A New Era for Worker Power:

Labor Wins during the Pandemic, and the Policies We Need to Sustain the Momentum

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About the Author

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INTRODUCTION

The COVID-19 pandemic has demonstrated employers' willingness to exploit workers and subvert the public good in pursuit of profit—from underpaying essential workers to dodging taxes by misclassifying workers. However, as the data explored in this brief demonstrates, formal labor-management bargaining can prevent employment losses during an economic crisis by providing workers with job protections and employers with credible, independent worker insights that help them navigate turbulent times while maintaining more stable employment. The lessons learned from the pandemic will determine the future of American worker power: Federal policy can and must do more to support workers' ability to collectively bargain the terms of their employment and support labor organizing.

As this brief shows, American workers in unions were less than half as likely to lose their jobs during the pandemic as compared to all workers (BLS 2022a). Employment of unionized workers also returned to its pre-pandemic level more quickly—just four months after the pandemic struck—as most workers were recalled (Handwerker et al. 2020). In sharp contrast, the employment level of nonunion workers did not return to pre-pandemic levels until March 2022, a full two years after the onset of the crisis. Unions were able to limit job losses and the duration of unemployment for their workers by collectively bargaining the terms of furloughs and layoffs with employers (McNicholas et al. 2021).

Though unions protected workers from losing jobs, they were unable to increase wages after the labor market tightened because employers were unwilling to renegotiate wages. As the pandemic economy began to recover, it brought with it one of the strongest labor markets in decades and modest gains in the real median wage for nonunion workers. Union workers, however, experienced a gradual *decline* in real median wage, due to their limited ability to negotiate wage increases and reluctance on the part of employers (BLS 2022a). This happened because collective bargaining agreements dictate the terms of compensation for a specified time period and changes to the terms of compensation require the contract to expire or employers to acquiesce to contract amendments.

While loose fiscal and monetary policies have driven a historically speedy recovery that has brought the American economy closer to full employment—narrowing pay and employment disparities and increasing worker power—policies that promote collective bargaining and increase union coverage are still needed to ensure that every worker has both the job protections and the opportunities for wage growth they need to prosper.

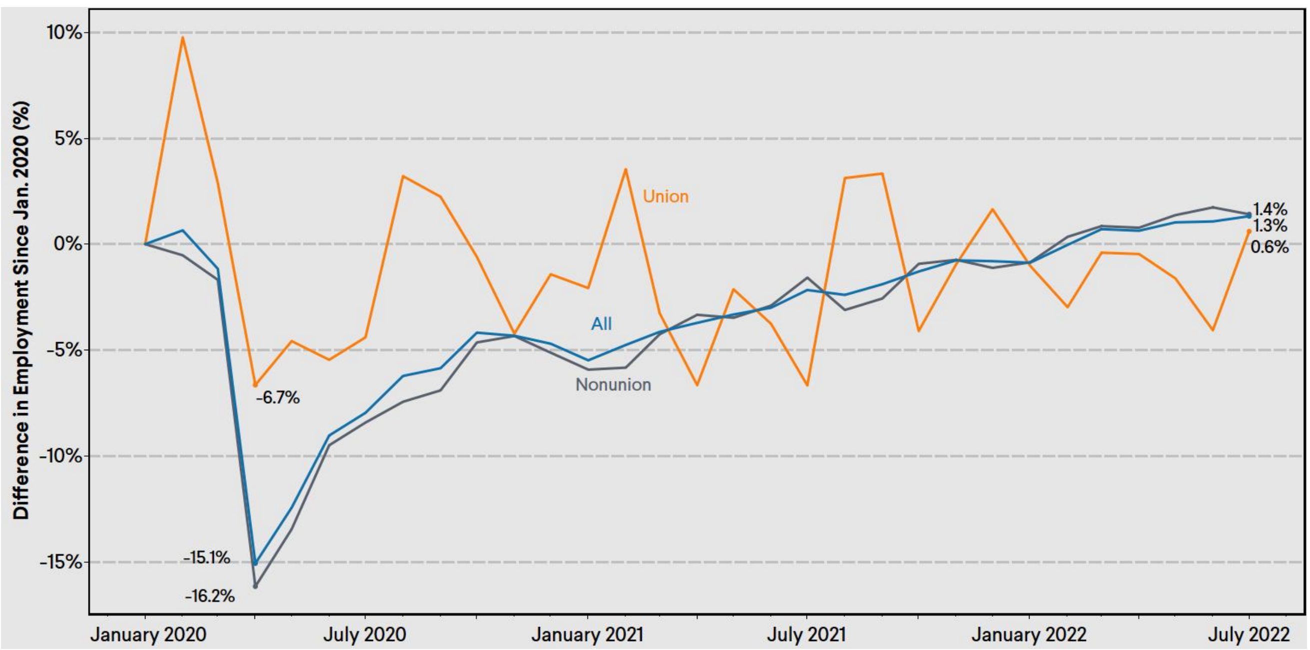
PANDEMIC JOB LOSS AND UNION MEMBERSHIP

The COVID-19 pandemic was declared a national emergency on March 13, 2020. One month later, total employment in the United States had declined by 14.1 percent, a loss of 21,841,000 (not seasonally adjusted) (White House 2022; BLS 2022a). This sharp and dramatic rise in the unemployment rate can be attributed to the mass layoffs and furloughs experienced by millions of American workers. The CARES Act provided critical income support for these workers, in the form of supplementary federal unemployment insurance compensation: When the final round of federal unemployment insurance programs ended in September 2021, unemployed Americans had collectively received $653 billion in federal relief (PRAC 2021).

Although unemployment during the COVID-19 pandemic reached levels not seen since the Great Depression, the majority of American adults did not get laid off (BLS 2022a). However, opportunities to maintain employment while also minimizing the risk of exposure to COVID-19 were largely afforded to workers with high incomes—for example, computer programmers and lawyers—who were able to work from their homes. Data show that the lower-paid half of workers accounted for only 29 percent of all workers able to work from home (Lu 2020). Additionally, occupations with the greatest risk of exposure to COVID-19 were largely low-paying jobs that disproportionately employed Black and Latina women (Dubay et al. 2020). These vulnerable workers were forced to endure unsafe working conditions for much of the pandemic, as personal protective equipment (PPE) was scarce and quitting would disqualify them from accessing federal unemployment assistance compensation unless they had documented care responsibilities or health conditions (DOL n.d.).

However, the 15.9 million workers covered by unions—representing just 12.1 percent of the labor force—enjoyed more secure employment and better working conditions (BLS 2022b). This was in part because union workers' contracts required employers to engage in bargaining for potential mass layoffs and furloughs, which often presented operational solutions that could preserve employment (McNicholas et al. 2021; Iafolla 2020). While total employment declined by 15.1 percent for all workers between January and April 2020, those covered by a union contract experienced a decline of only 6.7 percent (see Figure 1).

Figure 1. Total Employment Growth by Union Representation, January 2020 to July 2022



Source: US Bureau of Labor Statistics Current Population Survey.

Moreover, these protections helped union-covered employment return to its pre-pandemic level by August 2020, while total employment levels (not seasonally adjusted) did not recover fully until February 2022 (BLS 2022a). Labor-management bargaining also helped sustain employment levels throughout the pandemic, with union employment averaging 98.4 percent of the pre-pandemic level between May 2020 and July 2022. Furthermore, surveys of essential workers suggest that workers' demands for better conditions and greater availability of PPE resulted in lower COVID-19 infection rates in unionized workplaces (Hertel-Fernandez et al. 2020; Dean et al. 2022).

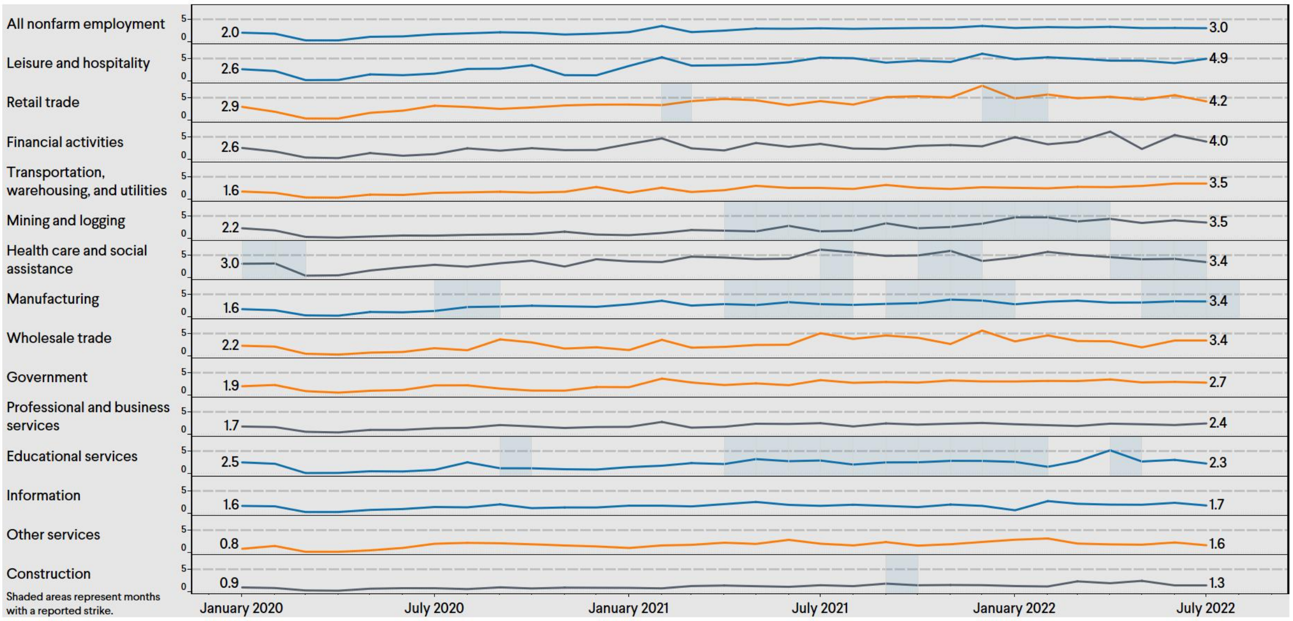
Union representation provided workers with both job security and safe working conditions during one of the worst economic and public health crises in American history. The value of these benefits to workers and their families is immeasurable, but their positive economic impact is clear: higher wages, lower inequality, and increased government revenue (Banerjee et al. 2021).

ECONOMIC RECOVERY, WORKER GAINS, AND UNION MEMBERSHIP

National economic conditions drastically improved after the passage of the American Rescue Plan Act in March 2021 and due to the Biden administration's commitment to reaching full employment (White House 2021). Loose fiscal and monetary policies powered the fastest recovery in modern history, providing Americans with expanded child tax credits, pandemic unemployment assistance, and state and local government funding, as well as direct income assistance and several other initiatives aimed at improving household economic security and supporting small businesses. The result of these policies was broad growth in employment and wages and the narrowing of racial pay and employment disparities (Konczal and DiVito 2021). The speedy economic recovery also generated a rebound in consumer demand that led employers to rapidly regrow their staff. The broad-based nature of the recovery enabled job growth across most sectors and tightened the labor market.

As job opportunities increased, tight competition for labor spurred employers to raise wages and workers to change jobs at an unprecedented rate. Every major industry experienced a substantial increase in the labor leverage ratio—the monthly number of quits initiated by workers compared to the monthly number of layoffs and discharges initiated by employers (Sojourner and DiVito 2022). Many sectors of the workforce that saw the greatest increases in labor leverage ratio were also those most impacted by the pandemic, such as retail trade, leisure and hospitality, and health care and social assistance (see Figure 2).

Figure 2. Monthly Labor Leverage Ratio and Reported Strikes by Industry, January 2020 to June 2022



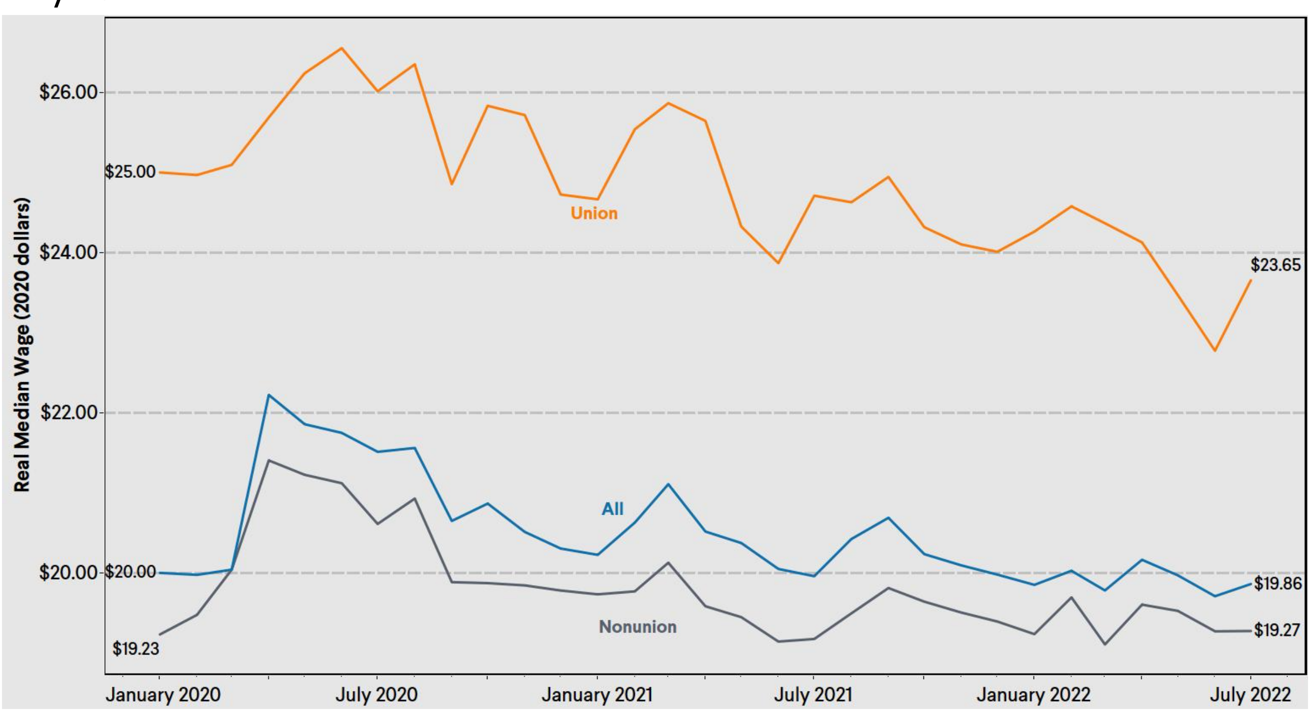
Source: US Bureau of Labor Statistics Job Openings and Labor Turnover Survey and Major Work Stoppages.

With demand for workers growing and the labor force recovering, workers changing jobs or re-entering the labor force saw increased wages, especially in historically low-paying industries whose workers belonged to the bottom half of the income distribution (Duran-Franch and Konczal 2021). As the economy recovered and the price level gradually increased, many employers adjusted wages upward (albeit modestly) to attract workers, for whom job opportunities were plentiful (see Figure 3) (Duran-Franch and Konczal 2021). For workers without union representation, real median wages exceeded the January 2020 baseline in all but three of the months since the pandemic began. Conversely, workers covered by unions, who were less likely to switch jobs or need to find a new one due to the job protections afforded by the union, experienced a gradual decline in real median wages during most of the economic recovery (BLS 2022a).

As noted previously, workers covered by unions did not experience the wage growth of their nonunion counterparts in large part because union employers already offered better jobs and were reluctant to further increase wages in the face of changing economic conditions. The weekly earnings of American workers covered by a union are typically 20 percent greater than those of nonunion workers, and union workers typically enjoy more generous employment benefits (BLS 2022b)—so the fact that real wage growth was concentrated among nonunion workers in the bottom of the income distribution suggests that union employers were not subject to the wage pressures that nonunion employers experienced. Additionally, the absence of mass layoffs by union employers during the pandemic meant that only limited hiring, if any, was needed to meet the rebound in consumer demand. In a moment of extraordinary competition for talent, nonunion employers' actions to raise wages quickly helped them catch up with unionized employers.

In the absence of union contract provisions requiring wages to keep up with sharp price level growth, union employers were not compelled to increase wages, thus decreasing the real, inflation-adjusted, wages of their employees (Combs 2021). The lack of such provisions is a marked difference from the union contracts that existed in earlier periods of inflation—for example, during the 1950s, when cost-of-living adjustments were a common feature of labor contracts (Kahn 2022). The lack of these provisions in modern contracts reflects the relative weakness of unions and their decision to deprioritize inflation-wage adjustment provisions during the last four decades of slow growth in the American economy (Schmitt et al. 2018).

Figure 3. Monthly Real Median Wage by Union Representation, January 2020 to July 2022



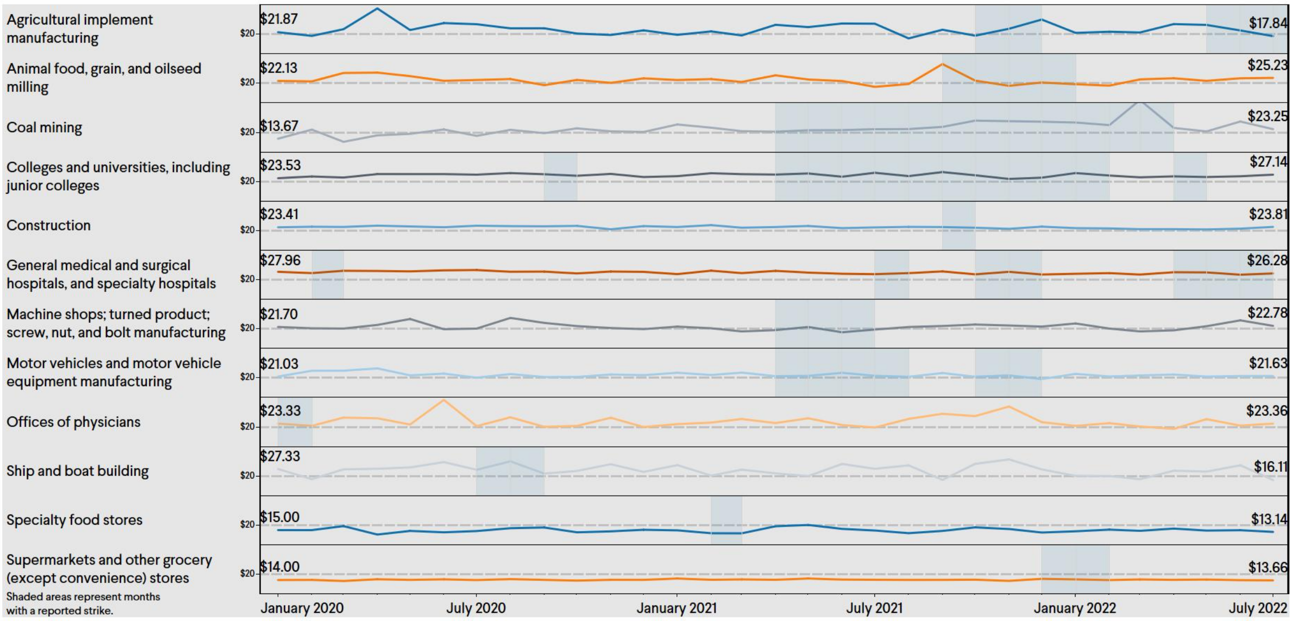
Source: US Bureau of Labor Statistics Current Population Survey and Consumer Price Index (base = January 2020).

Workers covered by a union responded to this decline in real wages by participating in strikes (Klayman 2021). Recently collected data on work stoppages show that there were about 260 strikes involving 140,000 workers across the US in 2021 (Kallas et al. 2022). About 97 percent of striking workers were covered by a union, and union workers participated in roughly 67 percent of all work stoppages. The most common issue driving labor strikes was the demand for pay increases, a demand listed in 62 percent of all work stoppages, followed by health care and health and safety issues, listed in 25 and 24 percent, respectively (Kallas et al. 2022).

Workers involved in work stoppages were most likely to belong to the manufacturing, educational services, and health care and social assistance industries. Analysis of wage growth in industries that experienced a mass labor stoppage shows that the duration of strikes varied substantially in 2021 and that the strikes' impact on wages was largely contingent on local industry conditions and was not uniform (see Figure 4). Yet a modest relationship emerges between the duration of strikes and wage growth. The data suggest that industries that faced long durations of labor stoppages experienced the highest real median wage growth from the January 2020 baseline.

While strikes' immediate impact on wages is not clear, research shows that the presence of a union tends to increase the wages of all workers, including nonunionized workers, in the industries where unions are active (EPI 2021). This is because collective bargaining creates higher wage standards that spill over onto nonunion workers. However, the narrowing of the wage gap between union and nonunion worker median wages during the pandemic—from $5.00 to $4.38—suggests that the absence of union contract provisions that protect real wages from rapid inflation has eroded unions' ability to broadly impact wages for all workers.

Figure 4. Monthly Real Median Wage Growth and Reported Strikes by Industry, January 2020 to June 2022



Source: US Bureau of Labor Statistics Current Population Survey, Consumer Price Index (base = January 2020), and Major Work Stoppages

WE NEED ADDITIONAL POLICES TO ENHANCE WORKER POWER

Workers' experiences during the pandemic and the subsequent economic recovery make clear the need for more policies that support both labor organizing and full employment. The role of unions in providing job security during the onset of the pandemic and the rise in labor leverage during the economic recovery were largely dependent on a union presence in some sectors and on the Biden administration's deliberate policy shift toward promoting full employment.

Expanding worker power requires policies that promote collective bargaining and reverse the trend of weakening unions that has occurred over the last 40 years. For all the benefits unions provide, only 15.9 million of the more than 160 million workers in the US labor force are covered by a union contract—13 percent of all workers, and only 7 percent of private-sector workers (BLS 2022a). Low union adoption in the US is mainly driven by a legal system that favors corporations and promotes employer monopsonies at the expense of worker power (Bustamante and Smith 2022). The diminished power of unions stemming from past policy decisions will undoubtedly make bargaining for wage adjustments in the face of rising inflation more challenging.

Policymakers can counterbalance employers' economic power and strengthen worker power by supporting legislation like the Protecting the Right to Organize (PRO) Act, which allows unions to override state right-to-work laws and increases the penalties employers face when they violate workers' rights (Gonyea 2021). Bypassing state right-to-work laws means that unions will have the funding they need to collectively bargain effectively. Tougher employer penalties, meanwhile, will disrupt the current status quo in which employers violate labor laws with near impunity because adjudicating labor disputes is lengthy, costly, and provides harmed workers with little restitution. While the future of the PRO Act is unclear, having passed the House but with no imminent vote in the Senate, the Biden administration should pursue other avenues to increasing worker power and supporting collective bargaining, such as stronger policing of anticompetitive employer behaviors that reduce workers' bargaining power. These efforts could focus on protecting workers from the constraints of noncompete, no-poaching, nondisclosure, non-disparagement, and mandatory arbitration clauses in contracts (DOT 2022).

Worker power can also be amassed through full employment policies that foster employment gains and increase the productive potential of the US economy. As observed during the recent recovery, an economy with full employment affords workers options to pursue the positions that best fit their skills and needs. During periods of high unemployment, on the other hand, job openings are scarce, and workers risk long periods of unemployment if they quit or are fired. Therefore, a robust labor market ensures workers have the freedom and leverage to demand better working conditions and higher compensation.

The federal government can promote full employment through fiscal policies—such as improvements to energy and transportation infrastructure and a restructuring of the education and health-care sectors—that provide direct benefits to American households (Roosevelt Institute 2020).

Additionally, the government can remove the financial and administrative barriers, including the burden of student debt and unemployment insurance eligibility, that prevent many Americans, especially Black and Latinx households, from wholly participating in the labor force on their own terms. Monetary policy can also advance this goal through low-interest rate regimes that foster inclusive growth unrestricted by corporate calls for cheap labor (Mason et al. 2021).

Both labor unions and full employment are essential to increasing worker power and job security, especially as we move toward a world with more frequent and severe economic crises. At the same time, labor unions need to adjust their approach to accommodate today's high-growth economy, which differs from that which the US has seen over the last four decades. Together, pro-labor policies and economic policies that support workers can broaden economic prosperity and allow workers the freedom to participate in the economy on fair and equal terms.

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