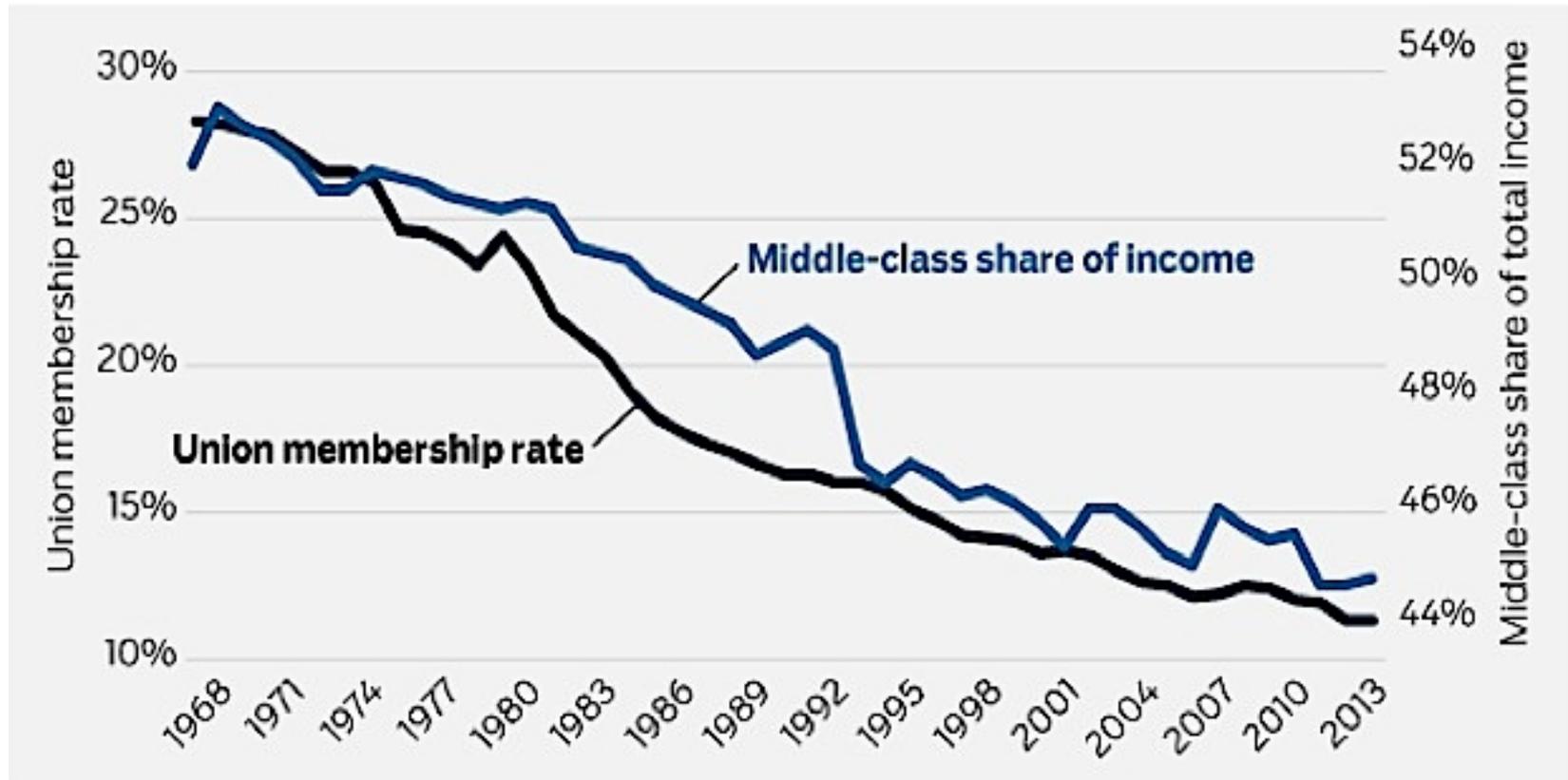


# How Does Declining Unionism Affect The Middle Class And Intergenerational Mobility?

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# Questions and Data

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## □ Questions

1. Does unionism affect the size of the middle class and the transfer of parental economic status to offspring?
2. By what routes do union parents affect offspring's wellbeing: Higher parental income and benefits associated with union premium? Transmission of union membership? Other?
3. Does union density of area affect next generation outcomes?

## □ Data

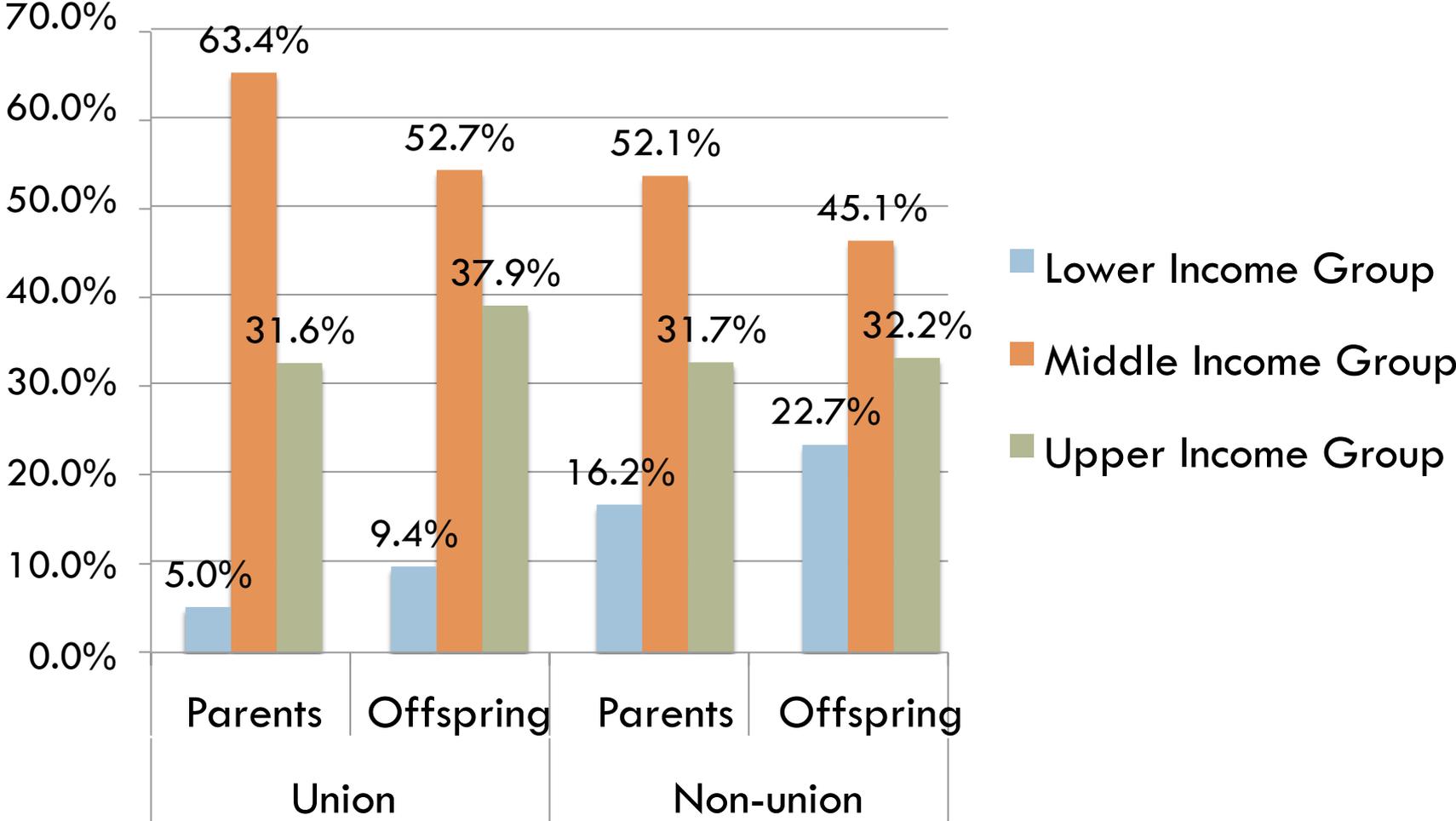
1. Panel Study of Income Dynamics (PSID): parents (1985 PSID) matched with offspring (2011 PSID)
2. Chetty, et al. commuting zone 1996-2011 income data, combined with 1986 CPS union density data

# Unionism and Middle Class Status: Parents and Offspring from PSID

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Unionism and Income Distribution	Parents (1985)	Offspring (2011)
Union Density	18.20%	10.92%
Upper Income Group: Earnings > 150% of median income	31.70%	32.89%
Middle Income Group (Middle Class): Earnings within 50% of median income	54.20%	45.98%
Lower Income Group: Earnings < 50% of median income	14.06%	21.13%

# Union Workers Are Mostly Middle Income Group

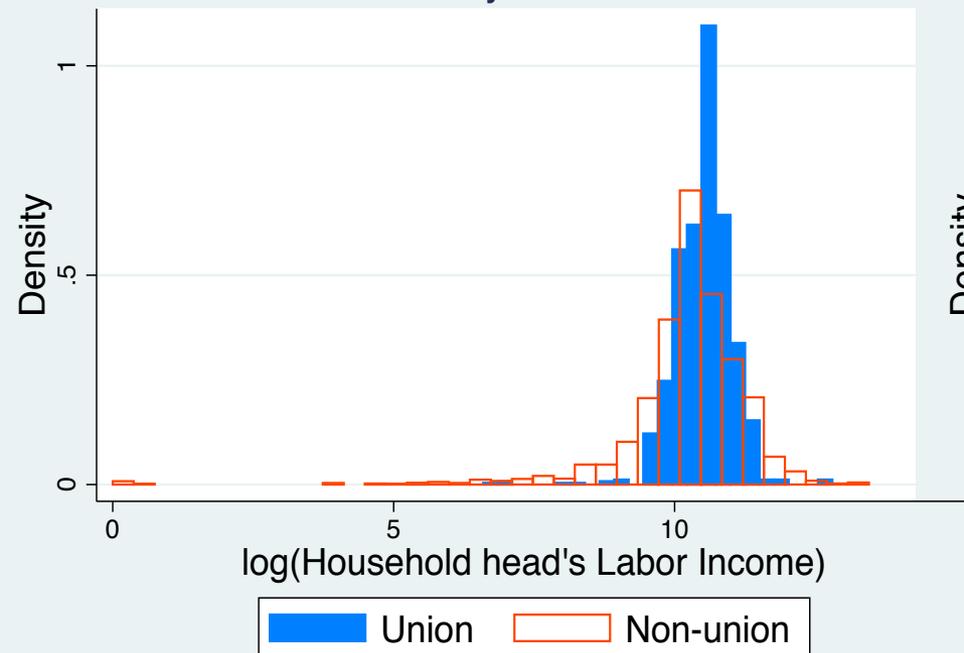


# Key Reason: Income Distribution

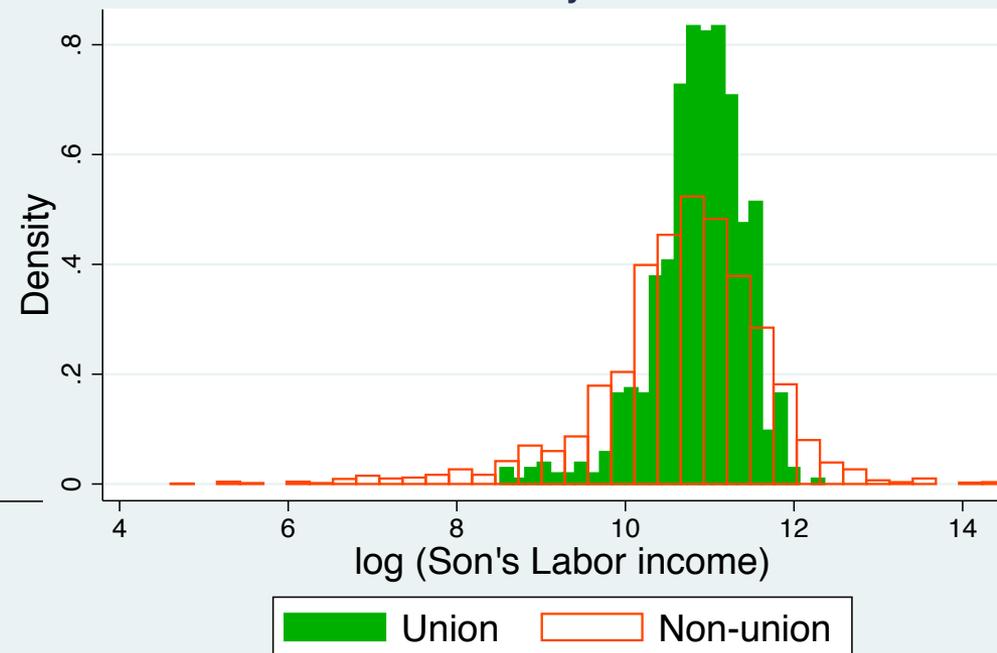
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- The income distribution is more concentrated for union workers than for non-union workers.

Parents' Income by Parents' Union Status



Adult Son's Income by Son's Union Status



# Offspring Attributes by Parent's Union Status

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	Attributes	Union parents	Non-union parents
Sons	Union member	15.1%	9.24%
	Median income	\$40,000	\$37,200
	High school grads	92.11%	89.5%
	Highest grade	14.04	13.86
	Health (scale 1-5)	3.86	3.69
Daughters	Union member	14.38%	10.32%
	Median income	\$27,000	\$22,000
	High school grads	95.05%	93.11%
	Highest grade	14.46	14.31
	Health (scale 1-5)	3.67	3.59

# Regression Coefficients (SE) of Log(offspring income) on:

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	(1)	(2)	(3)	(4)	(5)	(6)
Log(parent family income)	.359*** (.071)	.298*** (.055)		.288*** (.059)		.301*** (.058)
HH union			.128** (.058)	.100* (.055)	.122** (.058)	.092* (.054)
Wife union			.078 (.083)	.030 (.090)	.064 (.081)	.012 (.086)
Offspring union					.174*** (.065)	.199*** (.064)
Other covariates	NO	YES	YES	YES	YES	YES
N	1,014	1,005	1,005	1,005	1,005	1,005

# Parents' Unionism on Offspring Income: By Gender of Offspring

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- Daughter's income is especially influenced by mother's union status.

Coefficient on:	Sons			Daughters		
	(1)	(2)	(3)	(4)	(5)	(6)
Log(parent family income)	.283*** (.084)		.276*** (.091)	.295*** (.080)		.272*** (.079)
HH union		.144* (.082)	.109 (.078)		.195* (.104)	.167* (.101)
Wife union		-.099 (.146)	-.131 (.160)		.245** (.110)	.189* (.103)
Other covariates	YES	YES	YES	YES	YES	YES
N	523	523	523	586	586	586

# Parents' unionism affects offspring's education and health

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	Coefficient on:	Sons		Daughters	
Highest grade completed	HH union	.597** (.229)	.565** (.218)	-.203 (.463)	-.187 (.479)
	Wife union	-.485 (.449)	-.553 (.416)	1.474** (.605)	1.510* (.622)
	Log(Parent family income)		.235 (.253)		-.117 (.314)
Health	HH union	.168 (.145)	.178 (.140)	.103 (.180)	.089 (.188)
	Wife union	.307* (.184)	.328* (.198)	.740** (.317)	.715** (.321)
	Log(Parent family income)		-.075 (.113)		.078 (.153)

# The union effects on offspring income are larger for less well-off parents

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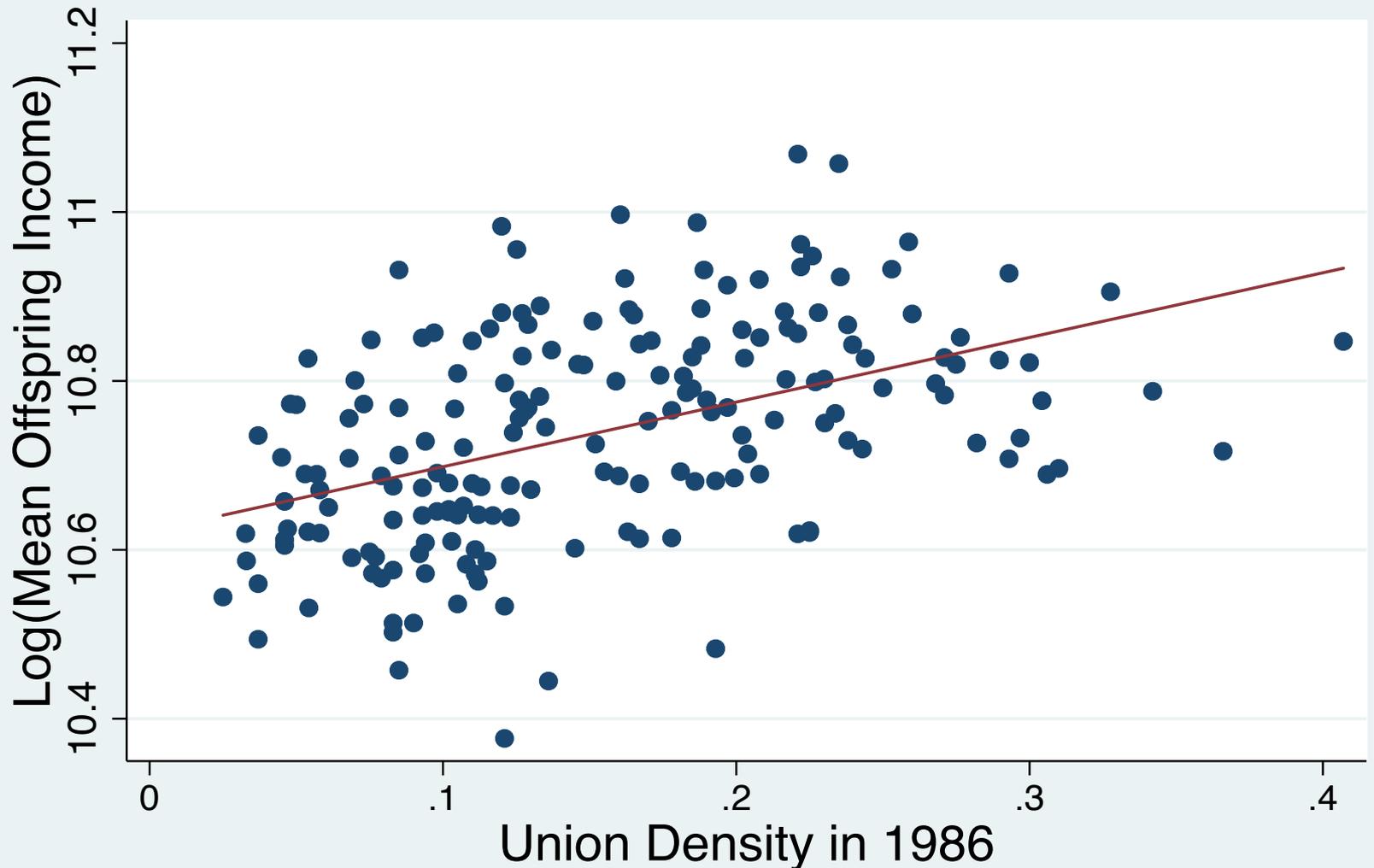
Educational Group	HH with No HS Diploma		HH with HS Diploma	
Union HH	.177*** (.074)	.144* (.076)	.087 (.083)	.084 (.084)
Log(HH Income)		.221*** (.060)		.056 (.084)

Working Class	Blue-Collar HH		White-Collar HH	
Union HH	.227*** (.074)	.190*** (.072)	.068 (.099)	.065 (.102)
Log(HH Income)		.260*** (.086)		.033 (.113)

# Union density of community where offspring grew up positively linked to offspring income

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# Regression Coefficients (SE) of Log(mean offspring income) on:

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Variables of parents' generation in community where offspring grew up	(1)	(2)	(3)
Union density in 1986		.306*** (.113)	.211*** (.078)
Log(mean parent Income)	.617*** (.063)	.538*** (.076)	.564*** (.086)
State dummies	NO	NO	YES
Other covariates	YES	YES	YES
State level clustered SE	YES	YES	YES
N	214	186	186

# Contribution of falling union density on size of middle class and income inequality

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- Decomposition analysis attributes from approximately 0.8 ppt (or 10%) to 1.5 ppt (or 19%) of the decline in the size of middle income group between parents and offspring to reduced unionism.
- Contribution is higher to the extent that falling union density reduces the pressure for workplaces without union contracts to match union pay and benefits and for politicians to support policies favoring workers.
- Higher incomes of offspring relative to their parents in areas with higher union density also implies that the decline of unionism reduces the size of middle income group.

# Conclusion

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1. Union workers are primarily middle class, with offspring of union parents higher in the income distribution than offspring of non-union parents.
  2. Union parents transfer economic status to offspring through higher income, union status, and better education and health of offspring.
  3. Declining unionism is associated with at least 10% of the shrinking middle class between parents and offspring, possibly more due to spillovers.
- **Bottom line: Decline of unionism makes it harder for the US to rebuild middle class and reduce inequality.**