

# America needs its unions more than ever

Labour reform could help restore the bargaining power of US workers

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Membership of workers' unions has fallen considerably, reducing the bargaining power of employees © Bloomberg

The central issue in [American politics](#) is the economic security of the [middle class](#) and their sense of opportunity for their children. A pervasive sense of vulnerability and missing opportunity leads to dissatisfaction, reduces faith in government and institutions, diminishes willingness to support the least fortunate, increases resentment towards members of other ethnic groups and fuels truculence towards other nations.

As long as a substantial majority of American adults believe that their children will not live as well as they did our politics will remain bitter and divisive. Middle class anxiety is surely also fed by the slow growth of wages even in the ninth year of economic recovery with unemployment at historic low levels. The Phillips curve — the view that tighter labour markets spur an acceleration of wage growth — appears to have broken down. The Bureau of Labor Statistics just [reported](#) that average hourly earnings last month rose by all of 3 cents or little more than 0.1 per cent. For the last year, they rose by only 2.5 per cent. In contrast profits of the S&P 500 are rising at a 16 per cent annual rate.

What is going on? Economists do not have complete answers. In part there are inevitable fluctuations. Profits have declined in recent years. The wages that are reflected by the BLS are earned in the US, whereas a little less than half of profits are earned abroad and have become more valuable as the dollar has declined. In part, wages have not risen more because a strengthening labour market has drawn more people into the workforce.

***Technology has given employers more scope for replacing Americans with foreign workers***

But I suspect the most important factor explaining what is happening is that the bargaining power of employers has increased and that of workers has decreased. Bargaining power depends on alternative options. Technology has given employers more scope for replacing Americans with foreign workers, or

with technology, or by drawing on the gig economy. So their leverage to hold down wages has increased.

On the other hand various factors have decreased the leverage of workers.

Employers increasingly offer gigs rather than jobs. For a variety of reasons, including reduced availability of mortgage credit and the loss of equity in existing homes, it is harder than it used to be to move to opportunity. Diminished saving in the wake of the crisis means that many families cannot afford even a very brief interruption in work. Consumers also appear more likely now to have to purchase from [monopolies](#) rather than from companies engaged in fierce price competition meaning that pay checks do not go as far.

On this Labor Day we would do well to remember that [unions](#) have long played a crucial role in the American economy in evening out the bargaining power between employers and employees. They win higher wages, better working conditions and more protection from unjust employer treatment for their members. More broadly they provide crucial support in the political process for broad measures such as Social Security and Medicare, which benefit members and non-members alike. Both were at their inception passionately opposed by major corporations.

The shrinking of the union movement to the point where today [only 6.4 per cent of private sector workers](#) — a decline of nearly two-thirds since the late 1970s — are in unions is one important contributor to the decline in the relative position of labour in general and those who work with their hands in particular. The decline in the unions is also a contributor to the pervasive sense that too often our political system is for sale to the highest bidder.

What can be done? This is surely not the moment for policy to tilt further to strengthening the hand of large employers. Sooner or later labour law reform that gives organisers a chance by seriously punishing employers who engage in illegal reprisals should be back on the agenda. Union efforts to organise non-traditional groups in non-traditional ways need to be encouraged. And policy support needs to be given to institutions where workers have a chance to share in profits and in corporate governance.

In an era when the most valuable companies are the Apples and the Amazons rather than the General Motors and the General Electrics, the role of unions cannot go back to being what it was. But on this Labor Day any leader concerned with the American middle class needs to consider that the basic function of unions — balancing the power of employers and employees — is as important to our economy as it has ever been.

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