



Bargaining for the American Dream

What Unions do for Mobility

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Introduction and summary

One of the central challenges facing the United States on which both progressives and conservatives can agree is the need to increase economic mobility. Upward mobility and opportunity are the definition of the American dream. But today, the nation has less mobility and fewer opportunities when compared to other advanced economies. A U.S. child born in the bottom 20 percent of the income distribution, for example, has a 7.5 percent probability of reaching the top 20 percent as an adult, compared to 11.7 percent in Denmark and 13.4 percent in Canada.¹ Increasing mobility, however, requires understanding why it is low.

Research by economists Raj Chetty of Stanford University, Nathaniel Hendren of Harvard University and Patrick Kline and Emmanuel Saez of the University of California, Berkeley, shows that some regions of the United States have levels of mobility—that is to say, the ability to improve upon the situation of one’s birth—similar to Denmark and Canada. However, that same research reveals that other U.S. areas have mobility levels that are lower than any other advanced economy for which data are available. The research of Chetty and his fellow authors also show that five factors have the strongest geographical relationship—positive or negative—with mobility: single motherhood rates, income inequality, high school dropout rates, social capital, and segregation.²

This report examines the relationship between mobility and another variable that Chetty and his co-authors did not consider: union membership. The analysis in this report begins on the area level using the same methodological approach as Chetty and his co-authors for their five factors. But the analysis then goes beyond this area-level analysis, using another dataset that matches parents with children that allows for the comparison of outcomes for children who grew up in otherwise similar union and nonunion households. This individual-level analysis is more appropriate than the area-level analysis for examining whether parents’ union membership actually influences mobility.

Based on the research for this report, it is clear that there is a strong relationship between union membership and intergenerational mobility. More specifically:

- **Areas with higher union membership demonstrate more mobility for low-income children.** Using Chetty and others' data, we* find that low-income children rise higher in the income rankings when they grow up in areas with high-union membership. A 10 percentage point increase in a geographic area's union membership is associated with low-income children ranking 1.3 percentile points higher in the national income distribution. This relationship between unions and the mobility of low-income children is at least as strong as the relationship between mobility and high school dropout rates—a factor that is generally recognized as one of the most important correlates of economic mobility. Indeed, union density is one of the strongest predictors of an area's mobility. Furthermore, unions remain a significant predictor of economic mobility even after one controls for several variables including race, types of industries, inequality, and more.
- **Areas with higher union membership have more mobility as measured by all children's incomes.** We also measure the geographic relationship between union membership and another measure of mobility: the income of all children who grew up in an area after controlling for their parents' incomes. According to our findings, a 10 percentage point increase in union density is associated with a 4.5 percent increase in the income of an area's children. Here again, union density compares quite favorable with other common predictors of an area's mobility. In addition, the relationship between unions and the mobility of all children remains strong after adopting several additional controls.
- **Children who grow up in union households have better outcomes.** Using a different dataset, we match parents and children to compare the outcomes of children who grew up in otherwise similar union and nonunion households. The findings show that children growing up in union households tend to have better outcomes than children who grew up in nonunion households, especially when the parents are low skilled. For example, children of non-college-educated fathers earn 28 percent more if their father was in a labor union. This analysis helps provide evidence suggesting a link between unions and economic mobility.

These findings are new and illustrate a previously ignored factor that could be essential for promoting economic mobility. However, they are not surprising, particularly given the extensive research that has been done on unions and middle-

*All reference to "we," "us," and "our" refer to the authors of this report.

class incomes. Previous research by the CAP Action Fund has found a strong geographical relationship between union membership and intragenerational mobility—the relationship between someone’s earnings when they are 35 to 39 years old and when they are 45 to 49 years old.³ Our findings also coincide with the findings of several studies showing that falling union membership has been a key driver in the rise of income inequality.⁴ Most recently, Bruce Western and Jake Rosenfeld of Harvard and the Washington University at St. Louis, respectively, found that the decline of labor unions explains up to one-third of the increase in male wage inequality between 1973 and 2007.⁵

There are strong reasons to believe that unions may increase opportunity. First, there are the direct effects that a parent’s union membership may have on their children. Union workers make more money than comparable nonunion workers—what economists call the union premium—and when parents make more money, their children tend to make more money—which economists refer to as the intergenerational earnings elasticity. In theory, unionized parents should pass on a portion of the union premium to their children. There may be other channels through which children whose parents were in a union have better outcomes than other children: union jobs may be more stable and predictable, which could produce a more stable living environment for children, and union jobs are more likely to provide family health insurance.

But there are also a series of other ways that unions could boost intergenerational mobility for nonunion workers. It has been shown that unions push up wages for nonunion workers, for example, and these wage gains for nonunion members could be passed on to their children.⁶ Children who grow up in nonunion households may also display more mobility in highly unionized areas, for example, because they may be able to join a union when they enter the labor market. Finally, unions generally advocate for policies that benefit all working people—such as minimum wage increases and increased expenditures on schools and public services—that may especially benefit low-income parents and their children. A recent study on interest groups and political influence found that most of the national groups that supported middle-class priorities were unions.⁷ Another study found that states with higher union density also have higher minimum wages.⁸

In short, there are many theoretical reasons to expect unions to go hand in hand with economic mobility, and this paper provides empirical evidence that this is indeed the case.

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And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

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