

Contact: Amanda H. Beck
(202) 789-8604

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abeck@hrpolicy.org

HR Policy Association Takes Issue With Case Made By Economists In Support of Employee Free Choice Act

Cites U.S. Census Bureau Data Confirming Unionization Has Not Contributed to a Stronger Middle Class

Washington, DC—The HR Policy Association, in collaboration with Applied Economic Strategies, released a [policy memorandum](#) today outlining the inaccuracies of a paid advertisement by the Economic Policy Institute that appeared in *The Washington Post* on February 25, 2009. The advertisement, “Passage of the Employee Free Choice Act is Critical to Rebuilding our Economy,” claiming that the Employee Free Choice Act is needed to restore balance in the labor market and to bolster the income of the nation’s middle class, was signed by nearly 40 economists.

“Government data doesn't support the conclusion that strong unions mean a strong middle class,” said D. Mark Wilson, Principal of Applied Economic Strategies. “The fact is that, according to the U.S. Census Bureau, from 2000 to 2007, most incomes increased in the United States as unionization decreased.”

Daniel V. Yager, Chief Policy Officer of HR Policy Association, said, “What we find most curious is the conclusion reached by this group of economists that they believe EFCA will help rebuild our economy and strengthen our democracy by enhancing the voice of working people in the workplace. To the contrary, EFCA would take away the democratic right of workers to have a secret ballot vote to choose their representative and replace it with ‘card check.’ Card check actually weakens rights that workers currently enjoy under existing labor laws. Moreover, they argue that better economic outcomes would be achieved by replacing our system of collective bargaining of first contracts with one in which panels of government-appointed arbitrators decide employment agreements if the parties cannot reach agreement within the first 130 days of negotiating. Establishing unrealistic timelines that will, in effect, result in government wage setting will not improve economic conditions,” said Yager.

The advertisement states, “From 2000–2007, the income of the median working-age household fell by \$2,000.” And, “An important reason for the shift from broadly-shared prosperity to growing inequality is the erosion of workers’ ability to form unions and bargain collectively.”

Data collected from the U.S. Census Bureau contradict these statements. According to the U.S. Census Bureau, from 2000 to 2007:

- The real median income increased by \$232 for households with one worker, and a substantial \$2,841 for households with two workers – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*
- The real median income for *all* families increased by \$272, remained about the same for families with one worker, and rose a significant \$3,912 for households with two workers.
- The real median income for all individuals increased by \$719.

(More)

Further, the advertisement states that, “In that time, virtually all of the nation’s economic growth went to a small number of wealthy Americans.” This statement is also inaccurate. The U.S. Census Bureau data reports that from 2000 to 2007:

- The share of income going to the broadest measure of middle-class households (the middle 60 percent) *increased* from 46.7 percent to 46.9 percent, while the share going to the very middle (20 percent of all households) remained the same (14.8 percent).
- The share of income going to the broadest measure of middle-class families *increased* from 47.9 percent to 48.6 percent, while the share going to the very middle increased from 15.4 percent to 15.6 percent – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*

According to Wilson, “Few would disagree that a strong middle class is a key public policy objective. However, government statistics confirm that changing the nation’s labor laws to increase union power is unlikely to have a positive impact on achieving that objective and may, in fact, negatively effect workers as illustrated by the collapse of the American steel industry in the 1980s and the challenges facing the U.S. auto industry today.”

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About the HR Policy Association

HR Policy Association brings together the chief human resource officers of more than 250 of the largest corporations in the United States who are concerned about the direction of HR public policy and practices in the United States and globally. Representing nearly every major industry sector, HR Policy members have a combined market capitalization of more than \$7.5 trillion and employ more than 18 million employees worldwide. For more information visit www.hrpolicy.org.

About Applied Economic Strategies

Applied Economic Strategies provides economic and public policy analyses on a variety of workplace issues to enable decision-makers to clearly examine public policy choices and make fully informed decisions. D. Mark Wilson is the Principal of Applied Economic Strategies and has over 25 years of economic policy experience. Most recently, Wilson served as the Deputy Assistant Secretary for Employment Standards Administration of the U.S. Department of Labor. In that role he managed the Wage and Hour Division, the Office of Federal Contract Compliance Programs, and the Office of Labor-Management Standards.

For the complete policy brief in PDF format, visit

[http://www.hrpolicy.org/downloads/2009/EFCA Economy Policy Memo Feb 26 2009.pdf](http://www.hrpolicy.org/downloads/2009/EFCA%20Economy%20Policy%20Memo%20Feb%2026%202009.pdf)

Policy Memorandum

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A STRONG MIDDLE-CLASS DOES NOT DEPEND ON HIGHER UNIONIZATION RATES

By D. Mark Wilson

Contention: *From 2000 to 2007, the income of the median working-age household fell by \$2,000 - an unprecedented decline. In that time, virtually all of the nation's economic growth went to a small number of wealthy Americans. An important reason for the shift from broadly-shared prosperity to growing inequality is the erosion of workers' ability to form unions and bargain collectively.*

Lawrence Mishel, et.al., Passage of the Employee Free Choice Act is Critical to Rebuilding our Economy
Paid Advertisement, Washington Post, (February 25, 2009, A7)

Fact: A Wide Variety of Median Working Household and Family Income Measures Have Increased from 2000 to 2007, Despite a Decline in Unionization Rates The median income statistic cited above is a classic example of cherry-picking to make your case. In fact, U.S. Census Bureau data from 2000 to 2007 confirms:

- The real median income for households with one worker actually increased by \$232, and rose a substantial \$2,841 for households with two workers – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*¹
- The entire decline EFCA proponents cite above occurred in households with median incomes above \$100,000 per year and four or more workers.²
- The real median income for *all families* increased by \$272, remained about the same for families with one worker, and rose a significant \$3,912 for households with two workers.³
- The real median income for all individuals increased by \$719.⁴

Fact: The Share of Income Going to the Middle Class Increased From 2000 to 2007, Even as Unionization Declined It is simply not true that “virtually all of the nation's economic growth went to a small number of wealthy Americans.” In fact, U.S. Census Bureau data from 2000 to 2007 confirms:

- The share of income going to the broadest measure of middle-class households (the middle 60 percent) *increased* from 46.7 percent to 46.9 percent, while the share going to the very middle (20 percent of all households) remained the same (14.8 percent).⁵
- The share of income going to the broadest measure of middle-class families *increased* from 47.9 percent to 48.6 percent, while the share going to the very middle increased from 15.4 percent to 15.6 percent – *while the private-sector unionization rate declined from 9.8 percent to 8.2 percent.*⁶

This strongly suggests that any effort to increase unionization rates will have little or no impact on the relative incomes of middle-class workers and the share of income that goes to that group of families.

Conclusion: Few would disagree that a strong middle class is a key public policy objective. However, government statistics confirm that changing the nation's labor laws to increase union power is unlikely to have a positive impact on achieving that objective and may, in fact, negatively effect workers as illustrated by the collapse of the American steel industry in the 1980s and the challenges facing the U.S. auto industry today.

¹ Census Bureau, Table H-12, available at: www.census.gov/hhes/www/income/histinc/h12AR.html.

² *Id.*

³ Census Bureau, Table F-12, available at: www.census.gov/hhes/www/income/histinc/f12AR.html.

⁴ Census Bureau, Table P-7, available at: www.census.gov/hhes/www/income/histinc/p07AR.html.

⁵ Census Bureau, Table H-2, available at: www.census.gov/hhes/www/income/histinc/h02AR.html.

⁶ Census Bureau, Table F-2, available at: www.census.gov/hhes/www/income/histinc/f02AR.html.