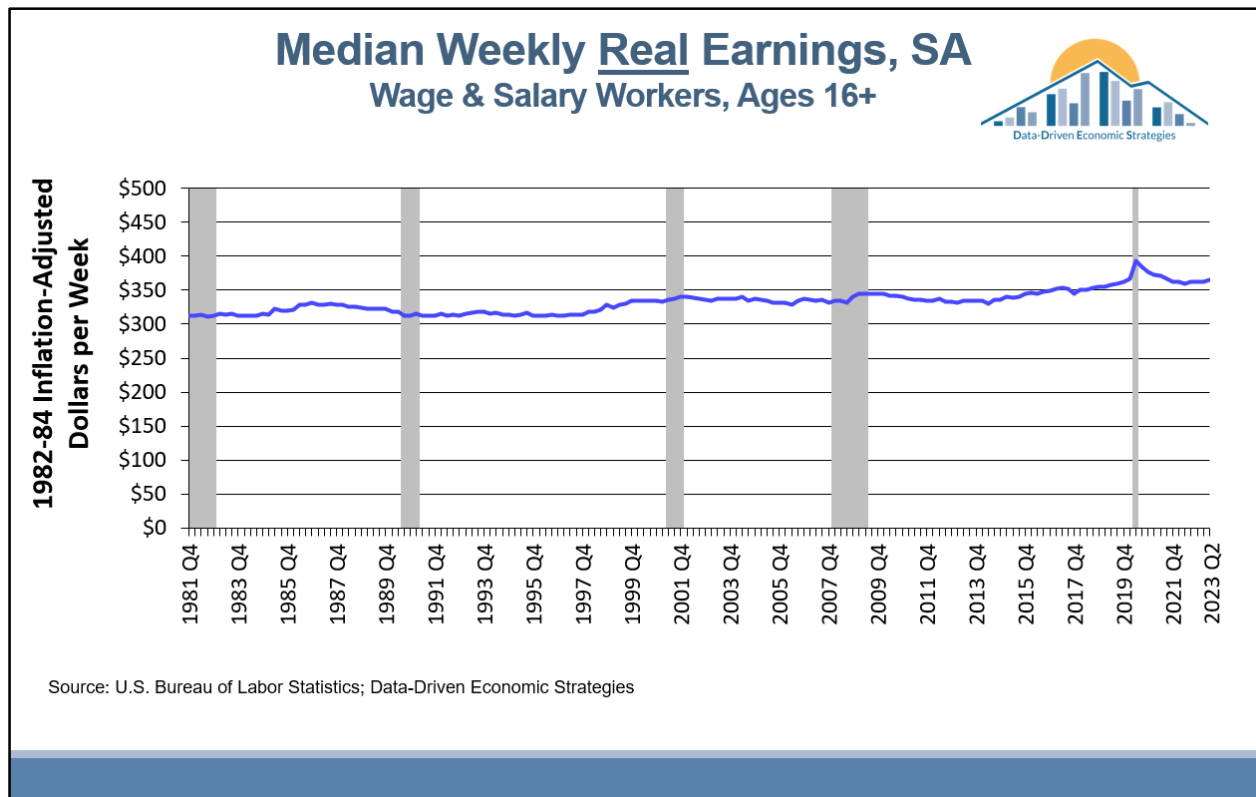


## Increases in Worker Bargaining Power?

Tatiana Bailey, Ph.D.

As an economist, I find it fascinating that there is a resurgence of labor union activity in the United States. For most of the 20th century, a much larger share of the working population was unionized. In 1950, about one-third of all U.S. workers were unionized. However, union membership has declined significantly in recent decades mostly because of globalization, which enabled multinational companies to shift production to countries with drastically lower wages. Meanwhile, real wages in the U.S. stagnated as the graph shows.



These shifts gave leverage to employers. Their anti-union sentiment and increased leverage brought amendments to the National Labor Relations Act and changes in rulings by the National Labor Relations Board. One of the outcomes was that it became easier for union leaders to be fired. Couple this with a surge in U.S. workers during the Baby Boom years, and workers lost a lot of bargaining power for not only wages, but also benefits like health care and paid time off. The decline in manufacturing and rise in the service sector also made it harder for workers to unionize as the service sector is more diffuse and has higher turnover.

I find people have strong opinions about labor unions, but the reality is that we are now in a different reality. The Baby Boomers are retiring in droves and lower fertility rates in the past 20-30 years mean fewer working age people today. Also, countries that had cheaper labor previously, like China, now have more developed economies with higher wages. Likewise, there is political pressure to depend less on other countries, hence reshoring. The pandemic exacerbated these structural shifts with in-person jobs

such as hospitality, health care and education, becoming less and less desirable. In Colorado Springs, even with a moderate “softening” of the labor market, we still have 0.59 workers for each job posting.

Put all this together and the new normal is that workers have more bargaining power. Almost a quarter of a million people joined labor unions in 2022 and strikes were up 52%. Mind you, still less than 10% of workers are unionized, but the reality of fewer workers will likely manifest in a shift in the balance of power either through unions or other mechanisms. American Airline pilots brokered a 46% increase over the span of their contracts. UPS unionized workers will get \$7.50 more an hour over time in addition to air conditioning and other safety measures in their iconic brown trucks. Now the United Auto Workers are asking for a roughly 40% increase in compensation packages.

And here’s the monkey wrench. Some of these worker asks are related to disruptive technological changes like artificial intelligence, better known as AI, and alternative energy. For example, Hollywood writers don’t want entertainment companies to use AI to write scripts. Auto workers are worried about their job security because of electric vehicles. Unionized workers, in particular, are trying to secure a bigger piece of the pie as it relates to corporate executive pay, but they are also trying to secure their place in a world that is likely shifting to fewer workers and more technology. It’ll be interesting to see how this all plays out.

*Tatiana Bailey is Executive Director of the nonprofit, Data-Driven Economic Strategies (DDES). An abridged video with this information recently aired on The Economic Update with Tatiana Bailey on Fox21 and can be found on their website or at [ddestrategies.org](http://ddestrategies.org). Other articles and DDES monthly economic progress reports (EPRs) can also be found on their website.*