

## **LABOR UNIONS AS A CRITICAL INTERMEDIARY ASSOCIATION**

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I have not studied democracies that have died. My research has been on countries where democracies have endured, despite some serious threats at times. Take the case of the United States: Its democracy has survived civil war, the Great Depression, world wars and small wars, and mass protests. Always a democracy based on representative rather than direct government and long a democracy with a highly restricted franchise, it nonetheless persisted and, over time, became more inclusive—if not fully so. Is it thriving? That depends on how you define democracy, of course. But certainly some of its protective institutions and organizations are fraying or fatally flawed, and they were showing their age well before Trump and his politics accelerated that trend. Nor is the United States alone in this, as the cases of Britain, Spain, Italy, and perhaps Australia and France also make clear.

I will let others address the weakness of political parties and of electoral institutions and yet others raise concerns about the courts. My focus is on the decline of an important intermediary association, labor unions. These—or something like them—are critical to a flourishing democracy for several reasons: they mobilize voice, votes, and money among a large and important constituency; they provide civic socialization and education; the organized withdrawal of workers' labor is an important economic tool for balancing corporate power and influence.

This is not to say that workers as a group are either homogenous or progressive. The distinctions among the members of different unions are sometimes stark, e.g. between those belonging to the Service Employees International Union (SEIU) versus those in the construction trades. The first tends to be politically progressive and the second politically conservative. Racial, religious, and ethnic divides have generally characterized unions and created internal cleavages, potential for strike breakers, and bases for discrimination litigation. In the 1950s, ideological disagreements marked the labor movement, leading to the expulsion of communists and leftists in numerous unions.

Nor is progressivism a necessary trait of workers, even among those being most harmed by the excesses of capitalism, employers or politicians. We know all too well that Engel's prediction of "paper stones" never came to pass<sup>1</sup>. The Reagan Republicans were a significant signal of transformations in the political base of the Democrats, and the British Labour and Australian Labor Parties are no longer the socialist or, at least, social democratic organizations they once were. Union members often value and attempt to protect jobs in industries that harm the environment and climate, and they are far too often opponents to liberal immigration policies.

The reach of labor organizations and their electoral behavior has been consequential for American politics for over a century. They heighten the turnout of their members and families,<sup>2</sup> and the numbers voting have historically been large, particularly given the otherwise low turnout rates among the general public. Unions also contribute significantly through labor political action committees (PACs). The greatest influence

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<sup>1</sup> The phenomenon and reasons for it are well documented in Przeworski and Sprague (1986).

<sup>2</sup> See, e.g., Rosenfeld (2014), Schlozman, Verba and Brady (2012), Nagler and Leighley (2007).

has, not surprisingly, been on the Democratic Party,<sup>3</sup> but that influence is waning significantly with the decline in union strength.

Significant labor impact on votes was strong from the 1940s until the last few decades. It significantly increased with the formal recognition of unions and their rights during the New Deal; membership rose to over a third of the non-agricultural private sector work force by 1954. Arguably, U.S. unions were at their height in the early 1970s when they represented approximately 21 million workers, and Big Labor ranked with Big Business and Big Government. One indicator of their influence was the existence of labor pages and reporters in the daily newspapers; there are now few, if any, mainstream media that regularly cover the activities of organized labor.

Reagan era policies accelerated anti-union regulations, employer obstruction, and general antipathy to unions. Yet, at the turn into the 21<sup>st</sup> century, evidence suggested workers still wanted unions.<sup>4</sup> It would be worth doing such an analysis today, particularly among younger workers. My own research on and experience with workers in the new gig economy suggest that interest in having a voice does not translate into interest in being represented by a union, an organization perceived as constraining individual prerogatives while taking a cut for doing so. In any case, the effect of various factors is that unions are decreasing in size and in political and economic significance. As of January 2017,<sup>5</sup> the total union membership in the combined public and private sectors is 10.7% of all non-agricultural wage and salary workers, or 14.6 million people.

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<sup>3</sup> See. e.g, Greenstone (1969), Dark (2001), Francia (2006)

<sup>4</sup> Freeman and Rogers (1999), Hart Research Associates (2002), Freeman (2007b)

<sup>5</sup> <https://www.bls.gov/news.release/union2.nr0.htm>

These aggregate figures hide the real story, however. Only 6.4% of private sector workers now belong to unions, down from the high of over 35% in 1954. What is keeping unions alive is government employment; 34.4% of public sector workers belong to unions. And the future of public sector unions is, arguably, tenuous.<sup>6</sup> Note the reactions against them in once union-proud states such as Wisconsin. Not only is there growing antagonism among the public to the demands and strikes of government employees, the rising anti-government sentiment extends to those who provide services. Austerity measures further undermine union strength. All of these factors make the support of private sector unions even more essential, but those unions are having increasing difficulty defending themselves let alone their brothers and sisters in the labor movement.

It should be noted that unions have always been weak in the southern part of the United States, where union membership is consistently well below the average. South Carolina had the lowest membership at 1.6%, but the highest southern state was Alabama at 8.1% in a dead heat with Wisconsin, traditionally an above average state. The membership in the non-coastal western states was never very high. The decline in membership throughout the manufacturing states is notable.<sup>7</sup>

The difficulties are daunting for organizing new unions and retaining membership in those that persist.<sup>8</sup> Legislation, costs, and media influence attitudes and constrain behavior. In 1947, the Taft-Hartley Act made it possible to create what became known as

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<sup>6</sup> Ahlquist (2012)

<sup>7</sup> <https://www.bls.gov/news.release/union2.t05.htm>

<sup>8</sup> Farber and Western (2001), Levi (2003).

“right-to-work” laws that enable workers to opt out of dues-paying even when gaining the benefits of representation. Eleven states, most in the south, immediately adopted “right to work” regulations. Another five more became “right to work” by 1955. Today 28 states and Guam have this status.<sup>9</sup>

The decline of union strength is disastrous for American democracy. When unions are relatively strong, they play a significant democratizing role by providing:

- A forum for discussion of policies and candidates
- An internal process that teaches about electoral processes and participation and that can then be translated from union governance to local, state, and federal government
- Lobbying for legislation that is in the interest of workers and against legislation that harms their interests
- A means for channeling discontent with the political process into informed consideration of practices, policies, and candidates

Equally important for the argument here is the decline in “self-interest rightly understood” and a rise in the focus on narrow material interest. Unions are no longer part of a larger social movement that considers how to raise the incomes and influence of all workers. Rather, most unions tend to focus on the particular interests and grievances of their own members to the exclusion of all else. This has, of course, always been a tendency with the U.S. labor movement. “Business unionism,” that is, a focus exclusively on the wages, hours and working conditions of the members, informed the

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<sup>9</sup> <http://www.ncsl.org/research/labor-and-employment/right-to-work-laws-and-bills.aspx>

ideology of the craft unions that developed the American Federation of Labor (AFL) and the AFL itself. The rise of the industrial unions and the Congress of Industrial Organization (CIO) in the 1930s held out a promise for a union movement committed to the betterment of all American workers, union members or not.

The anti-communism of the McCarthy era deprived unions of radical leadership and organizing energy. The failed efforts of the CIO's Operation Dixie to recruit Southern workers into unions further undermined the more militant labor activists. The acquiescence of nearly all the large industrial unions to firm-based health insurance and pensions undermined and deflected campaigns for universal coverage. Unions increasingly focused exclusively on the interests of their members rather than on a "self-interest rightly understood," which arguably implies a commitment to welfare for all workers and not just those in their unions. The decentralized and firm-centered bargaining that characterizes American unionisms is in part a reaction to the constraints imposed by the 1947 Taft-Hartley Act, whose rules "...encouraged trade union parochialism and penalized any serious attempt to project a classwide political-economic strategy."<sup>10</sup> The merger in the 1950s of the two confederations into the AFL-CIO may have held some promise of becoming an encompassing organization, but it never fulfilled that promise. It proved a poor substitute for the lack of a Labor Party or other form of political association that represented workers' interests to government and helped create the corporatism of many European countries.

Even so, there were and are unions that try to socialize, educate, and otherwise encourage their members to make collective commitments to causes that are far beyond

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<sup>10</sup> Lichtenstein (2002), 122

what they can demand of employers in terms of material gains. Most have (or had) leaders immersed in syndicalist, socialist, or communist ideology. Yet, few of their members joined with such a perspective.<sup>11</sup> Rather they came to believe the old Wobbly and current ILWU (International Longshore and Warehouse) slogan: “An injury to one is an injury to all”—with the all being all workers, not just those in their union. The ILWU has even intervened in foreign policy; the union refused to ship pig iron to China after its invasion of Manchuria in 1938, and they refused to unload goods from South Africa to protest apartheid there. Yet, the ILWU is the exception that proves the rule.

These exceptional unions illuminate the political consequences of “self-interest rightly understood” but also the process by which it develops in civil associations. Without a leadership committed to a transformative politics and without institutional arrangements that instantiate principles of equity and internationalism, the aggregated preferences of union members are likely reflect only their material interests. Still elusive, however, is the mechanism by which members come to believe that they have and can act collectively on preferences for social justice causes, political ends, or universal insurance schemes that transcend their immediate economic interests. Once organizational leadership and institutions have established a normative underpinning, there are several possible reasons members may respond accordingly: socialization and education; the desire for social approval in a context where one’s behavior is visible; and psychological processes of coordination and adjustment that bring individual preferences in line with

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<sup>11</sup> These claims are based on Ahlquist and Levi (2013) .

others in the group and thus lead to a shared and aggregate commitment.<sup>12</sup> The same mechanisms may, of course, produce any number of equilibrium outcomes. This makes leadership commitments and the organization's rules and procedures determinative.<sup>13</sup>

The combined loss of power and the increased focus on particularistic gains made it difficult for unions, even the large confederations, to block the policies that amplify inequality in the U.S.. Even as U.S. productivity continued to rise since the early 1970s, real wages went down and labor's share of productivity declined; simultaneously, the super-rich got richer and took a greater and greater share of the productivity gains (Freeman 2007a, chapters 2-3). Freeman (2007a, 50) estimates "the decline of unionism accounted for perhaps 20 percent of the rise of inequality..."

The decline of labor unions has also facilitated the rise of populism by eliminating a source for a framework for understanding the situation of workers. Unions used to play a much greater role than they do now in influencing both political and corporate responses to transformations in the workplace, distribution of jobs (and training), and social insurance. Interestingly, populism (while existent) seems less politically determinative in

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<sup>12</sup> The variation in and effects of different ways of eliciting donations and prosocial behavior encompasses a long research tradition. Titmuss's arguments about blood donations and how extrinsic motivations (e.g., money) drive out intrinsic motivations Titmuss (1971) often frames the debate and research. Interesting new developments are emerging as a result of experimental research e.g., Ariely, Bracha and Meier (2009) and evolutionary game theory e.g., Kuran and Sandhold (2008).

<sup>13</sup> I am building here on arguments developed in Ahlquist and Levi (2013) Ahlquist and Levi (2011), which in turn builds on the economic literature on leadership and corporate culture e.g., Kreps (1990), Hermalin (2007), Hermalin (1998).

those countries in Europe where unions still play some of those roles, e.g. Germany, Sweden. I would hardly argue for a return to the old unions, but we do have to find new intermediary institutions that give workers effective voice and power and realistic frameworks for organizing their very real grievances.

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Credit Unions are cooperative financial institutions that, among other financial services, provide credit at reasonable rates to their members. Members who have accounts in the union own the union with one vote irrespective of the amount of money invested. Credit unions aim to tackle social and financial exclusion. While some credit unions are micro-businesses, many are large institutions and can be considered social ventures. Around the world, supporting ventures through intermediaries is now being seen as a method of solving intractable social problems. An example of this approach is President Obama's Social Innovation Fund, that, although small scale, is trying to help scale some effective non-profit interventions in the US through working with established intermediaries.<sup>19</sup>

Depository intermediaries Credit unions Mutual savings banks Savings and loan associations. Insurance and pension intermediaries Casualty and miscellaneous insurance companies Fire and marine insurance companies Fraternal insurance organizations Government retirement, pension, insurance, and social security funds Group health insurance Private life insurance companies Private noninsured pension funds Savings bank life insurance departments. Finance companies Factors Mortgage companies Personal finance companies Sales finance companies.

Bikbaum, Eugene A. 1958 The Growth of Financial Intermediaries as a Factor in the Effectiveness of Monetary Policy. International Monetary Fund, Staff Papers 6 : 384-426.

Labor unions are focused on the rights, interests and protection of employees. A union is a type of association, though with one major difference: members of a union have the legal right to engage in collective bargaining with an employer, and the employer is legally obligated to bargain with the union. To illustrate, assume you and your colleagues want to. Continue Reading.