-wage occupations were also 41 percentage points more likely than comparable non-union workers to have employer-provided health insurance, and 18 percentage points more likely to have a pension plan.

The findings demonstrate that Latino workers who are able to bargain collectively earn more and are more likely to have benefits associated with good jobs. The data, therefore, suggest that better protection of workers' right to unionize would have a substantial positive impact on the pay and benefits of Latino workers.

## Introduction

Latinos are the fastest growing ethnic group in the U.S. work force.<sup>1</sup> At the end of the 1970s, only about 4.8 percent of U.S. workers were Latinos; by 2007, Latinos were 14.0 percent of the American work force.<sup>2</sup> Latinos are also the fastest growing group in the U.S. labor movement. In 1983 (the earliest year for which comparable data are available), Latinos accounted for 5.8 percent of unionized workers; by 2007, they were 11.8 percent of the U.S. union work force.<sup>3</sup>

This paper uses the most recent data available to examine the impact of unionization on the pay and benefits of Latino workers. The data suggest that even after controlling for systematic differences between union and non-union workers, union representation substantially improves the pay and benefits received by Latino workers.<sup>4</sup> On average, unionization raised Latino workers' wages by 17.6 percent—about \$2.60 per hour—compared to non-union Latino workers with similar characteristics.<sup>5</sup> The union impact on health-insurance and pension coverage was even larger. Among Latinos, union workers were about 26 percentage points more likely to have employer-provided health insurance,<sup>6</sup> and about 27 percentage points more likely to be in an employer-provided pension.<sup>7</sup>

These union effects are large by any measure. For example, between 1996 and 2000, a period of sustained low unemployment that helped to produce the best wage growth for Latino workers in the last three decades, the real wage of low-wage workers<sup>8</sup> increased, in total, about 12 percent.<sup>9</sup> The union wage effect estimated here was roughly 50 percent larger than the full impact of four years of historically rapid real wage growth. Over the same boom period in the 1990s, health and pension coverage among the bottom fifth of workers rose only about three percentage points for health insurance (up 3.2 percentage points) and pensions (up 2.7 percent), less than one-eighth of the estimated impact of unionization on health insurance and pension coverage for Latinos.<sup>10</sup>

---

1 For a variety of perspectives on the experience of Latino workers in the United States, see Gonzalez (2000), Guerin-Gonzales (1994), Hamilton and Chinchilla (2001), Sedillo Lopez (1995), and Whalen (2001).

2 Author's analysis of CEPR extracts of the Current Population Survey (CPS) Outgoing Rotation Group (ORG). Throughout this paper, data on Latinos refer to individuals who identify themselves as being of Hispanic ethnicity using the Census Bureau's criteria; Latinos may be of any race.

3 Author's analysis of CEPR extracts of the CPS ORG. Over the same period, the share of blacks in the unionized work force was basically unchanged at about 14 percent; the share of whites among unionized workers fell from about 78 percent in 1983 to about 69 percent in 2007; the share of workers from other racial and ethnic backgrounds (mostly Asians) increased from about 2.5 percent to about 5 percent. See Schmitt and Zipperer (2008). All unionization rates cited in this paper refer to individuals who report being a member of a union or represented by a union at their workplace.

4 Earlier research finds substantial union effects on wages and benefits for workers overall; among many others see Blanchflower and Bryson (2007), and Schmitt (2008).

5 Over the period 2004-2007, the average wage of Latino workers in constant 2007 dollars was \$14.94 per hour. The union wage premium at the mean wage estimated here is 17.6 percent, or \$2.63 per hour.

6 An employer- or union-sponsored plan for which the employer paid at least a portion of the insurance premium. To be clear, we believe that universal health care, where eligibility is not connected to an individual's employment status or particular employer, would be a substantial improvement over the current system, which leaves many workers and their children without health insurance.

7 The employer- or union-provided pension may or may not include an employer contribution to the plan.

8 The 10th percentile worker in the overall distribution, that is, the worker who makes more than 10 percent of all workers, but less than 90 percent of all workers.

9 For a discussion of the economic and social benefits of sustained low unemployment, see Bernstein and Baker (2003).

10 Author's calculations based on the March Current Population Survey (CPS) Outgoing Rotation Group.

## Latino Workers in Unions Earn More, More Likely to Have Benefits

Over the period 2004-2007, in the workforce as a whole, about 13.5 percent of all workers were unionized. Over the same period, as [Table 1](#) shows, about 11.1 percent of Latinos were in a union or represented by a union at their workplace (see row 1). Unionized Latino workers typically earned substantially more than their non-union counterparts. In 2004-2007, the median unionized Latino worker earned about \$17.31 per hour, compared to \$11.31 per hour for the median non-union Latino worker. Unionized Latinos were also much more likely to have health insurance (70.1 percent) than Latino workers who weren't in unions (34.8 percent), and also much more likely than Latino non-union workers to have a pension plan (58.4 percent, compared to 22.3 percent).

Wages and benefit coverage vary substantially by gender and union status. In 2004-2007, Latino men and women had identical unionization rates (11.1 percent). On average, Latino men in a union earned substantially more (\$18.47 per hour) than their non-union counterparts (\$12.05 per hour), and were much more likely to have health insurance (72.5 percent) and a pension (56.5 percent) than if they were not in a union (32.6 percent for health insurance, 19.2 percent for pension coverage). Latino women in unions also earned more (\$15.93) than non-union Latinas (\$10.55), and were also much more likely to have health insurance (66.2 percent) and a pension (61.2 percent) than Latinas who were not in a union (38.4 percent for health insurance and 27.2 percent for pension coverage).

The data presented in the first three rows of [Table 1](#) cover all Latino workers, including those at the bottom, middle, and top of the wage distribution. The last row of the table looks only at Latino workers in the 15 lowest-wage occupations.<sup>11</sup> As was the case for the Latino work force as a whole, unionized Latino workers in low-wage occupations earned substantially higher salaries and were much more likely to have health insurance and a pension plan than were non-union Latino workers in the same occupations. The median Latino union worker in a low-wage occupation (\$12.34) earned more than three dollars per hour more than the median Latino non-union worker (\$9.00). Unionized Latino workers in these same low-wage occupations also had large advantages over their non-union counterparts with respect to non-wage benefits. Over two-thirds of unionized Latino workers (67.3 percent) in low-wage occupations had health insurance, compared to only about one-fifth of the non-union Latino workers (21.0 percent) in the same occupations. For pension plans, the union gap was also substantial: 40.8 percent of unionized Latino workers in low-wage occupations had a pension, compared to only 11.2 percent of their non-union counterparts.

In [Table 2](#), therefore, we present a second set of results using standard regression techniques to control for these potential differences in the union and non-union workforces.<sup>12</sup> Controlling for these other effects does reduce the union wage and benefit effect, but the effect of unionization on the wages and benefits of Latinos remains large.

---

11 The 15 low-wage occupations are: food preparation workers, cashiers, cafeteria workers, child-care workers, cooks, housekeeping cleaners, home-care aides, packers and packagers, janitors, grounds maintenance workers, nursing and home-health aides, stock clerks, teachers' assistants, laborers and freight workers, and security guards. Together, these occupations represent about 15 percent of total U.S. employment. See the data appendix and Schmitt, Waller, Fremstad, and Zipperer (2007) for a complete description of the occupations.

12 The regressions control for age (and age squared), education (five levels of educational attainment), gender (wherever observations for men and women appear in the same regression), state of residence, and two-digit industry. The wage regressions use ordinary least squares; the health-insurance and pension regressions are probits.

**TABLE 1**  
**Wages, Health, and Pension Coverage for Union and Non-Union Latino Workers, 2004-2007**

	Share of workers in union (percent)	Median hourly wage (2007\$)		Health-insurance (percent)		Pension (percent)	
		Union	Non-union	Union	Non-union	Union	Non-union
All	11.1	17.31	11.31	70.1	34.8	58.4	22.3
Men	11.1	18.47	12.05	72.5	32.6	56.5	19.2
Women	11.1	15.93	10.55	66.2	38.4	61.2	27.2
In low-wage occupations	9.5	12.34	9.00	67.3	21.0	40.8	11.2

Notes: CEPR analysis of CEPR extract of the Current Population Survey Outgoing Rotation Group and UNICON extract of March Current Population Survey data. Union refers to union membership or union coverage. Health insurance refers to participation in an employer- or union-sponsored plan where the employer pays some or all of the premium. Pension refers to participation in an employer-sponsored plan, with or without employer contribution. See Appendix Table for further details on sample. Health and pension coverage refer to 2004-2006; wages refer to 2004-2007.

**TABLE 2**  
**Regression-Adjusted Union Wage, Health, and Pension Premiums for Latinos, 2004-2007**

	Share of workers in union (percent)	Union premium		
		Hourly wage (percent)	Health-insurance Coverage (p.p.)	Pension Coverage (p.p.)
All	11.1	17.6	25.5	27.2
Men	11.1	18.0	27.2	26.4
Women	11.1	16.3	22.1	29.7
In low-wage occupations	9.5	16.6	40.7	17.9

Notes: All regressions include controls for age, education, gender (where appropriate), state, and two-digit industry. Union wage premiums in percent are converted from log points; all are statistically significant at at least the one-percent level. Union-health insurance and pension coverage figures are the percentage-point (p.p.) increases associated with union coverage or membership; all estimates are significant at the one-percent level. See Appendix Table for further details about sample. Health and pension coverage refer to 2004-2006; wages refer to 2004-2007.

After controlling for workers' characteristics, the union wage premium for all Latino workers is 17.6 percent or about \$2.60 per hour.<sup>13</sup> For Latino workers, the union advantage with respect to health insurance and pension coverage also remains large even after controlling for differences in workers' characteristics. Unionized Latino workers were about 26 percentage points more likely to have health insurance and about 27 percentage points more likely to have a pension than their non-union counterparts.

The union wage premium and health insurance and pension advantages are large for both men and women. The regression-controlled union wage premium is about 18 percent for men and about 16 percent for women. The union effect on health-insurance coverage for Latinos is about 27 percentage points for men and about 22 percentage points for women; the union pension advantage for Latinos is about 26 percentage points for men and 30 percentage points for women.

<sup>13</sup> These estimates of the union wage premium are likely to be underestimates of the true union effect on the wages of Latinos. Hirsch and Schumacher (2004) have documented that the procedure that the Census Bureau uses to impute wages for workers who fail to report wages in the CPS imparts a substantial downward bias in standard union wage-premium regressions such as the ones reported here.

The benefits of unionization are also large for Latino workers in low-wage occupations. For Latinos in the 15 lowest-paying occupations, unionization raises wages by about 17 percent. For the same group of workers, unionization is also associated with a 41 percentage point greater likelihood of having health insurance and an 18 percentage point greater likelihood of pension coverage.

## Conclusion

Latinos are the fastest growing group in the U.S. workforce. They are also the fastest growing group inside the U.S. labor movement. Since the early 1980s, Latinos have seen their representation in the ranks of U.S. unions double, from about 6 percent of all union workers in 1983 to about 12 percent in 2007.

The most recent data suggest that even after controlling for differences between union and non-union workers — including such factors as age and education level — unionization substantially improves the pay and benefits received by Latino workers. After controlling for workers' characteristics, the union wage premium for all Latino workers is 17.6 percent or about \$2.60 per hour. The union advantage for Latino workers is even larger with respect to health insurance and pension coverage. Unionized Latino workers were about 26 percentage points more likely to have health insurance and about 27 percentage points more likely to have a pension than their non-union counterparts.

The substantial wage and benefit advantages of unionization also apply to Latinos in otherwise low-wage occupations. Among Latino workers in the 15 lowest wage occupations, after controlling for a host of differences in worker characteristics, unionization raised wages about 17 percent, the likelihood of having health insurance about 41 percentage points, and the likelihood of having a pension about 18 percentage points.

These findings demonstrate that Latino workers who are able to bargain collectively earn more and are more likely to have benefits associated with good jobs. The data strongly suggest that better protection of workers' right to unionize would have a substantial positive impact on the pay and benefits of Latino workers.<sup>14</sup>

---

14 For recent discussions of the benefits for workers and for overall economic inequality of unionization, see: Blanchflower and Bryson (2007); Freeman (2007); Levy and Temin (2007); Mishel, Bernstein, and Allegretto (2007); and Schmitt (2008).

## References

- Bernstein, Jared, and Dean Baker. 2003. *The Benefits of Full Employment: When Markets Work for People*. Washington, DC: Economic Policy Institute.
- Blanchflower, David and Alex Bryson. 2007. "What Effect Do Unions Have on Wages Now and Would Freeman and Medoff Be Surprised?," in Bennett, James and Bruce Kaufman (eds.), *What Do Unions Do: A Twenty Year Perspective*, Transaction Publishers.
- Boushey, Heather, Shawn Fremstad, Rachel Gragg, and Margy Waller. 2007. "Understanding Low-Wage Work in the United States," Washington, DC: Inclusion/The Mobility Agenda. Available online at: <http://www.inclusionist.org/files/lowwagework.pdf>
- Freeman, Richard. 2007. "What Do Unions Do? The 2004 M-Brane Stringtwister Edition," in Bennett, James and Bruce Kaufman (eds.), *What Do Unions Do: A Twenty Year Perspective*, Transaction Publishers.
- Gonzalez, Juan. 2000. *Harvest of Empire: A History of Latinos in America*. New York: Penguin Press.
- Guerin-Gonzales, Camille. 1994. *Mexican Workers & American Dreams: Immigration, Repatriation, and California Farm Labor, 1900-1939*. New Brunswick, N.J.: Rutgers University Press.
- Hamilton, Nora and Norma Stoltz Chinchilla. 2001. *Seeking Community in a Global City: Guatemalans and Salvadorans in Los Angeles*. Philadelphia, Penn.: Temple University Press.
- Hirsch Barry T. and Edward J. Schumacher. 2004. "Match Bias in Wage Gap Estimates Due to Earnings Imputation," *Journal of Labor Economics*, vol. 22, no. 3 (July), pp. 689-722.
- Levy, Frank and Peter Temin. 2007. "Inequality and Institutions in Twentieth Century America," NBER Working Paper 07-17.
- Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto. 2007. *The State of Working America 2006-2007*. Ithaca, New York: Cornell University Press.
- Schmitt, John. 2008. "The Union Wage Advantage for Low-Wage Workers," Center for Economic and Policy Research Briefing Paper.
- Schmitt, John, Margy Waller, Shawn Fremstad, and Ben Zipperer. 2007. "Unions and Upward Mobility for Low-Wage Workers," Center for Economic and Policy Research Briefing Paper.
- Schmitt, John and Ben Zipperer. 2008. "The Decline in African-American Representation in Unions and Manufacturing, 1979-2007," Center for Economic and Policy Research Brief Paper.
- Sedillo Lopez, Antoinette. 1995. *Latino Employment, Labor Organizations, and Immigration (Latinos in the United States, vol. 4)*. New York: Routledge.
- Whalen, Carmen Teresa. 2001. *From Puerto Rico to Philadelphia: Puerto Rican Workers and Postwar Economies*. Philadelphia, Penn.: Temple University Press.



## Appendix

In order to have a sample that is sufficiently large to analyze the unionized Latino work force, our analysis combines data from consecutive years of the Current Population Survey (CPS), a nationally representative monthly survey of about 60,000 households. For wage-related data, we use the 2004 to 2007 merged Outgoing Rotation Group (ORG) from the CPS. The ORG includes a series of questions about the respondent's current job, asked of one-quarter of the monthly participants in the CPS. For health- and pension-related data, we use the March supplement to the CPS for the years 2005 to 2007. The March CPS survey asks respondents about their health- and pension-coverage in the preceding calendar year, so the health and pension data in the report refers to coverage during the calendar years 2004, 2005, and 2006. (The wage data refer to calendar years, 2004, 2005, 2006, and 2007; in both cases, we use the most recent data available as we write this report.)

### Health

The March CPS asks whether an individual was covered by an employer-provided health-insurance plan and, if so, whether the employer paid all, part, or none of the premiums for that plan. We treat workers as having health-insurance coverage if their employer (or union) offered a plan and the employer paid at least part of the premiums associated with the plan. Respondents answer the health-coverage question in March of each year, but their response refers to their coverage status in the preceding calendar year.

### Pension

The March CPS asks whether an individual's employer participated in an employer-sponsored pension plan. Unfortunately, the survey does not distinguish between defined-contribution and defined-benefit plans and does not ask if the employer makes a contribution to the plan. We treat workers as having pension coverage if their employer offered a retirement plan, whether or not the employer made a contribution to that plan. As with health-insurance coverage, respondents answer the pension question in March of each year, but their response refers to their coverage status in the preceding calendar year.

### Union

The CPS ORG asks workers if they are a member of, or represented by, a union at their current job. We define a union worker as any worker who says that he or she is a member of or represented by a union. Unfortunately, the March CPS does not ask workers about their union status during the preceding calendar year. We use workers' union status in their current job in March of each year as a proxy for their union status in the preceding calendar year. Using workers' status in March has two drawbacks for our analysis. First, since we must rely on union status in March, which comes from the ORG for the same month, we are limited to only one-fourth of the full March CPS sample --the fourth of the full monthly sample that also participated in the ORG. The smaller sample reduces the precision of our estimates of the union effect on health and pension, making it more difficult for us to find a statistically significant union effect if one exists. Second, using union status in March as a proxy for union status in the preceding year introduces measurement error into the union variable in the health and pension regressions. Measurement error will bias the coefficient of the variable measured with error toward zero, making it less likely that we will find a statistically significant union effect if there is one.

**APPENDIX TABLE**  
**Sample Sizes for Regressions in Table 2**

Full occupation title	CPS ORG	March CPS	
	Wages	Health	Pension
All	79,551	4,591	4,591
Men	45,530	2,648	2,648
Women	34,021	1,942	1,943
In low-wage occupations	20,211	763	761

Notes: The March CPS sample is smaller than the ORG sample because: (1) the CPS ORG is one-fourth of the full CPS for 12 months of the year, while the March CPS is the full CPS for only one month of the year; and (2) the March CPS has union affiliation in the current month for only one fourth of the participants in the survey that month. Union affiliation data from the March CPS refer to the respondent's job in March of each year, while health and pension benefits refer to the respondent's main job in the preceding calendar year, as a result, the union, health, and pension variables in Tables 1 and 2 are measured with error; the measurement error in the dependent variable in Table 2 will increase the standard errors of the coefficient estimates, but will not bias the estimates; the measurement error in the union variable will bias the estimated union effect toward zero. See text for further discussion.

### Low-Wage Occupations

Following Schmitt, Waller, Fremstad, and Zipperer (2007), Tables 1 and 2 present analysis of 15 low-wage occupations as defined by the “Standard Occupational Classification 2000” system used in the Current Population Surveys for 2004-2007. The specific occupations selected were the 15 occupations with the lowest non-union median wage meeting the following two criteria: first, the occupation had to be at least 0.25 percent of the total workforce over the combined period 2004-2007; and, second, the unionization rate had to be at least five percent over the same period.

The selected occupations include only one deviation from the above formula: the two lowest-wage occupations “combined food preparation and serving workers, including fast food” and “food preparation workers,” which are conceptually closely related and both of which, separately, met the selection criteria, were combined into a single occupation.

The final list of low-wage occupations were: food preparation workers, cashiers, cafeteria workers, child-care workers, cooks, housekeeping cleaners, home-care aides, packers and packagers, janitors, grounds maintenance workers, nursing and home-health aides, stock clerks, teachers' assistants, laborers and freight workers, and security guards. See Schmitt, Waller, Fremstad, and Zipperer (2007) for more details.

### Data

All data and programs used to produce this analysis are available upon request. The underlying CEPR extracts of the CPS ORG analyzed in this paper are available to download from <http://www.ceprdata.org>.