



Unions and Upward Mobility for African-American Workers

John Schmitt

April 2008

Center for Economic and Policy Research

1611 Connecticut Avenue, NW, Suite 400

Washington, D.C. 20009

202-293-5380

www.cepr.net

Contents

Introduction.....	1
Black Workers in Unions Earn More, More Likely to Have Benefits	2
Conclusion	4
References	5
Appendix.....	6

About the Author

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

Acknowledgements

The Center for Economic and Policy Research gratefully acknowledges financial support from the Ford Foundation.

Executive Summary

This paper examines the impact of unionization on the pay and benefits of African-American 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 black workers.

On average, unionization raised black workers' wages 12 percent --about \$2.00 per hour-- relative to black workers with similar characteristics who were not in unions.

The union impact on health-insurance and pension coverage was even larger. African-American workers who were in unions were 16 percentage points more likely to have employer-provided health insurance and 19 percentage points more likely to have a pension plan than similar non-union workers.

These union effects are large by any measure. To put these findings into perspective, between 1996 and 2000, a period of sustained, low unemployment that helped to produce the best wage growth for low-wage workers in the last three decades, the real wage of 10th percentile workers (who make more than 10 percent of workers, but less than 90 percent of workers), rose, in total, about 12 percent. The 12-percent union wage boost for black workers, therefore, was equal in magnitude to four years of historically rapid real wage growth.

Over the same boom period in the 1990s, employer-provided 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) – only about one-fifth of the impact of unionization on health-insurance coverage and about one-sixth of the impact on pension coverage for African Americans.

The benefits of unionization were even higher for black workers in typically low-wage occupations. Black workers in unions in otherwise low-wage occupations earned, on average, 14 percent more than their non-union counterparts. Unionized black workers in low-wage occupations were also 20 percentage points more likely than comparable non-union workers to have employer-provided health insurance, and 28 percentage points more likely to have a pension plan.

Our findings demonstrate that black workers who are able to bargain collectively earn more and are more likely to have benefits associated with good jobs. We conclude that better protection of workers' right to unionize would help improve the pay and benefits of African-American workers.

Introduction

April 4, 2008 marks the 40th anniversary of the assassination of Martin Luther King, Jr. While King is best known as the country's pre-eminent civil rights leader, he was in Memphis, Tennessee on the day he was killed to support municipal sanitation workers who were then in the middle of a 65-day strike. A few weeks earlier, commenting on the strike, King had said: "We know that it isn't enough to integrate lunch counters. What does it profit a man to be able to eat at an integrated lunch counter if he doesn't earn enough money to buy a hamburger and a cup of coffee?"¹

This paper uses the most-recent available data to examine the impact of unionization on the pay and benefits of African-American workers. The data suggest that even after controlling for differences between union and non-union workers, union representation substantially improves the pay and benefits received by black workers.² On average, unionization raised black workers' wages by about 12 percent --about \$2.00 per hour-- compared to non-union black workers with similar characteristics.³ The union impact on health-insurance and pension coverage was even larger. Among African Americans, union workers were 16 percentage points more likely to have employer-provided health insurance,⁴ and 19 percentage points more likely to be in an employer-provided pension.⁵

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 African-American workers in the last three decades, the real wage of 10th percentile workers (those who make more than 10 percent of workers, but less than 90 percent of workers) rose, in total, about 12 percent.⁶ The union wage effect estimated here was equal to 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-fifth of the impact of unionization on health insurance and less than one-sixth of the impact on pension coverage.⁷

1 See Michael D. Honey, "The Legacy of Dr. Martin Luther King, Jr.: Defending the Right to Organize," Memphis Commercial Appeal, February 3, 2008, <http://www.commercialappeal.com/news/2008/feb/03/defending-the-right-to-organize-t-the-legacy-of/>. For an excellent brief account of the labor story behind King's visit to Memphis, see Dreier (2007).

2 Earlier research finds substantial union effects on wages and benefits for workers overall (see Blanchflower and Bryson, 2007).

3 Over the period 2004-2007, the average wage of black workers in constant 2007 dollars was \$16.38 per hour. The union wage premium at the mean wage estimated here is 12.1 percent, or \$1.98.

4 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.

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

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

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

Black Workers in Unions Earn More, More Likely to Have Benefits

Unionization rates for African Americans are higher than they are for the general population.⁸ Over the period 2004-2007, in the workforce as a whole, about 13.5 percent of all workers were unionized (either a member of a union or represented by a union at their workplace). Over the same period, as Table 1 shows, about 16.2 percent of African Americans were in a union or represented by a union at their workplace (see row 1). Unionized black workers typically earned substantially more than their non-union counterparts. In 2004-2007, the median unionized black worker earned about \$17.51 per hour, compared to \$12.57 per hour for the median non-union black worker. Unionized black workers were also much more likely to have health insurance (75.9 percent) than black workers who weren't in unions (51.1 percent), and also more likely than black non-union workers to have a pension plan (65.6 percent, compared to 39.6 percent).

Unionization rates, wages, and benefit coverage vary by gender and union status. Black men were more likely to be in a union (17.4 percent) than black women (15.2 percent). Nevertheless, the same basic wage and benefit pattern holds separately for black men and women. African-American men earned more if they are in a union (\$18.15 per hour) than if they are not (\$13.30), and were much more likely to have health insurance (76.7 percent) and a pension (65.0 percent) than if they were not in a union (51.2 percent for health insurance, 39.9 percent for pension coverage). African-American women in unions also earned more (\$17.20) than their non-union counterparts (\$12.00), and were much more likely to have health insurance (75.3 percent) and a pension (66.1 percent) than African-American women who were not in a union (51.1 percent for health insurance and 39.3 percent for pension coverage).

The data presented in the first three rows of [Table 1](#) cover all African-American workers, including those at the bottom, middle, and top of the wage distribution. The last row of the table looks only at African-American workers in the 15 lowest-wage occupations.⁹ As was the case for the black workforce as a whole, unionized black 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 black workers in the same occupations. The median black union worker in a low-wage occupation (\$12.21) earned almost three dollars per hour more than the median black non-union worker (\$9.45). Unionized black workers in these same low-wage occupations also had large advantages over their non-union counterparts with respect to non-wage benefits. Over half of unionized black workers (54.3 percent) in low-wage occupations had health insurance, compared to less than one-third of the non-union black workers (32.5 percent) in the same occupations. For pension plans, the union gap was even larger: 56.8 percent of unionized black workers in low-wage occupations had a pension, compared to just 23.4 percent of their non-union counterparts.

⁸ African Americans have a higher unionization rate than whites and Hispanics. See Schmitt and Zipperer (2008).

⁹ 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. See the data appendix and Schmitt, Waller, Fremstad, and Zipperer (2007) for a complete description of the occupations.

TABLE 1
Hourly Wages and Union Share for African Americans, 2004-2007

	Union share (percent)	Median hourly wage (2007\$)		Health-insurance (percent)		Pension (percent)	
		Union	Non-union	Union	Non-union	Union	Non-union
All	16.2	17.60	12.74	75.9	51.1	65.6	39.6
Men	17.6	18.47	13.42	76.7	51.2	65.0	39.9
Women	15.1	17.20	12.07	75.3	51.1	66.1	39.3
In low-wage occupations	12.7	12.34	9.43	54.3	32.5	56.8	23.4

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 African Americans, 2004-2007

	Union premium			
	Share union (percent)	Hourly wage (percent)	Health-insurance Coverage (p.p.)	Pension coverage (p.p.)
All	16.2	12.1	15.9	18.9
Men	17.6	13.2	18.2	25.4
Women	15.1	10.7	13.9	13.3
In low-wage occupations	12.7	14.0	20.2	27.8

Notes: See notes to Table 1. 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 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.

The data in [Table 1](#), however, may overstate the union effect because union workers may be more likely to have characteristics associated with higher wages such as being older or having more formal education. Union workers are also more likely to live in higher-wage states or work in higher-wage industries, where all workers, union and non-union, tend to receive higher wages. In Table 2, we present a second set of results using standard regression techniques to control for these potential differences in the union and non-union workforces.¹⁰ Controlling for these other effects does reduce the union wage and benefit effect, but the effect of unionization on the wages and benefits of African Americans remains substantial.

After we control for workers' characteristics, the union wage premium for all black workers is 12.1 percent or about \$2.00 per hour. For black workers, the union advantage with respect to health insurance and pension coverage also remains large even after controlling for differences in workers' characteristics. Unionized African-American workers were about 16 percentage points more likely to

¹⁰ We 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.

have health insurance and about 19 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 13 percent for men and about 11 percent for women. The union effect on health-insurance coverage for blacks is about 18 percentage points for men and about 14 percentage points for women.

The benefits of unionization are largest for black workers in low-wage occupations. For African Americans in the 15 lowest-paying occupations, unionization raises wages by about 14 percent (compared to about 12 percent for all black workers). For the same group of workers, unionization is also associated with a 20 percentage point greater likelihood of having health insurance (compared to a 16 percentage-point difference for workers overall) and a 28 percentage point greater likelihood of pension coverage (compared to a 19 percentage-point difference among all black workers).

Conclusion

Martin Luther King's fateful trip to Memphis 40 years ago was part of his efforts to expand the cause of civil rights to the economic realm. King would almost certainly have been shocked to find that, despite substantial economic growth over the last four decades, the increasingly unequal U.S. economy has almost the same portion of its population living in poverty today (12.3 percent in 2006) as it did in 1968 (12.8 percent).¹¹ The most recent economic data, however, support King's view that the right of workers to organize, to bargain collectively, and, when necessary, to strike, offers an important path to counter-acting the rise in economic inequality, to the benefit of all workers.¹²

11 See U.S. Census Bureau, Historical Poverty Tables, Table 2. Available online at: <http://www.census.gov/hhes/www/poverty/histpov/hstpov2.html>.

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

References

- Bernstein, Jared, and Dean Baker. 2003. The Benefits of Full Employment: When Markets Work for People. Washington, DC: Employment 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>
- Dreier, Peter. 2007. "Why He Was in Memphis: Martin Luther King died fighting for labor and a living wage," The American Prospect Online (January 15) Available online at: <http://www.prospect.org/cs/articles?articleId=12380>
- 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.
- Honey, Michael D. 2008. "The Legacy of Dr. Martin Luther King, Jr.: Defending the Right to Organize," *Memphis Commercial Appeal*, February 3, 2008.
- 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, 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.

Appendix

In order to have a sample that is sufficiently large to analyze the unionized African-American 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](#)

	CPS ORG	March CPS	
	Wages	Health	Pension
All	64,275	3,766	3,770
Men	27,689	1,617	1,619
Women	36,586	2,138	2,138
In low-wage occupations	15,566	565	540

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.

Low-Wage Occupations

We analyze 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 we 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.

We made only one deviation from the above formula: we combined 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 our selection criteria.

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 a complete description of the occupations.

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>.