Introduction

Since the industrial revolution, labor unions have played a vital role in advocating for the rights of workers and shaping the current American work environment; however, labor union participation in the United States has steadily been declining since the 80s. In 1983 20.1% of the working labor force was in a union and in 2015 it was nearly halved to 11.1%. The decline of labor unions cannot be pinned to a single cause or say for certain that it is a bad trend, but it has had consequences. One of the potential consequences that will be tested in this report is the growing disparity in American income distribution, and it too has numerous causes. The increase in the income distribution gap has been happening for over 30 years. The timeline of these two trends and possible consequences and causes has given reason for further investigation into a possible link between them. The authors of “Union and Inequality Over the Twentieth Century: New Evidence from Survey Data” came to the conclusion that “unions have had a significant, equalizing effect on the income distribution.” A large income gap slows GDP growth in advanced economies like the United States and has also been connected increases in crime and middle-class debt. Something that has such dramatic effects on the majority of the country needs to be addressed and in order to address it, its causes need to be recognized. The absence of union presence could be a partial explanation. In the study, by Bruce Western and Jake Rosenfeld, “Unions, Norms, and the Rise in the U.S. Wage Inequality” there was evidence that “a fifth to a third of the growth in inequality—and effect comparable to the growing stratification of wages by education” is caused by the decrease in union participation. Without unions advocating for fair wages and benefits, inequal income distribution could be a direct consequence. Panel data was collected from [yadayada.com]. The Gini index is the best way to measure income equality, and this measurement has been found on a state level from 2007 to 2016. After implementing a fixed effects model a conclusion was formulated. There was not enough evidence to make a connection between the Gini index and labor union participation.

Conclusion

It is clear that the income gap in the United States is a problem that must be addressed, but it is a complex one. Following the implementation of the fixed-effects model, there were no definite conclusions that could be made. The coefficient for labor union participation was not significant in contrast to what the original hypothesis was. There were some significant variables like education, which would coincide with the belief that there is a skill premium, and home ownership in the test, but their beta values were small and had a minimal effect on the Gini index level. Looking back there are some aspects of this research that, if changed, would give a better idea of what is leading to the increase in state Gini indexes. There was a limited amount of observations so there was not an ideal amount of observations that could supply a more descript outcome. Over a 30 year period labor participation has only had a gradual decrease and that gradual decease continue over the 10 year period of the data used. In future studies there are some things that would give better and more accurate results. Most significantly would be to have a longer time period of observations. With the fixed-effects model that was implemented there could be more variation in the length of the lags. Although it would be difficult, an instrumental variable could be found and simultaneous equation models could be created. Looking at the effect of education and homeownership may give increased insight into income distribution. Further research into this subject is necessary for the wellbeing of the citizens of this country. This is a complex issue that will require years of research and should stay at the forefront of economic policy and thought.

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