The Atlantic

Are Unions Necessary?

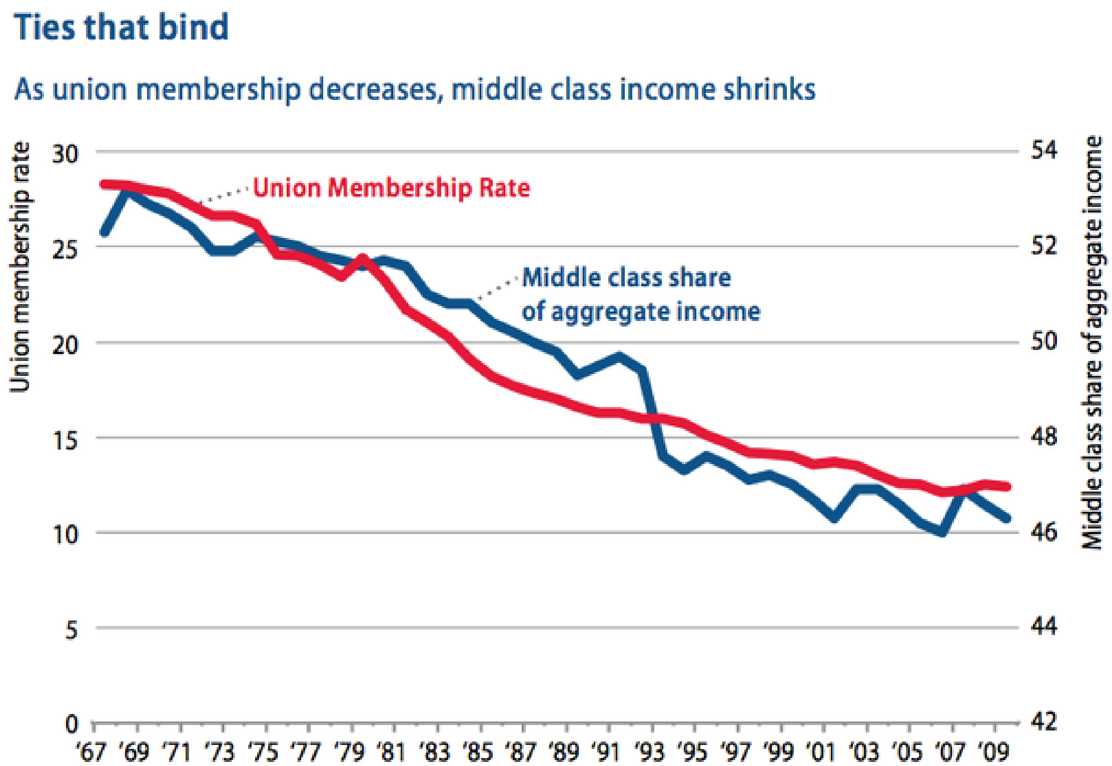
By Derek Thompson

Organized labor hasn't been this scarce in the U.S. since FDR was president. Is that the real source of the middle class' woes? Is the problem worth trying to fix? This is your turn to tell us.

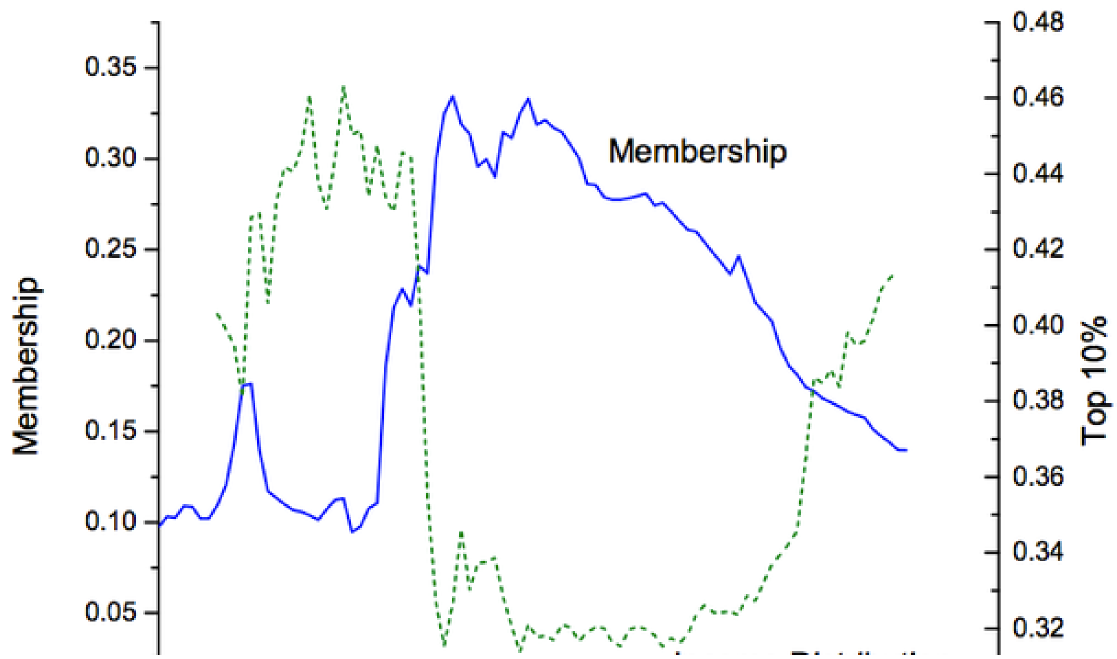
It hasn't been a good week for unions in America. Actually, it hasn't been a good half-century for them, either.

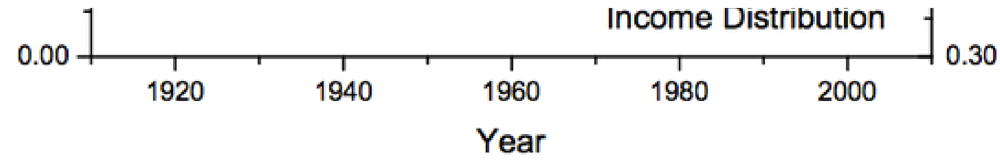
Six days ago in Wisconsin, Gov. Scott Walker won reelection after he championed bold steps to curb the power of organized labor. Meanwhile, in California, voters in San Diego and San Jose approved plans to cut benefits for new hires and old workers in public unions. These votes didn't announce a new trend. They reminded us of a very old one.

With the 30 year-decline of manufacturing employment, union membership has fallen to its lowest rate since the 1930s. At the same time, the middle class' share of total income has slipped below 50% ... and kept falling. A graph (like the one below) can only prove correlation, not causation. But some economists suggest that the erosion of union membership is one of the most important factors in explaining the demise of the middle class.

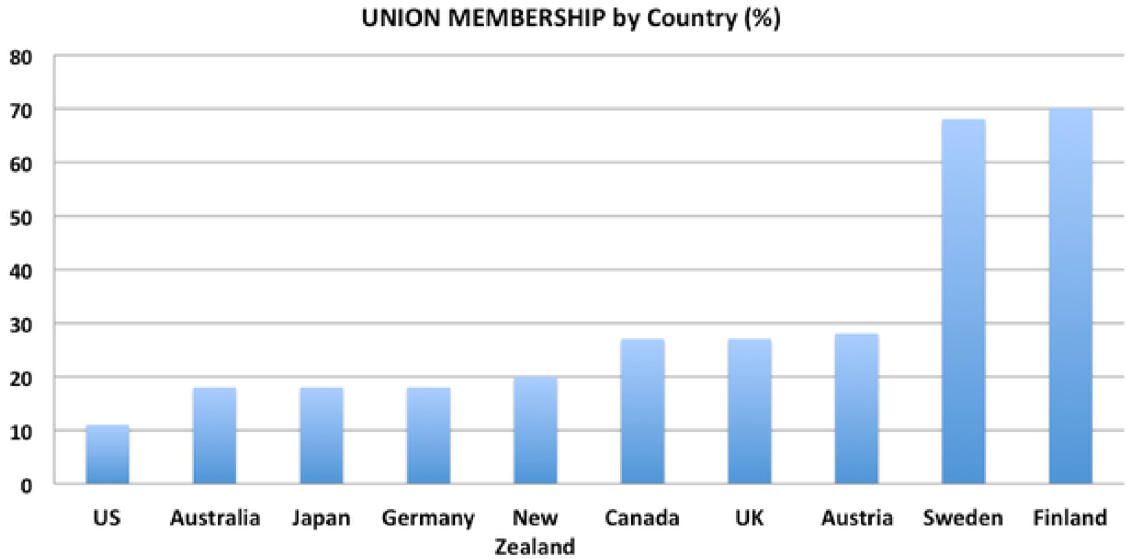


The red ski slope line is lamentable. But was it inevitable? According to a new study I reported on last week, "The Rise and Fall of U.S. Unions," by Emin M. Dinlersoz and Jeremy Greenwood, technological innovation both gave life to our unions and helped to destroy them. Here's how that worked: In the early 20th century, manufacturing technology turned workers into specialized cogs. Union membership accelerated among the unskilled workers, who were suddenly crucial and irreplaceable actors in the assembly line economy. But in the next technology revolution, unskilled workers lost their monopoly to overseas laborers and machines, and IT gave preference to skilled workers. As a result, many unions lost their effectiveness and appeal, and financial returns flowed away from this middle class. Once again, all cliches about correlation and causation aside, this graph suggests a strong relationship between union membership (blue) and income inequality (green-dotted).





Here's the catch. Technological change can't explain everything. The third industrial revolution was global, but the collapse of unions in the U.S. was uniquely steep. A 2006 BLS report on the rise and fall of organized labor found that union membership was lower in the U.S. than practically every other large advanced economy, and that union membership actually increased at least until 1990, in six countries: Canada, Ireland, Norway, the Netherlands, Belgium, and Spain.



Two things seem clear: (1) Structural forces, like globalized supply chains, falling manufacturing employment, and IT developments, weakened labor's position in most developed countries; and (2) Specifically American forces -- including political opposition, epitomized by Ronald Reagan's firing of air traffic controllers in 1981, and the icky reputation of Big Labor -- accelerated labor's decline.

Here's the question I have for you: If our goal is a strong middle class, are unions the right place to focus our energy ... or are they bad for the country? Has America passed the Rubicon when it comes to organized labor ... or do we still have a reason and opportunity to pass laws that protect skilled and unskilled workers?

What I'm really asking is: In the country you want to live in, are unions necessary? Write in the comment section and I'll collect your best responses for later this week.

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