Unions Help Increase Wealth for All and Close Racial Wealth Gaps

By Aurelia Glass, David Madland, and Christian E. Weller September 6, 2021

The United States faces large wealth divides, particularly by race and ethnicity. The median white family has about 10 times the wealth of the median Black family and more than eight times the wealth of the median Hispanic family.[1] Wealth is also much more unequally distributed than income, with the top 5 percent of families holding about 250 times as much wealth as the median family.[2] Unions play a key role in redressing these large wealth gaps. They increase wealth for all households—no matter their race or ethnicity—and tend to provide larger increases for Black and Hispanic households than for white households.

Unions help households by raising incomes, increasing benefits, and improving the quality and stability of jobs.[3] All these things lead to both direct and indirect increases in wealth. When workers earn more money through union contracts, for example, they are able to set aside more of their paychecks and enjoy the additional tax incentives that come with saving.[4] Moreover, benefits such as pension plans grow wealth, while others such as health or life insurance reduce the amount union members need to spend from their own savings during periods of illness or income loss. This helps cushion families' savings against downturns like the recent COVID-19-induced recession, and additional savings can be put toward a child's college education or the purchase of a home.[5] Finally, strong union contracts create more stable jobs, with protections such as dispute resolution giving workers the ability to stay with a single employer for a longer period of time.[6] Such stability leads to greater wealth generation, as finding a new job can be costly—and many benefits are not available to employees with shorter tenure in a position.[7] Unions' ability to increase household wealth may explain why they help boost economic mobility for future generations.[8]

A new Center for American Progress analysis illustrates how unions increase wealth for all households and help close racial wealth gaps. This analysis of 2010–2019 Survey of Consumer Finances data finds that:

- The median union household has more than twice the wealth of the median nonunion household.
- Black households with a union member have median wealth that is more than three times the median wealth of nonunion Black households.
- Hispanic households with a union member have median wealth that is more than five times the median wealth of nonunion Hispanic households.
- White households with a union member have nearly two times the median wealth of nonunion white households.

This analysis builds on previous Center for American Progress research into unions, wealth, and race. In particular, it echoes the findings of CAP's 2018 analysis, which concluded that unions increase wealth for all workers and help narrow the racial wealth gap,[9] while updating the survey end date from 2016 to 2019 to provide more recent data and increase the sample size to allow greater analysis of Black, Hispanic, and other or multiple race households. Additionally, the analysis takes a more detailed look at wealth composition, including the role that benefits such as defined benefit (DB) pensions play in narrowing the racial wealth gap. The 2018 analysis, for its part, built on a 2016 Center for American Progress Action Fund report that offered some of the earliest concrete evidence in the literature for the union wealth premium, albeit with a more constrained sample than that used in the current analysis.[10]

All told, unions have a significant impact on the financial stability of workers. This new analysis provides additional evidence that policymakers must take steps to strengthen unions in order to narrow the racial wealth gap and increase the economic power of the working class.[11]

Methodological approach to the data and research

This analysis is based on highly detailed data on household wealth from the Federal Reserve's Survey of Consumer Finances (SCF). This survey, conducted every three years, provides a nationally representative dataset that elaborates assets and debts for sampled families as well as demographic details and union contract coverage. The authors used these data to compare levels of wealth and wealth composition across both union coverage and race and ethnicity.[12]

The analysis is restricted to surveys conducted from 2010 to 2019, after the initial hardship of the Great Recession but prior to the onset of the COVID-19 pandemic. The sample only includes households with a head of household or spouse who is age 25 or older, not retired, and earning a wage or salary. This ensures that the nonunion families included are representative of workers who could enjoy wealth premiums if they joined unions; retired or self-employed respondents, for instance, could not join.

Union households

This analysis counts households as union if its respondent or spouse is covered by a union contract, regardless of whether that worker is a union member. Thus, the analysis may understate the role of unions because only one member of a household needs to be covered by a union contract in order for the entire household to be considered covered. For ease of language, the authors refer to the households included in the analysis as both "union households" and "union members."

Wealth

The analysis measures wealth as the sum of all marketable assets—such as checking accounts, real estate, stakes in firms, and vehicles—less all debt, including mortgages, credit card debt, and student loans. The wealth figure also includes the net present value of the income stream that workers expect to receive from a DB pension, if they have one.[13] These values are adjusted for inflation—as are all dollar amounts in this analysis—and reported in 2019 U.S. dollars. The analysis focuses on median wealth to convey outcomes of the typical household. Averages are often not as representative, as they are skewed by the top few percentages of households holding much more wealth than other households.

Demographic categories

The "other or multiple race" category reported in this analysis includes all SCF respondents who do not solely identify as white, Black or African American, or nonwhite Latino or Hispanic, resulting in a diverse group that also includes Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, and other race or ethnicity, as well as multiple race or ethnicity families. Despite the diverse universe of experiences in this category, the Federal Reserve must combine these households into one group due to sample size limitations before releasing their datasets to the public.

Furthermore, while the Federal Reserve reports Black or African American as the same category, for simplicity, the authors report it as Black; similarly, the authors use Hispanic to report survey data that combine nonwhite Hispanic and Latino into the same response.

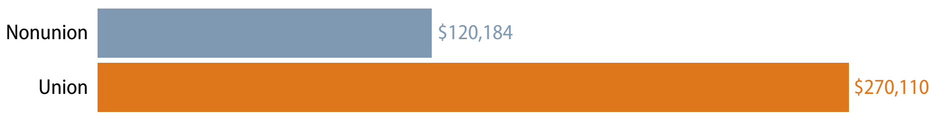
Results of CAP's 2021 analysis

Union membership is associated with higher wealth for the median household. As shown in Figure 1, the union wealth premium—or the ratio of median wealth for households covered by a union contract to the median wealth of those not covered—is 215 percent for all households in the sample. This means a typical union household is more than twice as wealthy as a typical nonunion household.

FIGURE 1

Median wealth is higher for union households

Median household wealth by union membership, 2010–2019



Note: All monetary amounts are in 2019 U.S. dollars, adjusted for inflation using the Urban Consumer Price Index Retroactive Series (CPI-U-RS). "Union" households include a head of household or spouse covered by a union contract. The sample only includes households with a head of household or spouse who is age 25 or older, nonretired, and earning a wage or salary.

Source: Board of Governors of the Federal Reserve System, "Survey of Consumer Finances: 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed August 2021); U.S. Bureau of Labor Statistics, "R-CPI-U-RS Homepage," available at https://www.bls.gov/cpi/research-series/r-cpi-u-rs-home.htm (last accessed August 2021); John Sabelhaus and Alice Henriquez Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?", Board of Governors of the Federal Reserve System, February 1, 2019, available at https://www.federalreserve.gov/econres/notes/feds-notes/are-disappearing-employer-pensions-contributing-to-rising-wealth-inequality-20190201.htm.

Some of the wealth benefits of unionization stem from increased wages, but unions also offer families access to more and better benefits, which themselves contribute to wealth. If the increase in wealth resulted solely from increases in wages, then median wealth-to-income ratios for union and nonunion members would be largely the same. However, the data indicate that households in the complete sample enjoy almost twice as much wealth relative to their incomes when they are covered by a union contract.

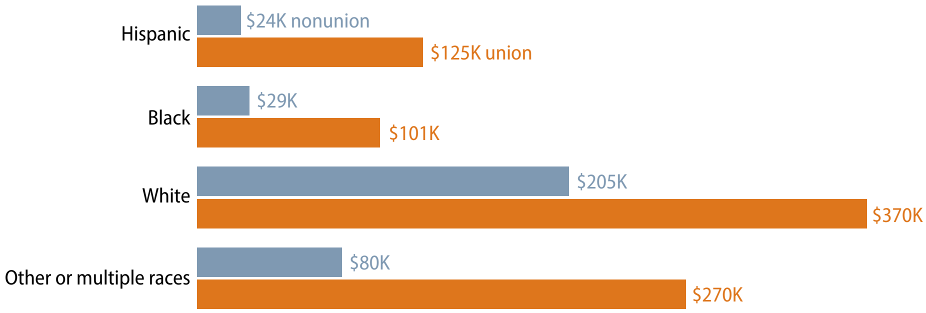
Much of this difference is explained by the fact that unions provide access to more and better benefits. Union members are more likely to have 401(k) benefits plans than nonunion members,[14] and they are twice as likely to have a DB pension. The income streams promised by those DB pensions have a median net present value that is 1.7 times larger than DB pensions for nonunion workers. Not only do these high-quality benefits increase wealth directly, but they also reduce the amount that workers must save in other vehicles to cover their retirements. Union households can spend the additional income in a variety of ways, but quite a few—7.6 percentage points more than nonunion households—use their extra financial resources to purchase their own homes.

Black, Hispanic, and other or multiple race households enjoy much higher union wealth premiums than white households, making unions a powerful means of closing the racial wealth gap. The gulf between the wealth of white households and Black, Hispanic, and other or multiple race households in the United States is enormous: While the median white household in the sample possessed net savings and assets of $233,833, the median Black and Hispanic households had just $40,200 and $32,652, respectively, while the median household in the other or multiple races category held $104,699. CAP's analysis confirms that because these households start from a lower base wealth, a larger union wealth premium compared with white households helps narrow the racial wealth gap. While higher median wealth is associated with union membership among all families, the increase is much larger for Black, Hispanic and other or multiple race households. (see Figure 2)

FIGURE 2

Union membership narrows the racial wealth gap

Median household wealth by race or ethnicity and union membership, 2010–2019



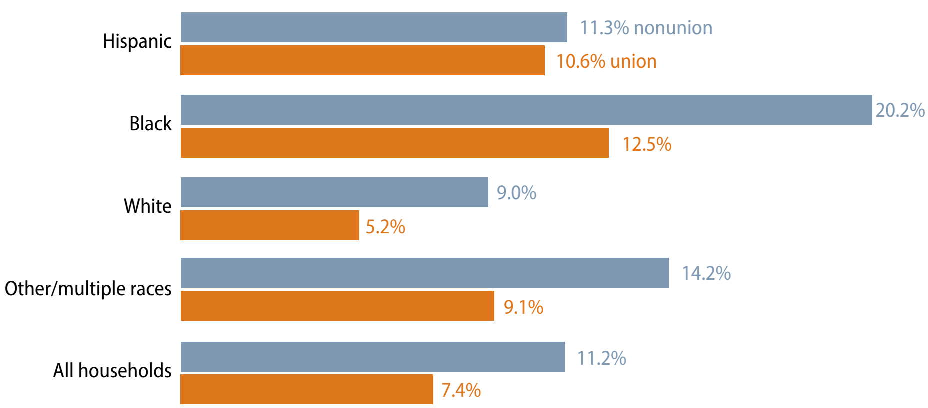
Note: All monetary amounts are in 2019 U.S. dollars, adjusted for inflation using the Urban Consumer Price Index Retroactive Series (CPI-U-RS). "Union" households include a head of household or spouse covered by a union contract. The sample only includes households with a head of household or spouse who is age 25 or older, nonretired, and earning a wage or salary.

Source: Board of Governors of the Federal Reserve System, "Survey of Consumer Finances: 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed August 2021); U.S. Bureau of Labor Statistics, "R-CPI-U-RS Homepage," available at https://www.bls.gov/cpi/research-series/r-cpi-u-rs-home.htm (last accessed August 2021); John Sabelhaus and Alice Henriquez Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?", Board of Governors of the Federal Reserve System, February 1, 2019, available at https://www.federalreserve.gov/econres/notes/feds-notes/are-disappearing-employer-pensions-contributing-to-rising-wealth-inequality-20190201.htm.

FIGURE 3

Union membership lowers the likelihood of having no wealth

Share of households with no wealth by race or ethnicity and union membership, 2010–2019



Note: "Union" households include a head of household or spouse covered by a union contract. The sample only includes households with a head of household or spouse who is age 25 or older, nonretired, and earning a wage or salary. Households with no wealth also include households with negative net wealth.

Source: Board of Governors of the Federal Reserve System, "Survey of Consumer Finances: 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed August 2021).

Union membership also makes it less likely that a family has no or negative wealth, which could occur if they have no savings, few valuable assets, and/or a large amount of debt. As shown in Figure 3, union membership reduces this likelihood for families of all races and ethnicities, but the decrease in the share of households with no wealth is especially large for Black households, from 20.2 percent to 12.5 percent.

TABLE 1

Union membership grows wealth across a range of assets

Wealth and key assets by race or ethnicity and union membership, 2010–2019

	Nonunion	Union	Ratio of union to nonunion
All households			
Median wealth	$120,183.70	$270,110.00	224.7%
Median wealth-to-income ratio	176.5%	303.4%	171.9%
Homeownership rate	66.0%	73.6%	111.5%
Share with 401(k) plan	46.1%	63.0%	136.6%
Share with defined benefit pension	21.4%	53.1%	248.3%
Value of DB pension (for those with DB pension)	$190,022.20	$328,139.80	172.7%
White			
Median wealth	$205,269.50	$369,911.60	180.2%
Median wealth-to-income ratio	254.1%	373.4%	147.0%
Homeownership rate	74.6%	83.2%	111.5%
Share with 401(k) plan	51.4%	67.9%	132.1%
Share with defined benefit pension	24.9%	57.6%	231.3%
Value of DB pension (for those with DB pension)	$211,049.70	$379,033.50	179.6%
Black			
Median wealth	$28,865.36	$100,933.00	349.7%
Median wealth-to-income ratio	62.9%	146.4%	232.7%
Homeownership rate	46.4%	51.8%	111.6%
Share with 401(k) plan	36.3%	55.8%	153.6%
Share with defined benefit pension	20.3%	44.1%	217.0%
Value of DB pension (for those with DB pension)	$126,554.50	$287,806.30	227.4%
Hispanic			
Median wealth	$24,071.89	$124,630.00	517.7%
Median wealth-to-income ratio	60.2%	177.4%	294.8%
Homeownership rate	47.4%	61.7%	130.0%
Share with 401(k) plan	24.5%	50.8%	206.9%
Share with defined benefit pension	8.9%	42.9%	482.2%
Value of DB pension (for those with DB pension)	$69,978.35	$222,800.60	318.4%
Other or multiple races or ethnicities			
Median wealth	$79,980.65	$270,110.00	337.7%
Median wealth-to-income ratio	119.6%	288.5%	241.2%
Homeownership rate	56.5%	61.4%	108.6%
Share with 401(k) plan	48.7%	55.4%	113.8%
Share with defined benefit pension	14.8%	49.6%	336.1%
Value of DB pension (for those with DB pension)	$188,959.00	$267,283.10	141.5%

Note: All monetary amounts are in 2019 U.S. dollars, adjusted for inflation using the Urban Consumer Price Index Retroactive Series (CPI-U-RS). "Union" households include a head of household or spouse covered by a union contract. The sample only includes households with a head of household or spouse who is age 25 or older, nonretired, and earning a wage or salary. "401(k)" includes eponymous benefit plans as well as other benefits such as thrift plans.

Source: Board of Governors of the Federal Reserve System, "Survey of Consumer Finances: 2010, 2013, 2016, and 2019," available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed August 2021); U.S. Bureau of Labor Statistics, "R-CPI-U-RS Homepage," available at https://www.bls.gov/cpi/research-series/r-cpi-u-rs-home.htm (last accessed August 2021); John Sabelhaus and Alice Henriquez Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?", Board of Governors of the Federal Reserve System, February 1, 2019, available at https://www.federalreserve.gov/econres/notes/feds-notes/are-disappearing-employer-pensions-contributing-to-rising-wealth-inequality-20190201.htm.

No matter the measure, union membership multiplies household wealth by a much greater degree for Black, Hispanic, and other or multiple race households, shrinking the racial wealth gap. While median household wealth for white union members rises to 1.8 times the wealth of their nonunion counterparts, it is 3.5 times larger for Black families, 3.4 times larger for other or multiple race families, and 5.2 times larger for nonwhite Hispanic families. (see Table 1)

Not only can unions help Black, Hispanic, and other or multiple race families save more by helping them earn higher wages, but they can also help these families gain access to more and better benefits: Union Hispanic households, for instance, are almost five times as likely to have access to DB pensions than similar nonunion households, and the DB pensions themselves tend to be more valuable than those offered to nonunion workers. Hispanic families are also twice as likely to have access to a 401(k) benefits plan, while Black families are 54 percent more likely to have access to such a plan.

Families can put these additional assets toward important uses such as children's education or, as demonstrated in Table 1, home ownership, which union contracts raise by 5.4 percentage points for Black families, 14.2 percentage points for Hispanic families, and 4.9 percentage points for other or multiple race families.

Conclusion

CAP's analysis finds that unions increase wealth for all families and narrow the racial wealth gap by offering greater wealth premiums for Black, Hispanic, and other or multiple race workers. Union contracts increase wages, which leads to higher savings and investment in home ownership and provides increased access to higher-quality benefits that further contribute to wealth. This fosters a virtuous cycle of saving to protect against hardship and investing to build a better future for American families. To help increase wealth for all workers and correct the injustice of the racial wealth gap, then, policymakers must consider union-strengthening legislation such as the Protecting the Right to Organize Act.[15]

Yet as the findings in this issue brief suggest, unions alone cannot close the wealth gap. They must be part of a comprehensive package of reforms aimed at correcting systematic biases against Black, Hispanic, and other or multiple race families that make it difficult for them to generate and keep wealth[16]—especially in recent years as Black[17] and Latino[18] families endured the lowest moments of the COVID-19 recession.

Still, unions are and will continue to be a vital tool in efforts to increase wealth for workers and to shrink massive racial wealth gaps. Higher wealth allows families to solidify any temporary gains they experience in social mobility, helping to narrow the racial wealth gap for future generations by giving parents the ability to invest financially in their children.

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Endnotes

1 In 2016, the median net worth for a white household was $171,000, compared with $17,600 for a Black household and $20,700 for a Hispanic household. See Angela Hanks, Danyelle Solomon, and Christian E. Weller, "Systematic Inequality: How America's Structural Racism Helped Create the Black-White Wealth Gap" (Washington: Center for American Progress, 2018), available at https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/.

2 Katherine Schaeffer, "6 facts about economic inequality in the U.S." (Washington: Pew Research Center, 2020), available at https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/.

3 See Christian E. Weller, David Madland, and Alex Rowell, "Building Middle-Class Wealth Through Unions," *Challenge* 60 (1) (2017): 40–50, available at https://www.tandfonline.com/doi/abs/10.1080/05775132.2016.1268474; Christian E. Weller and David Madland, "Unions, Race, Ethnicity, and Wealth: Is There a Union Wealth Premium for People of Color?", *Journal of Economics, Race, and Policy* (2021), available at https://www.researchgate.net/publication/348882934_Unions_Race_Ethnicity_and_Wealth_Is_There_a_Union_Wealth_Premium_for_People_of_Color.

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8 Richard Freeman and others, "Bargaining for the American Dream: What Unions do for Mobility" (Washington: Center for American Progress, 2015), available at https://cdn.americanprogress.org/wp-content/uploads/2015/09/08130545/UnionsMobility-report-9.9.pdf.

9 Christian E. Weller and David Madland, "Union Membership Narrows the Racial Wealth Gap for Families of Color" (Washington: Center for American Progress, 2018), available at https://www.americanprogress.org/issues/economy/reports/2018/09/04/454781/union-membership-narrows-racial-wealth-gap-families-color/.

10 Christian E. Weller, David Madland, and Alex Rowell, "Building Middle-Class Wealth Through Unions" (Washington: Center for American Progress Action Fund, 2016), available at https://cdn.americanprogressaction.org/content/uploads/sites/2/2016/11/30124551/MiddleClassWealth-briefDecember.pdf.

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12 Board of Governors of the Federal Reserve System, "Survey of Consumer Finances (SCF)" available at https://www.federalreserve.gov/econres/scfindex.htm (last accessed August 2021).

13 Based on a dataset from John Sabelhaus and Alice Henriquez Volz, "Are Disappearing Employer Pensions Contributing to Rising Wealth Inequality?" (Washington: Board of Governors of the Federal Reserve System, 2019), available at https://www.federalreserve.gov/econres/notes/feds-notes/are-disappearing-employer-pensions-contributing-to-rising-wealth-inequality-20190201.htm.

14 When this analysis refers to 401(k) benefits plans, it is referring to a large class of benefits plans that includes 401(k) retirement plans as well as thrift or savings plans.

15 Protecting the Right to Organize Act of 2021, H.R. 842, 117th Congress, 1st sess. (February 4, 2021), available at https://www.congress.gov/bill/117th-congress/house-bill/842.

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