

Unions Raise Worker Wellbeing

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Workers need unions more than ever. Things have been going badly for workers. In all the gloom we report here on what may be the only positive change for workers for years. Union membership now raises well-being at work, and it didn't use to be that way. We find this around the world. Union workers used to have lower job satisfaction than their non-union counterparts. Our research suggests that unions do the same as they always did: it is the non-union world that has changed for the worst. The union wage mark-up is the same as it always was. So it is about terms and conditions of employment. Non-union workers, including those in the gig economy, have been doing badly in terms of wages in terms of job security, voice and the availability of benefits. The worker responses have to be viewed as relative to the alternatives available. The big unanswered question is: will this change help to spark new union growth? This seems to be already happening in the UK where unionization rates have started to tick up the last three years. Union workers feel more secure and happy with their jobs than they did before.

Economies around the world have taken some big hits recently – first the Great Recession and now the COVID pandemic – leaving workers facing wage stagnation, job insecurity and now potential mass unemployment. But for many years their traditional representatives in the workplace – trade unions – have been on the back-foot. With membership rates falling their influence in government circles has dwindled. But that maybe about to change. The OECD (2019) has been emphasising the value of collective bargaining as a solution to current economic problems while in countries like the UK union membership has crept up in the last three years (albeit very gradually) (Office for National Statistics, 2020)

It is almost four decades ago when one of us (Freeman) and James Medoff asked the question “What Do Unions Do?” There were two things: bargain for better wages and conditions (the ‘monopoly face’) and represent workers’ concerns to management (the ‘voice’ face). Richard Freeman (1978, 1980) – together with George Borjas (1979) – presented empirical evidence that both affected the way workers felt and their behaviours. Although unions raised wages above market levels, they found unionisation was linked to *lower* worker job satisfaction. Freeman and Medoff (1984) suggested four possible reasons for this:

- Unions attracted the least satisfied workers: it was costly joining a union so only those with something to gripe about, or those with an underlying tendency towards dissatisfaction, would join.
- Unions caused dissatisfaction through the process of – often – conflictual bargaining with the employer or by providing workers with information about just how ‘bad’ management was, information they may not have received in the absence of the union.
- Unions engaged in ‘strategic’ dissatisfaction (what Freeman and Medoff termed ‘voice-induced complaining’) to strengthen their bargaining hand against the employer.
- By improving wages and conditions, and by helping to solve problems through voice, unions lowered quit rates. So, a worker at a given level of job dissatisfaction was less likely to quit in the presence of a union. Ergo, the stock of dissatisfied workers would be higher in a union setting because the dissatisfaction threshold for quitting would be that much higher.

These insights spawned a multitude of empirical studies across the world in the subsequent four decades, teasing out which of the above explanations might be salient.

But few doubted the underlying negative correlation between unionisation and job satisfaction. Until now.

In new work (Blanchflower and Bryson, 2020), inspired by the seminal texts of Freeman (1978, 1980), Freeman and Medoff (1984) and Borjas (1979), we revisit the association between unionisation and job satisfaction, but this time we have far more data to play with than was available back then. The results are startling. We find *positive* correlations between union membership and worker wellbeing across a range of metrics, both in the United States and Europe since the turn of the Century.

For the United States using the *General Social Survey* we confirm the early findings of a negative partial correlation between job satisfaction and unionization in the 20th Century, but this shifts to statistical non-significance in the early part of the 21st Century before switching to a positive significant correlation in the second decade of the 21st Century.

The positive correlation post the Great Recession is replicated in the *US Gallup Daily Tracker Poll* and is apparent for a range of wellbeing metrics. The raw correlation continues to be statistically significant, though a little smaller, when we condition on workers' demographic traits, state fixed effects and, in our most extensive regressions, occupation, health, BMI, smoker status, etc.

In Europe the positive correlation between unionization and a range of wellbeing metrics has been apparent since the early part of the new Century; it is robust to controls for demographic traits and country fixed effects; and it is apparent in most large European countries, despite substantial differences in the way unions bargain.

Furthermore, we find union membership is positively and significantly associated with a range of other well-being metrics including life satisfaction, happiness, trust as well satisfaction with democracy, education and the overall economy. Union membership is negatively associated with depression and sadness.

That union workers have higher levels of happiness and lower levels of stress than non-union workers, and that this is true around the world in the years since the Great Recession, runs contrary to what was previously found.

The questions are: why have things changed, and does this matter?

Union membership offers two benefits: bargaining to secure better terms and conditions, and insurance against job loss and arbitrary employer unfair behavior. It seems reasonable to ask whether unions did these 'jobs' differently in recent years in a way that may have affected the wellbeing differential between union and non-union workers, or whether – if they were doing essentially the same job over time – that job was valued differently by union members such that their wellbeing benefited relative to non-union workers.

We checked the union wage premium in the United States over the period 1973-2018 and found this has not changed much over time – it may have fallen a little, but not by much. But we do find some change in terms of employee perceptions of job security as recorded in the *General Social Survey*. Prior to the Great Recession union members were more likely than their non-member counterparts to say they were likely to lose their job in future, but this differential vanished post the Great

Recession. So union workers are less fearful of job loss than previously, yet they continue to receive the substantial wage premium they have always received.

A second phenomenon, unrelated to experience of the Great Recession, is uncovered when looking at union associations with job satisfaction across birth cohorts. Union members from the 1940 and 1950 birth cohorts who would have made up most of the sample in Freeman and Borjas's studies in the 1970s express greater job dissatisfaction than their non-member counterparts even in the Gallup data for the period 2009-2013, despite experiencing a couple of deep recessions, while the union members among more recent birth cohorts had greater job satisfaction than their non-member counterparts, despite going through the Great Recession. Thus, cohorts with positive union effects over time come to dominate those with negative effects: if this continues we may see unions increasingly associated with higher job satisfaction.

Does any of this matter? Well, yes. First, if we equate life satisfaction and happiness with worker utility, it seems unions are linked with greater utility, suggesting unions may be welfare-enhancing. This might spark a revival in union membership. Second, uncertainty and concern about job security was rising over this period, and remains high today, not only in the United States but in Europe too. Job security has become a scarce commodity post-Great Recession (Blanchflower, 2019). In these circumstances the insurance component of the union good becomes more attractive, especially if one also continues to receive a union wage premium. This seems likely to continue to be the case in the light of COVID-19 induced impending recession and mass job loss. Finally, the greater trust unionized workers have in democracy, the institutions of government and fellow citizens suggests they are part of the social capital that may be a force for good at a time when civic engagement is critical in solving social and economic problems.

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