

# Rebuilding worker power

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Nearly every major Western intellectual tradition until the market fundamentalism of the late 20th century understood the importance of organized labor to the well-being of workers and a well-functioning market economy. An inquiry like the Economic Innovation Group’s [American Worker Project](#) must therefore grapple with the American labor movement’s dysfunction and the prospects for its revival.

“Upon all ordinary occasions [employers] have the advantage in the dispute, and force [workmen] into a compliance with their terms,” warned Adam Smith in the 18th century.<sup>1</sup>

“The laborer in an isolated condition, unable to hold out even against a single employer...will, as a rule, find his wages kept down,” agreed John Stuart Mill in the nineteenth, questioning the “morals” of those who did not “wish that the laborers may prevail, and that the highest limit [for wages], whatever it be, may be attained.”<sup>2</sup>

In the 1950s, the conservative sociologist Robert Nisbet called unions “the true supports of economic freedom.”<sup>3</sup> In the 1980s, St. John Paul II wrote that “the experience of history teaches that organizations of this type are an indispensable element of social life, especially in modern industrialized societies.”<sup>4</sup>

The labor organization, by bringing workers together in solidarity and facilitating their collective action, creates power in the labor market, representation within the firm, and an institution of civil society that operates of, by, and for the common citizen. From the conservative perspective especially, all three of these functions are indispensable.

The alternative to worker power ensuring the equitable distribution of an economy’s gains is not some abstract ideal of a rising tide lifting all ships, but a more intrusive program of taxation and redistribution. The alternative to workplace representation is not the benevolent dictatorship of employers doing well by doing good, but a workplace governed by bureaucrats and their regulations. The alternative to strong mediating institutions is not Ayn Rand’s individualist utopia, but an ever-expanding role for the state in the lives of its citizens.

Greater power and representation for workers can also play an important macroeconomic role in patterns of investment, innovation, and growth—and thus the trajectory for growth. The market economy’s secret sauce is the alignment of private and public interest whereby the pursuit of profit advances the common good as well. But notwithstanding the unfortunately magical connotations of Smith’s famous “invisible hand” metaphor, such alignment is not guaranteed.

Rather, as Smith observed, it requires that the capitalist prefer “the support of domestic to that of foreign industry” and assumes he will “give revenue and employment to the greatest number of people of his own country.”<sup>5</sup>

If the greatest profits are to be made offshoring production, importing foreign labor, building addictive social media applications, and speculating on Wall Street, those profits might be quite high indeed—at least in the short-run—but workers, their families and communities, and the nation as a whole will suffer. Only if workers have power can they demand cognizance of their interests, alongside those of consumers and investors, in the strategies that capital pursues. Only if offering good jobs becomes the nonnegotiable starting point for attracting labor and earning profits in America will offering good jobs be something that firms have an incentive to do.

Today, that is not the case. Domestic investment<sup>6</sup> and productivity growth<sup>7</sup> have been in long-term decline. In the manufacturing sector, productivity has been falling for more than a decade—American factories require more labor than they once did to produce the same output.<sup>8</sup> That should not be possible in a healthy capitalism, and under such conditions, it is hard to see how jobs will improve. Of course, the economy will continue to expand the quantity of employment, but the question here is quality.

According to research conducted by American Compass, only 40 percent of jobs in the American economy meet the basic threshold for a secure job that might plausibly support a family: paying at least \$40,000 annually, providing health insurance and paid time off, and offering predictable earnings and a regular or controllable schedule.<sup>9</sup>

A well-functioning system of organized labor has the potential to help: by ensuring that economic gains are broadly distributed, by creating incentives to invest in productive forms of growth, and by facilitating worker engagement in production processes in ways that make such growth easier to achieve.

## *America's broken model*

To say that organized labor can help is not to say, of course, that it will. American labor unions, as they operate today, do not. In the private sector, union membership has fallen to 6 percent, which is lower than its level prior to passage in 1935 of the National Labor Relations Act (NLRA).<sup>10</sup>

While Americans are eager to support the concept of labor in the abstract—they are twice as likely to have favorable as to have unfavorable views of “labor unions”<sup>11</sup>—the workers who would be most likely to join and benefit from a union are largely alienated from the labor movement and unenthusiastic about participating.

Only one-third of lower- and working-class Americans want to hear politicians speaking favorably about labor and only one-third of potential union members not already in a union say they would vote for one.<sup>12</sup> Labor organizers point the finger at obstructionist employers and unfair labor practices, but only 2 percent of those potential union members say they are not unionized because of threats of retaliation, and only 14 percent say the main problem is employer opposition. By far the most common reasons given are “never thought about it” and “not sure”.<sup>13</sup>

At root, the problem is the U.S. model of enterprise-level bargaining, which nearly all Americans take for granted as synonymous with organized labor, but which in fact is an anachronistic outlier among advanced economies. The U.S. model, codified in the NLRA, makes the process of organizing workplace-by-workplace a battle—think Norma Rae standing atop her table, turning slowly and silently with her sign reading “UNION”. If more than 50 percent of Norma’s coworkers vote yes, they will all become union members, her factory a unionized factory. If not, they get nothing.

For workers, the model leaves them no individual agency in union membership. In theory they can quit unionized workplaces and go to non-union shops, or vice versa, if they prefer. In practice, that option may not be available. Anti-union “right to work” activists make great hay of the situation, alarmed by the prospect of a worker having to join a union as a condition of employment. But in an economy with union private-sector union

density at 6 percent, the more concerning problem by an order of magnitude is likely to be that a worker who wants to be a union member cannot find a job where that option is available.

Employers, quite rationally fearing that a unionized workforce might place them at a disadvantage against non-union competitors, have every incentive to resist an organizing campaign by any means possible. Where a union does form, its organizers having promised all manner of benefits to the new members that the employer is in no position to provide, subsequent bargaining often goes poorly. Where unions do succeed in extracting concessions, the result is likely to be capital departing the very regions, industries, and facilities where footholds are gained.<sup>14</sup> Thus even successful organizing plants the seed of its own demise.

Workers like none of this. Bare-knuckle organizing fights are romanticized easily enough from afar, but they tend to be extraordinarily unpleasant within the firms themselves and to undermine the quality of labor-management relations—generally the leading driver of job satisfaction.<sup>15</sup> If the end result of even a successful drive is likely to be only marginal gains, ongoing adversarialism, and a weakened employer, enthusiasm is of course low.

One of the most striking findings in labor-relations research comes from Harvard professor Richard Freeman’s 1994 survey of more than 2,400 nonmanagement workers, which asked them whether they would prefer representation that “management cooperated with in discussing issues, but had no power to make decisions” or representation that “had more power, but management opposed”. By 63 percent to 22 percent, workers preferred cooperation without power.

Declining union membership has triggered two vicious cycles—one regulatory, one political—that have accelerated the institution’s demise and make reversal implausible. The regulatory problem is that, as worker power has declined, government has stepped in with all manner of economy-wide protections. The more that regulations raise the floor under working conditions, the less a union can promise to deliver. But for a certain brand of progressive, that tradeoff has always been attractive. President Franklin Roosevelt’s Secretary of Labor, Francis Perkins, famously remarked, “I’d rather pass a law than organize a union.”<sup>16</sup>

The not-unrelated political problem is that, as labor’s influence in the market has faded, it has come to act predominantly as a progressive political force. But in a vicious cycle, that political engagement alienates workers and makes organizing much harder. By three-to-one, potential union members say they would prefer a worker organization focused only on workplace issues over one that addresses national political issues as well. Among those who say they would vote against a union, union political involvement is the top reason cited.<sup>17</sup>

Samuel Gompers, the great organizer of the American Federation of Labor (AFL), warned against both these vicious cycles more than a century ago. He opposed legislating basic employment protections and believed that labor organizations must remain staunchly non-partisan.<sup>18</sup> That perspective of a movement builder, not the blinkered approach of modern labor leaders milking the last drops from a dying institution, is what’s needed for the labor movement to thrive again in the 21st century.

## *Paths to progress*

Fortunately, the American labor movement’s dysfunction is not a result of some global “megatrend” or technological change. It is not a “culture problem”. The failure is a direct result of bad policy. Better policy models already in effect elsewhere provide a starting point for reform.

The obstacles are political: a Democratic Party that relies upon the existing institution for political support, efficacy be damned, and a Republican Party that has historically aligned itself with capital and seen labor’s weakness as cause for celebration. In times of gridlock, this might be cause for the greatest despair of all. But

labor is the quintessential issue where the ongoing realignment in American politics is creating opportunity for progress.

Working-class voters, including union members, are streaming into a Republican Party that has become skeptical of big business, concerned about the economy's failures, and excited by the prospects of worker power.

In July, Senator Josh Hawley called on Republicans to embrace “the trade unions of the working man” in keynote remarks at the National Conservatism conference in Washington.<sup>19</sup> Teamsters president Sean O'Brien addressed the Republican National Convention. Vice presidential nominee J.D. Vance, in his own convention speech, declared: “We need a leader who's not in the pocket of big business, but answers to the working man, union and nonunion alike.”<sup>20</sup>

The simplest reform would unbundle the political and economic functions of unions, as former SEIU lawyer and current Harvard professor Benjamin Sachs has proposed.<sup>21</sup> No reason exists that the worker organizations codified by the NLRA to bargain with employers should also be the worker organizations that fund political campaigns. Prohibiting unions from engaging in electoral politics—for instance, with restrictions similar to those imposed upon tax-exempt non-profits—would immediately make them more attractive to workers and a cause more palatable for Republicans to join Democrats in supporting.

One politically viable path might be to pair this reform with a legislative effort to reverse *Citizens United* and restrict corporate political spending. Senator Hawley has already introduced legislation to do the latter.<sup>22</sup> Lawrence Mishel, long-time president of the labor-aligned Economic Policy Institute, has suggested he would take that deal.<sup>23</sup>

Another promising approach would seek to create new forms of less adversarial worker representation, along the lines of the collaborative works councils popular in Germany. The NLRA prohibits such efforts on the theory that employers would use them to co-opt organizing energy and short-circuit efforts at forming full-fledged unions.<sup>24</sup> But in a world where so few private-sector workers are organized and most say they would actively prefer this alternative model, it should at least be offered as an option.

An innovative proposal from Senator Marco Rubio and Congressman Jim Banks would eliminate the prohibition on works councils and establish a framework for employers and workers to partner in creating them, while also mandating that an employer going this route must also allow a worker representative on the board of directors.<sup>25</sup>

But the more dramatic, systemic reform that has begun to attract attention is adoption of a sectoral bargaining model. Long a subject of discussion in think tanks<sup>26</sup> and policy journals,<sup>27</sup> the issue broke through to the mainstream political discourse in March when *Politico* reported that Senator Vance wanted “to see the U.S. move toward the sectoral model used in Europe, where contracts are negotiated to cover entire industries”.<sup>28</sup>

The sectoral bargaining model stands in contrast to the company-by-company system of “enterprise bargaining” used in the U.S. and other, predominantly Anglo-American countries. In a sectoral model, a union represents workers across an industry or occupation and negotiates on their behalf with a trade association representing the relevant employers. The resulting contract governs terms and conditions of employment industry-wide.

Sectoral bargaining avoids many of the dysfunctions of enterprise bargaining described above, and tends to deliver better outcomes including higher employment levels, wages, and leisure time, and lower levels of wage inequality.<sup>29</sup> Because the union is an industry-wide institution outside of any given firm, all workers are free to

join or not, regardless of their place of employment. Because firms within an industry know they will all be held to the same contract, none has a reason to resist the union's presence or refuse good-faith bargaining.

In the particularly successful German model,<sup>30</sup> the combination of sectoral bargaining at the industry level and works councils at individual firms avoids a race-to-the-bottom on labor standards by holding everyone to the *same* standards—while still affording significant flexibility and rewarding innovation. And with negotiations covering broad swathes of the economy, workers as well as employers have a strong incentive to strike reasonable deals that promote long-term competitiveness. For instance, in 2022 negotiations conducted amidst soaring inflation, IG Metall, Germany's main industrial union, agreed to decreases in real wages.<sup>31</sup>

When negotiations occur at the firm level, each set of workers rationally attempts to extract maximum concessions for themselves, setting off a tragedy of the commons that can leave all worse off if the result is rapidly rising prices. But when the negotiating parties know that their decisions will directly affect macroeconomic trends economy-wide, they rationally act in workers' broader and longer-term interest.

For decades, IG Metall has also sought to hold wage increases at or below the rate of productivity gains, ensuring that Germany's export-led manufacturing sector would remain globally competitive. The practice in turn created a strong, shared incentive for employers and workers to seek productivity gains.<sup>32</sup> From 1998 to 2007, compensation costs for production workers in the U.S. auto manufacturing sector rose by 24 percent, to \$33 per hour. In Germany, the increase in the same sector was 51 percent, to \$52 per hour.<sup>33</sup> The German sector was not the one facing bankruptcy at the period's end. Economy-wide, U.S. GDP per capita far exceeds levels in Europe, but that comparison is skewed badly by the strong dollar and lower hours worked in many European countries. On a "purchasing power parity" basis and measured per hour, The Economist noted recently, productivity in many European countries is higher than in the United States, and in most it has been rising faster over the past decade<sup>34</sup>—including in both France and Germany, where most workers are covered by sectoral agreements.<sup>35</sup>

One other important benefit of the sectoral model is that labor unions, as institutions of civil society that any worker can join rather than company-specific organizations subject to contentious certification votes, become natural sites for the delivery of valuable benefits and services. In the "Ghent System" popular across northern Europe, for instance, unions are a popular provider of unemployment insurance and other benefits that Americans would presume must come from either the government or the employer, in turn boosting union membership. Likewise, in sectoral systems, unions play a leading role in worker training and tend to deliver better outcomes as a result.<sup>36</sup>

Sectoral bargaining is not something that an advanced economy could simply adopt in one fell swoop, with 5,000 pages of federal legislation. But it provides an ideal template for experimentation.

The more modest reforms described above would be important complements to such experimentation. The industry-wide unions of sectoral bargaining are quasi-public institutions that require government's support and authorization to bargain on behalf of an industry's workers, and its funding to provide benefits and services. They cannot play those roles while simultaneously behaving as partisan political actors. By more than 2-to-1, Americans of every class and every political party support reforms that get unions out of politics and into training and benefits.<sup>37</sup>

Likewise, an industry in which bargaining occurred at the sectoral level would ideally be one in which firms could also create works councils to provide both flexibility in adapting broad agreements to local conditions and local representation for workers addressing workplace issues. "Systems where sector-level agreements set broad framework conditions but leave detailed provisions to firm-level negotiations," according to the OECD, "tend to deliver good employment performance and higher productivity."<sup>38</sup>

Innovative policymakers should look for opportunities to experiment with the model in specific jurisdictions and industries. An ideal configuration might be a conservative governor or mayor partnering with an industry lamenting “labor shortages” or a “skills gap” and a union that has never made in-roads organizing there before, to establish a local labor organization and trade group authorized to negotiate terms that would be codified industry-wide. Think “Nashville hotel staff” or “Indiana truck drivers”.

Many variables require specification: Who controls the organizations and how is their legitimacy validated by the workers and employers represented? What terms and conditions are subject to negotiation and what happens when agreement cannot be reached? What other activities would the labor organization be encouraged to carry out, funded by whom, and what activities would be proscribed? Some arrangements would likely collapse, but others would succeed and could be replicated: same jurisdiction with a new industry, or same industry in a new jurisdiction.

The past 40 years have been a disaster for the labor movement. Workers have paid the steepest price, but employers too have been harmed by having neither a viable partner for workforce development nor consistent pressure to focus on productivity gains. Few reforms promise to be as gradual and messy, but getting labor right is indispensable to making the next forty years better than the last forty—for workers, their families, and their communities; for workplaces and the broader labor market; and for the economic trajectory of the nation.

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Explore the Economic Innovation Group’s American Worker Project [here](#).

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<sup>1</sup> Adam Smith, *The Wealth of Nations* (1776).

<sup>2</sup> John Stuart Mill, *Essays on Economics and Society* (1869) [https://oll-resources.s3.us-east-2.amazonaws.com/oll3/store/titles/232/0223.05\\_Bk.pdf](https://oll-resources.s3.us-east-2.amazonaws.com/oll3/store/titles/232/0223.05_Bk.pdf)

<sup>3</sup> Robert Nisbet, *The Quest for Community* (1953).

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<sup>4</sup> *Laborem Exercens* (1981).

<sup>5</sup> Smith, *Wealth of Nations*.

<sup>6</sup> <https://americancompass.org/speculating-wall-street-investment/>

<sup>7</sup> American Worker Project chart book.

<sup>8</sup> BLS Manufacturing Labor Productivity (output per hour).

<sup>9</sup> <https://americancompass.org/labor-market-not-yet-working-for-workers/>

<sup>10</sup> <https://crsreports.congress.gov/product/pdf/R/R47596#:~:text=1880s-1930s%3A%20Prior%20to%20the,11.0%25%20from%201901%20through%201934.>

<sup>11</sup> <https://americancompass.org/not-what-they-bargained-for/> (56 percent favorable / 28 percent unfavorable).

<sup>12</sup> <https://americancompass.org/not-what-they-bargained-for/>

<sup>13</sup> <https://americancompass.org/not-what-they-bargained-for/>

<sup>14</sup> <https://www.semanticscholar.org/paper/Labor-Market-Conflict-and-the-Divide-of-the-Rust-Alder-Lagakos/43c7abaa29f149c16e7d72b528ea5060436633d3?p2df>

<sup>15</sup> <https://americancompass.org/not-what-they-bargained-for/>

<sup>16</sup> <https://www.tandfonline.com/doi/abs/10.1080/00236569300890011>

<sup>17</sup> <https://americancompass.org/not-what-they-bargained-for/>

<sup>18</sup> <https://www.bls.gov/opub/mlr/1989/07/art4full.pdf>

<sup>19</sup> <https://www.dailysignal.com/2024/07/09/sen-josh-hawley-america-founded-on-christian-nationalism/>

<sup>20</sup> <https://www.nytimes.com/2024/07/17/us/politics/read-the-transcript-of-jd-vances-convention-speech.html>

<sup>21</sup> <https://www.yalelawjournal.org/essay/the-unbundled-union>

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- <sup>22</sup>[https://www.realclearpolitics.com/articles/2023/10/31/sen\\_josh\\_hawley\\_to\\_introduce\\_bill\\_reversing\\_citizens\\_united\\_149989.html](https://www.realclearpolitics.com/articles/2023/10/31/sen_josh_hawley_to_introduce_bill_reversing_citizens_united_149989.html)
- <sup>23</sup><https://x.com/LarryMishe/status/1672635467987075072>
- <sup>24</sup>NLRA section 8(a)(2).
- <sup>25</sup><https://www.newsweek.com/right-starting-represent-workers-outside-unions-opinion-1680770>
- <sup>26</sup><https://americancompass.org/statement-on-labor-from-prominent-conservatives-strong-worker-representation-can-make-america-stronger/>
- <sup>27</sup><https://americanaffairsjournal.org/2020/02/tripartism-american-style-the-past-and-future-of-sectoral-policy/>
- <sup>28</sup><https://www.politico.com/news/magazine/2024/03/15/mr-maga-goes-to-washington-00147054>
- <sup>29</sup>[https://www.oecd-ilibrary.org/employment/negotiating-our-way-up\\_068bb29d-en](https://www.oecd-ilibrary.org/employment/negotiating-our-way-up_068bb29d-en)
- <sup>30</sup><https://www.aeaweb.org/articles?id=10.1257/jep.36.4.53>
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