ARTICLE IN PRESS
JID: YEXEH [m3GeSsc;September 11, 2017;20:5]
Explorations in Economic History 000 (2017) 1–24
Contents lists available at ScienceDirect
Explorations in Economic History
journal homepage: www.elsevier.com/locate/eeh

Unions, workers, and wages at the peak of the American labor movement

Brantly Callaway[a], William J. Collins[b,*]

[a] Department of Economics, Temple University, USA
[b] Department of Economics, Vanderbilt University, USA

ABSTRACT

We study a novel dataset compiled from archival records, which includes information on men's wages, union status, educational attainment, work history, and other background variables for several cities circa 1950. Such data are extremely rare for the early post-war period when U.S. unions were at their peak. After describing patterns of selection into unions, we measure the union wage premium using unconditional quantile methods. The wage premium was larger at the bottom of the income distribution than at the middle or higher, larger for African Americans than for whites, and larger for those with low levels of education. Counterfactuals are consistent with the view that unions substantially narrowed urban wage inequality at mid-century.

1. Introduction

Between 1935 and 1953, union membership in the United States increased from about 13 to 33% of nonagricultural employment (Troy, 1965). This was the culmination of a tumultuous period in U.S. economic history, as New Deal legislation, the emergence of industrial unions, the exigencies of World War II, and workers' demands for representation led to a sea change in American labor market institutions (Seidman, 1953; Lester, 1964; Reder, 1988; Freeman, 1998). The economics and history literatures on unions in this period are large.[1] Yet some fundamental questions about unions and wages at mid-century have proven difficult to answer due to the scarcity of micro-level datasets that record workers' union status. In particular, the federal Census of Population has never inquired about union status, and the Current Population Survey (CPS) first collected data on union membership in 1973, by which time private sector unions were in decline and losing public support (Saad, 2015).[2]

Our interest in unions at mid-century is heightened by a concurrent and perhaps related trend in inequality—the high point of American unions coincided with the low point of American wage inequality in the twentieth century (Goldin and Margo, 1992). Scholars studying the late twentieth century have found evidence that unions tend to reduce inequality (e.g., Freeman, 1980; Freeman and Medoff, 1984; DiNardo et al., 1996; Card et al., 2004), but far less is known about the relationship between unions and inequality around mid-century. Prominent scholars at the time speculated that unions might raise inequality by placing a wedge between the wages of similar union and non-union workers, by raising wages for workers who were already relatively well paid, and by reducing employment opportunities in unionized firms (Friedman, 1962, pp. 123–25; Rees, 1962, pp. 98–99), but they did so without the benefit of worker-level data.

In this paper, we compile and study a novel micro-level dataset that includes information on wages and union status circa 1950, as well as an unusually rich set of background characteristics. Such data are extremely rare around mid-century, and to our knowledge,

* Corresponding author.
E-mail addresses: brantly.callaway@temple.edu (B. Callaway), william.collins@vanderbilt.edu (W.J. Collins).

[1] Inter alia, see Millis and Brown (1950), Lewis (1963), Freeman (1978), Lichtenstein (1982), and Kersten (2006).

[2] Data from the Survey of Economic Opportunity became available in the late 1960s. This allowed early studies using microdata (e.g. Ashenfelter, 1972, Schmidt and Strauss, 1976, and Lee, 1978), though the profession shifted to CPS-based analyses once CPS microdata became widely available in the 1970s.

http://dx.doi.org/10.1016/j.eeh.2017.08.003
Received 17 February 2017; Received in revised form 3 August 2017; Accepted 3 August 2017
Available online xxx
0014-4983/

the dataset's combination of information is unique for the period.[3] The original survey was conducted in six cities in early 1951, covering Philadelphia, New Haven, Chicago, St. Paul, San Francisco, and Los Angeles. It was designed to gather information about labor mobility during the 1940s. We transcribed archival records for more than 6900 men in five of the cities.[4] Within cities, the Census Bureau designed the baseline samples to be representative of the local population (Palmer 1954). Although the cities are not representative of the entire United States, they are varied in region, size, specialization, and experience during World War II. We show that the pooled sample of survey microdata closely approximates the economic, demographic, and human capital characteristics of the non-southern urban labor force.

We use the new data to address three basic sets of questions about unions, workers, and wages at mid-century. First, what was the nature of worker selection into union membership at the height of union strength? Were there substantial differences between union and non-union members in age, race, educational attainment, veteran status, or other background or work history variables? Second, what was the conditional-on-observables difference in men's wages depending on their union status, and how did the gap vary across quantiles of the union and non-union wage distributions? Third, how different would the overall distribution of wages have been in these cities circa 1950 if unionized men were paid according to the non-union wage schedule? None of these questions could be addressed effectively in the absence of worker-level data.

We find that male union members circa 1950 were, on average, negatively selected from the labor force in terms of educational attainment and father's occupational status. Union workers earned slightly more than observationally similar non-union workers at the median, though the baseline estimate is only marginally significant (0.029, p-value = 0.10). But focusing on the middle of the distribution misses much of the story. The largest union wage gaps appear at the bottom of the wage distribution, and they were larger for African Americans and for less-educated men. It is beyond the scope of this paper to model a full counterfactual economy in which unions did not exist, but we can provide counterfactual estimates of wage inequality based on reweighting techniques developed by DiNardo et al. (1996), Hirano et al. (2003), and Firpo (2007). It is clear that the union distribution was more compressed than the non-union distribution even after accounting for differences in observable characteristics. This is consistent with studies for later periods that find that unions tend to standardize wages within and between establishments and to flatten returns to skill (e.g., Freeman and Medoff, 1984). A "no unions" counterfactual wage distribution, which imposes the non-union wage structure on union workers and combines that distribution with the actual distribution for non-union workers, is substantially more unequal than the actual overall wage distribution. We stress that care must be taken in interpreting this result, as the setting does not allow strong causal identification, but it is at least consistent with the hypothesis that unions reduced wage inequality in urban areas of the United States at mid-century.

Finally, for the sake of perspective, we compare the results from the Palmer Survey data to a similar analysis using CPS data from 1973 for non-southern cities. This is the first year that union status was recorded in the CPS. In 1973, the union wage premium followed roughly the same pattern as in the early 1950s—there were relatively large union wage advantages at lower percentiles in the distribution and smaller gaps at the middle. Overall, the counterfactual in which union members are paid like non-union members suggests that unions reduced inequality in the 1970s, though perhaps somewhat less than in the 1950s. The difference is partly due to the higher rate of unionization in the 1950s; that is, more workers in 1950 were located in the relatively compressed union wage distribution.

2. Background

2.1. Brief history of unions in the U.S. during the twentieth century

Prior to the 1930s, unions in the U.S. were organized primarily along craft lines and had a precarious existence (Rees, 1962; Lester, 1964). A large, open labor market characterized by high levels of occupational and geographic mobility and ethnic heterogeneity may have forestalled the rise of organized labor in the U.S. In addition, there was no legal requirement for employers to engage in collective bargaining and little restraint on employers' use of strikebreakers, lockouts, retaliatory firing and threats, and other means to oppose unions and prevent their organization. Richard Lester writes, "…vigorous (even ruthless) employer resistance to labor organization continued for almost a century and a half prior to World War II. Such opposition was much more prolonged and bitter here than in other industrial countries….it helped to give our labor relations history its own special strands of physical violence and private warfare" (1964, p. 63). A sharp increase in union membership during World War I, for instance, was reversed after the war in the wake of recession, renewed employer opposition, and shifting government and public support.

The National Labor Relations Act of 1935, also known as the Wagner Act, marked a major change in public policy regarding union organization and collective bargaining. It created the National Labor Relations Board (NLRB) to oversee union representation elections and enforce the Act's provisions, which required firms to engage in collective bargaining with certified unions and refrain from many of the tactics previously used to discourage union formation. The Supreme Court upheld the Act in 1937 (*NLRB v. Jones & Laughlin Steel*), and with substantial revision, it remains the basis for union-management relations in the United States.[5] The new legal framework, in combination with the emergence of the Congress of Industrial Organizations (CIO) and workers' rising demand

[3] Henry Farber, Dan Herbst, Ilyana Kuziemko, and Suresh Naidu are concurrently working to compile data from early Gallup Polls and American National Election Studies that include information on whether someone in the household belonged to a union.

[4] We discuss the data and the original survey in more detail below. Unfortunately, the original data for men in Chicago are missing from the collection.

[5] The Act did not apply to government employees, agricultural workers, or domestic workers. A separate industry-specific framework covered railroad workers and was an important precursor to the Wagner Act.