UNIONIZATION AND RELATIVE WAGES IN THE UNITED STATES**

1. Background


This definitive study begins with the presentation of a formal framework for analyzing the effect of unions on wages. This framework is used by the author to estimate economy-wide models relating relative wages to union membership, price levels and other variables over a forty-year period. The evidence indicates wide cyclical variations with union wage differentials narrowing during booms. Lewis’ best estimate of the average relative wage advantage of union workers over the period 1920-1958 is 16-25 percent, but only 10-15 percent in the latter part of that period. Lewis summarizes and interprets the results of earlier empirical industry studies: Albert Rees on basic steel manufacturing; Joseph Scherer on hotels; Irvin Sobel on rubber tire manufacturing; Stephen Sobotka on the construction industry; Rush Greenslade on bituminous coal mining; Joseph Craycroft on barbers; John Maher on seven manufacturing industries; Elton Rayack on the men's clothing industry; Stephen Sobotka and others on commercial airline pilots; Melvin Lurie on local transit employees; Leonard Rapping on seamen; Milton Friedman and Simon Kuznets on physicians.


Reviews and analyzes Lewis’ work and suggests reasons why Lewis’ methods may produce biased estimates of the effects of unions on wages.


This statement of the subject is by far the most intelligible one for the layman. Chapters III-V deal with union wage policy, the influence of

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**Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
unions on relative earnings, and the relation of unions and the general level of wages and prices. The emphasis is on explaining how unions operate to produce their observed wage effects. The author summarizes the wage studies used by Lewis and concludes that unions have been able to raise relative wages by 10-15 percent in 1958.

2. RECENT EMPirical STUDIES


Using data from the industry wage surveys conducted by the Bureau of Labor Statistics, this study shows that wages and nonwage benefits are higher in union plants than in nonunion plants.


Daniel S. Hamermesh examines wage data for clerical and blue-collar occupations for seventy metropolitan areas over a three-year period in his article, “White-collar unions, blue-collar unions, and wages in manufacturing.” Accounting for inter-city wage differences because of the educational and sex composition of the labor force, he finds a small, five percent, wage effect for clerical workers as compared with twenty percent for blue-collar workers. “Union relative wage effects by age and education” are investigated by George E. Johnson and Kenwood C. Youmans. They conclude that unions produce unusually high wages for the very young and the very old, the less educated, and the middle-aged black worker. Orley Ashenfelter describes “The effect of unionization on wages in the public sector: the case of fire fighters.” This study is one of the first to attempt to estimate the relative wage effect of unions in an area of public employment. It suggests that wages of firemen in unionized cities are somewhat higher than those of firemen in nonunion cities due largely to a shorter workweek in the former.


Evidence from a comparison of wages in union and nonunion food establishments over a twenty-year period indicates that a high degree of unionization brought sizeable increases in relative earnings to union members.

Multiple regressions across industries revealed a significant positive relation between hourly earnings and the extent of unionization. Approximately one half of the workers in industry are union members while fewer than one-fifth of the service workers are organized, and Fuchs argues that this helps explain a significant part of the wage disadvantage of service workers.


Uses a geometrical analysis to show that the income share of unionized labor necessarily increases if unionization occurs in a relatively capital-intensive industry, while the share of nonunionized labor must decrease if unionization occurs in a labor-intensive sector. An algebraic analysis defines the conditions in which unionization affects the income shares of union labor, nonunion labor and capital. Estimates using United States data suggest that the bulk of union gains come at the expense of non-union labor with only a small loss to capital.


Discusses the limitations of current procedures employed for measuring the economic effects of trade unionism. Argues that comparing the results of collective bargaining agreements with those of a competitive model are not relevant to the basic problem of understanding the workings of the existing partially unionized system.


The authors use a cross-sectional model to determine the spillover effect of production worker wages on non-production worker salaries. Finds that in manufacturing industries the extent of blue-collar unionization in an industry has little observable influence on earnings of that industry's white-collar employees.

Concludes that wages of a unionized worker are greater relative to those of a nonunion worker in those industries which are more heavily unionized. He also presents a model of the wage behavior of nonunionized employers in response to the threat of unionization and thus analyzes an important issue in the measurement of union wage effects.

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Uses cross section data to measure the effect of unionism on skilled, semiskilled and unskilled wage differentials. Concludes that wage rates for skilled union workers have increased more than for all other union production workers and that the union-nonunion differential for unskilled labor is significantly higher than that for semiskilled operatives. These results are at variance with those of Stafford cited below.


The author finds that wages of organized labor were in disequilibrium during the forties because the rapid growth in membership was coupled with wartime wage controls which held wages rigid. This paper presents evidence to show that there was a significant increase in the union-nonunion wage differential during the early 1950's which contributed to the observed inflation of the post-war period. The differential stabilized during the late 1950's and the first half of the 1960's.


Finds that a firm's oligopoly power in product markets does not enhance the power of the unions which organize its employees to maintain larger relative wage differentials. Furthermore, once the workers' individual characteristics are accounted for, the existence of a firm's oligopoly power is not reflected in the wages paid and the effect of unionism is also quite small.


Uses data from the 1966 Survey of Consumer Finances which supplies detail on personal characteristics such as age, education and occupation for union and nonunion workers. The author finds that unionism had a greater effect on relative wages particularly for union craftsmen, operatives and laborers than indicated in the analysis by Weiss. See reply by Weiss on pp. 181-184.