

# THE APPLICATION AND IMPACT OF LABOR UNION DUES IN ILLINOIS

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*An Organizational and Individual-Level Analysis*

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## **EXECUTIVE SUMMARY**

An estimated 15.2 percent of Illinois' workers are represented by a union. These workers can voluntarily choose to leave their unionized workplace, opt out of paying certain dues, or vote to decertify their labor organization. Thus, labor unions in Illinois must continually demonstrate how workers benefit from contributing membership dues.

An analysis of Form LM-2 reports filed in FY2014 by 258 labor unions representing 744,439 total members in Illinois finds:

- The average union member contributes \$663 in annual dues, fees, and other membership payments in Illinois to labor union locals— about \$55 per month.
- Labor unions in Illinois spend 77 percent of dues and fees on bargaining and representation.
- Only 2 percent of all membership dues and fees collected by labor organizations in Illinois are spent on political activities and lobbying— or \$14 annually per member.

There are many personal benefits to being a union member in Illinois. Statistical analysis of data from the U.S. Census Bureau and the Bureau of Labor Statistics reveals:

- Union membership increases the after-tax incomes of workers by \$4,060 annually on average.
- Unions increase the likelihood that a worker has health insurance by 14 percentage points.
- Unions decrease the chances that a worker relies on food stamps by 2 percentage points.

**The annual benefit-to-cost ratio of paying union dues is very high in Illinois: For every \$1 paid in dues and fees, an estimated \$6.12 is returned to union members in after-tax income.** This financial return is *in addition to* other personal benefits such as better health coverage and higher job satisfaction.

While there are significant individual benefits to being a union member in Illinois, labor organizations also have impacts on the broader Illinois labor market. Results from an economic impact analysis show:

- Union members independently create nearly 43,000 additional jobs that would not exist in Illinois without unionization— including over 10,000 direct jobs in labor organizations and almost 33,000 other jobs from the higher earnings and consumer spending of union households.
- The net impacts of union members are a \$3.6 billion increase in Illinois' economic output and \$218 million more in state income tax revenue than there would be without unionization.

Finally, while some critics argue that labor unions have “too much” political influence in Illinois, political campaign spending data from public disclosure agencies do not support this claim. Of the \$309.6 million that was contributed to Illinois' state and local elections in 2014:

- Labor unions contributed \$30.7 million, or 10 percent of all state and local political spending.
- Business, finance, insurance, and real estate interests contributed \$45.7 million (15 percent).
- A sample of large individual donors and self-financed candidates contributed \$54.4 million to campaigns (18 percent).

This report describes how the dues of Illinois' union members are functionally applied. At an annual cost of \$663, union dues and fees increase worker wages by \$4,060 after taxes— a \$6.12 personal benefit per dollar invested. The dues also increase the chances that a worker has health insurance coverage, reduce the chances that he or she relies on government assistance, and give the employee a voice at work. Finally, union dues stimulate the broader Illinois economy. Any attempt to weaken labor organizations in Illinois, if successful, would reduce these positive impacts that union members have on the state.

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## INTRODUCTION

Labor unions are voluntary organizations functioning within civil society to represent the economic and political interests of working-class men and women. Millions of Illinois workers have sought to organize into unions since the 1800s as an expression of their freedom of association. Workers have fought for the right to organize to tilt the balance of power from employers to employees, to provide due process procedures, and to ensure that they earn an adequate living to support a family. Labor organizations thus arise when individuals decide to come together to collectively address market inefficiencies and social problems.

As an economic agent, organized labor influences the productivity, managerial efficiency, training, job security, workplace relationships, value of a person's work, cost of production, and profitability in the private sector. In a rapidly expanding global labor market there is a linkage between organized labor and American competitiveness. Unions in the public sector are associated with the delivery of services, cost of government programs, rates of taxation, protection of public goods, and funding for need services. In brief, labor unions have a measurable effect on both the marketplace and the public square.

While predicated on the employment relationship, labor unions have an undeniable impact on social and political structures. Scholars find that labor unions contribute much more to society than a fairer economy. Barbara Flick (2009) declares that, beyond collective bargaining, labor is the "quintessential civil society organization (CSO)." She contends that there is a strong link between the existence of free trade unions and the level of democratization in a country. According to Flick, unions are uniquely situated to challenge the power of the elite, provide a voice for citizens, and model democratic behaviors. One of the major ways unions constitute a critical attribute of a democratic society is by having a salutary impact on political elections.

Benjamin Radcliff and Patricia Davis demonstrate (2000) that rates of unionization are important determinants of the size of the U.S electorate. Unions expand a nation's democratic participation. The authors reveal that, after controlling for a state's union membership, a higher density of union membership increases voter turnout by nearly 7 percent.

Importantly, labor's political mobilization is not neutral. One analysis of the groups that lobby for public policies found that the most effective and consistent advocate for the middle class is organized labor (Gilens, 2012). By contrast, one of the interest groups least committed to advancing middle-class positions was the Chamber of Commerce.

In the fall 2014 Illinois state election, some estimates had labor households amounting to nearly a third of the overall vote, while accounting for only 15 percent of the workforce. Voter turnout data has repeatedly affirmed a fundamental governing proposition: As unionization increases, the democratic participation of citizens expands. However, there is more virtue to this proposition than more people casting ballots. Not only are millions of working people voting but, by taking part in what Clayton Sinyai (2006) calls "schools of democracy," they are more able to

act assertively, knowledgeably, and purposively. If Americans want voters to be well-informed and for every vote to count, then they need look no further than the labor movement.

Political writer Harold Myerson (2012) summed up organized labor's economic and political impact in this way: "Absent a substantial union movement, the American middle class will shrink. Absent a substantial union movement, the concentration of wealth will increase. Absent a substantial union movement, the corporate domination of government will grow."

Recognition of the union's economic and political contributions are necessary to appreciate the substantive implications of rules governing dues collection. Labor unions represent and collectively bargain on behalf of all workers in a workplace, regardless of whether every worker is a member. The collective bargaining process encourages unions and employers to negotiate efficient contracts. Companies may want lower costs or increased flexibility in hiring and firing employees, but the main "item" that employers want is labor. Workers, on the other hand, may desire better wages, benefits, and working conditions. After a give-and-take process exhausts all possible bargaining outcomes between the two sides, they arrive at an agreement to hire the "right" number of workers at the efficient compensation levels such that workers do not go on strike and there is no loss in productive output.

Although unions must represent all employees in a workplace, workers are not forced to join a union anywhere in Illinois. Employers and labor unions are at liberty to negotiate a range of "union security" clauses into the collective bargaining agreement, which ensure that each member of a bargaining unit who benefits from the contract—e.g., through better pay or grievance representation—also provides his or her fair share of dues or fees. Non-members who benefit from union representation typically are required to pay for bargaining costs but are not forced to finance non-bargaining or political activities.

Labor unions in Illinois have strong incentives to continually provide value to workers and communities. As of 2015, an estimated 15.2 percent of Illinois' workers were union members and an additional 0.8 percent were not members but were covered by a labor union at their main job (BLS, 2016a). These workers can voluntarily choose to leave their unionized workplace, opt out of paying certain dues, or vote to decertify their labor organizations. In order to maintain or increase active membership, individual unions must demonstrate how workers benefit from contributing membership dues.

Notwithstanding that rules establishing a union's right to collect dues have been settled in the private sector since passage of the Taft-Hartley Act in 1947 and for government employees since the 1977 Supreme Court decisions in *Abood v. Detroit Teachers Association*, a novel claim against paying dues was brought by a national coalition of anti-union groups. The plaintiffs in the Supreme Court case *Friedrichs v. California Teachers Association* argued on January 11, 2016 that there were no distinctions between the collective bargaining activities of a government employees union and its political advocacy.

On March 29, in a one sentence unsigned opinion, the Court split 4-4 over the question of

whether First Amendment rights of nonunion members are violated when they are compelled to pay “fair-share” fees (AP, 2016). The death of Antonin Scalia, a conservative justice, likely denied the petitioners a majority ruling that would have imposed a national “right-to-work” regime on the public sector. In deadlocking, the Court affirmed lower court rulings that union security clauses for government employees were not unconstitutional prohibitions of First Amendment protections.

Despite the *Friedrichs*’ ruling, there remain lower court challenges to paying union dues. The passage of “right-to-work” laws in four states since 2012 has also thrust the debate around union dues into the national legislative and judicial maelstrom (Marvit, 2016). Additionally, the subject of union dues has become directly relevant to Illinois employees, employers, and policymakers—with efforts by the state’s governor to curtail the collection of “fair share” or “agency fee” payments from state employees covered by a collective bargaining agreement (Carlson 2015).

While the claims in the *Friedrichs*’ case triggered discussion about union membership and free speech, a more practical examination of the subject of union dues is merited. What, for example, do union dues do? How are they allocated and to what ends? What is the value proposition of paying dues for an employee who chooses to work for a unionized employer?

This Policy Brief, conducted jointly by the Illinois Economic Policy Institute (ILEPI) and the Project for Middle-Class Renewal (PMCR) at the University of Illinois at Urbana-Champaign, evaluates the costs and benefits of union membership in Illinois. The first section investigates the typical dues and fees paid by union members in Illinois. The second section then breaks down how union dues are spent in Illinois by activity— including political activities and lobbying. Upon examining the individual cost of membership and where dollars go, the personal benefits of union membership for Illinois workers are explored in the third section. The fourth section analyzes the benefits of labor unions to the entire Illinois economy. Given that some commentators and special interests have claimed that unions may have an economic cost to Illinois through their political influence, a final section compares and contrasts political contributions in Illinois’ most-recent state and local election. The Policy Brief concludes by recapping key findings.

## **PREVIOUS RESEARCH**

As voluntary workplace organizations and civic institutions, unions rely on the financial support of members to conduct operations and provide services. Union dues and fees are the principal means by which a labor organization is able to develop the infrastructure to meet its obligations to represent all of the workers covered under a collective bargaining agreement. The subject of those receipts, particularly how they are disbursed, and their impacts have been investigated from various scholarly vantage points.

Numerous studies have explored the role of union dues on a variety of employee economic outcomes including a wage premium (Raisian, 1983), the effect on fringe benefits (Freeman,

1981), and even levels of satisfaction with retirement (Neuman, 2011). Research has been conducted explaining the basic structural variations of union dues and initiation fees and methods of dues collections (Taft 1946; Appelbaum, 1966; Hickman, 1977; Powers, 2014). Additionally, the application of union dues to political activity and the appropriateness of union expenditures to support political activity have been widely examined (Fisk, 2014; Hogler, 2012; Disalvo, 2012; Masters et al., 2009; Crampton et al., 2002; Clark, 1999; Thornicroft, 1990; Kovach, 1993; Nelson, 1977).

Union dues have been addressed in discussions about solving the “free rider” problem and in confronting objections to the “agency fee payer” designation (Reynold, 1980; Miller, 2007). Additionally, research has tested the determinants of a worker paying dues and the effects of dues-paying on union behavior (Jermier et al., 1988; Voos, 1983; Christenson & Maki, 1983; Jermier et al., 1986). Extensive research also investigates the need for unions to secure a stable means of financial support to conduct day-to-day functions and the relationship between low levels of dues income and the importance of voluntary membership participation (Hodges, 2012; Willman, 2001).

Despite the considerable amount of scholarly research published on union dues, there is little illumination on the actual cost-benefit relationship to an individual union member or agency fee payer. This report explores the organizational and individual-level impacts of the application of union dues on behalf of employees covered under a collective bargaining agreement in Illinois.

## **UNIONS DUES AND FEES COLLECTED IN ILLINOIS**

Nearly every labor organization subject to the Labor-Management Reporting and Disclosure Act must file a Form LM-2 each year with the Office of Labor-Management Standards of the U.S. Department of Labor. The Form LM-2 is required for all labor unions that represent private sector employees or U.S. Postal Service employees and have \$250,000 or more in total annual receipts. Unions representing exclusively public employees whose employer is the state or a local unit of government do not have to file a Form LM-2 (OLMS, 2015a).<sup>1</sup>

In Fiscal Year 2014, a total of 258 labor unions in Illinois filed Form LM-2 reports with the Department of Labor (OLMS, 2015b). Figure 1 presents the five local or intermediate labor unions in Illinois with the largest membership totals who also assessed dues, according to the Form LM-2 reports. The Illinois Education Association, representing 133,603 teachers and related workers, is the largest labor organization required to file a Form LM-2. The Service Employees International Union Local 1, the Local 881 United Food and Commercial Workers, and the Service Employees International Union Local 73 all represent between 20,000 and 50,000 members. The

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<sup>1</sup>. Data for this section of the report excludes intermediate unions that submit LM-2s but do not assess dues. These unions do receive a per capita payment from affiliated locals. The two largest such labor organizations by membership are the Illinois Federation of Teachers (IFT), with 92,364 members, and the American Federation of State, County and Municipal Employees (AFSCME) Council 31, with 59,360 members.

International Union of Operating Engineers Local 150 ranked 5<sup>th</sup> by total membership amongst filers and had assets totaling over \$125.5 million (Figure 1).

FIGURE 1: LABOR UNION LOCALS WITH THE LARGEST MEMBERSHIP TOTALS IN ILLINOIS, REPORTING UNIONS, FY2014

Rank	Organization Name	Total Membership	Total Assets
1	Illinois Education Association (IEA-NEA)	133,603	\$50,472,833
2	Service Employees International Union (SEIU) Local 1	46,408	\$7,705,629
3	Local 881 United Food and Commercial Workers (UFCW)	32,684	\$15,423,507
4	Service Employees International Union (SEIU) Local 73	22,912	\$2,191,503
5	International Union of Operating Engineers (IUOE) Local 150	21,699	\$125,538,992

Source(s): OLMS, 2015b. Form LM-2 Data.

The 258 labor union locals filing Form LM-2 reports represented 744,439 total members, or approximately 2,885 members each in Fiscal Year 2014 (Figure 2). The Bureau of Labor Statistics (BLS) at the U.S. Department of Labor reports that there were approximately 880,000 wage and salary Illinois workers represented by a labor union at work (BLS, 2016a). Thus, the Form LM-2 dataset includes data for about 85 percent of all union members in the state.

The cumulative annual revenue generated by these 258 labor organizations totaled \$678.3 million in 2014 (Figure 2). The primary sources of receipts for labor unions are dues, agency fees, and other payments from members. In total, union members in these organizations contributed \$493.5 million in dues, fees, and other revenue— or 72.8 percent of total receipts. Interest, dividends, rents, loan repayments, sales of supplies and assets, and other sources of income account for the remaining 27.2 percent of receipts.

FIGURE 2: DESCRIPTIVE STATISTICS OF LABOR ORGANIZATIONS IN ILLINOIS, REPORTING UNIONS, FY2014

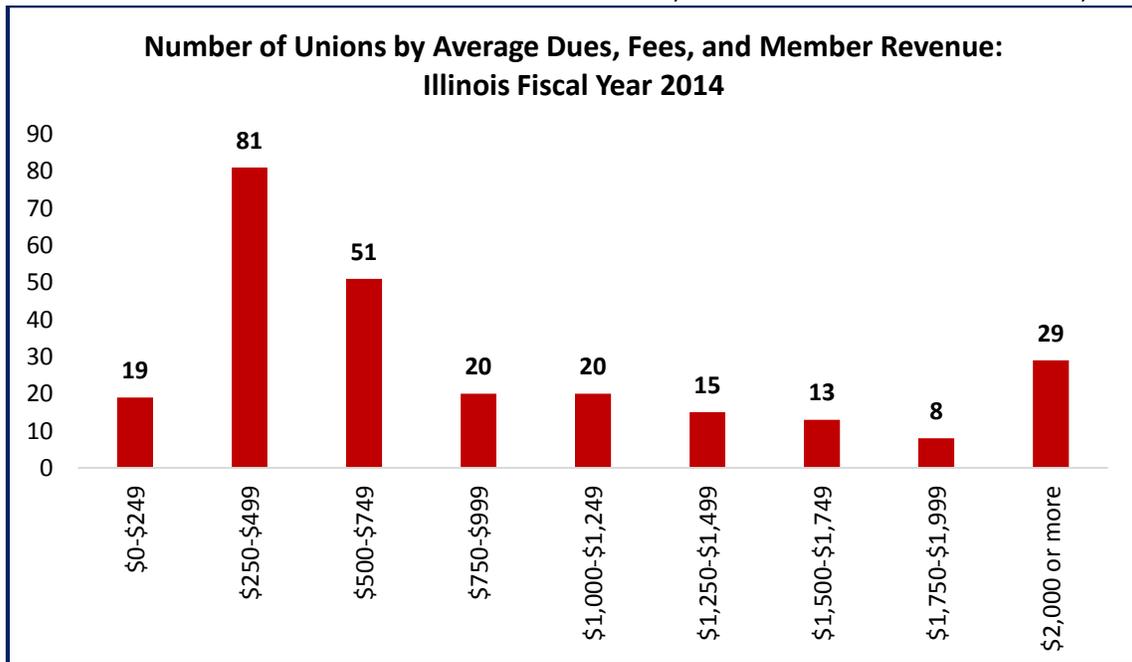
U.S. Department of Labor (Form LM-2) Data on Labor Organizations	Value
Labor Organizations Filing a Form LM-2	258
Members Represented	744,439
Estimated Union Members Covered in Form LM-2s	84.6%
Total: All Receipts	\$678,279,359
Total: Dues, Agency Fees, and Other Revenue from Members	\$493,482,217
Dues, Fees, and Membership Revenue Share of Total Receipts	72.8%
Average: Annual Dues, Fees, and Membership Revenue Per Member	\$662.89
Median: Annual Dues, Fees, and Membership Revenue Per Member	\$646.02

Source(s): OLMS, 2015b. Form LM-2 Data.

In Illinois, the average union member contributes \$663 in annual dues, fees, and other membership payments to his or her labor union. This equates to approximately \$55 per month for the average member. The median union member provides \$646 in annual membership dues and fees (Figure 2).

The vast majority of unions collect less than \$1,000 in annual dues, agency fees, and other member revenue (Figure 3).<sup>2</sup> According to the Department of Labor data, 171 out of the 258 unions (66.8 percent) have annual membership dues and fees that are under \$1,000 per member. These include 120 unions (39.1 percent) that collect less than \$500 per member. Only 29 of the unions (11.2 percent) collected more than \$2,000 in annual revenue per member. However, in four of these cases, over one-fifth of the revenue from members was collected for disbursements on their behalf such as, “for example, contributions from members for transmittal by the labor organization to charities” (OLMS, 2015c). Thus, fewer than 10 percent of all unions in Illinois actually require membership dues and fees in excess of \$2,000 annually.

FIGURE 3: DISTRIBUTION OF MEMBERSHIP DUES AND FEES IN ILLINOIS, UNION-LEVEL FOR REPORTING UNIONS, FY2014



Source(s): OLMS, 2015b. Form LM-2 Data.

### ACTIVITIES SUPPORTED BY UNION DUES AND FEES IN ILLINOIS

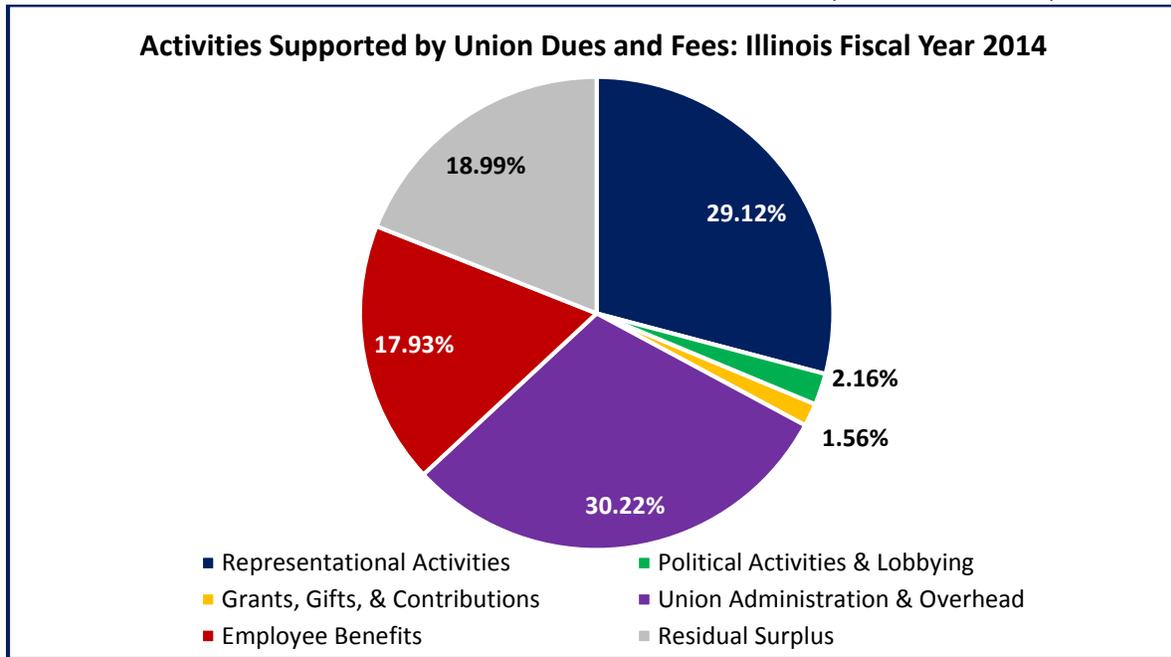
A labor union represents the interests of employees in the workplace. The main functions of a union are to collectively bargain over wages, benefits, and working conditions; to represent workers in disputes with management or other employees; and to make the workplace more democratic by giving workers a voice. Moreover, many labor unions invest in industry advancement and in worker training, such as the widespread use of joint labor-management registered apprenticeship programs in construction. Many unions also spend a portion of membership dues on charitable donations, student scholarships, and food banks. Finally, some

<sup>2</sup> While not included in the overall data, for comparison purposes, annual per member membership payments are \$535.56 for AFSCME Council 31 and \$323.90 for the IFT.

unions engage in political activities and lobbying, although members are legally allowed to opt out of contributing dues to fund political activities if they choose.

In Illinois, labor organizations spend approximately 77.3 percent of membership dues and fees on bargaining and representation (Figure 4).<sup>3</sup> This estimate includes union administration and overhead (30.2 percent) and employee benefits (17.9 percent), as well as expenditures on representational activities (29.1 percent). The costs of elected officers, organizers, lawyers, and other union staffers— who negotiate contracts and act on behalf of workers in disputes— fall within these spending categories. Total “residual surplus,” which is the value of receipts minus spending, accounts for about 19.0 percent of membership dues in Illinois. This means that the average Illinois union saves about one-fifth of its membership dues for future activities, often for the next contract negotiation. Approximately 1.6 percent of membership dues were expended on grants, gifts, and contributions in Fiscal Year 2014 (Figure 4).

FIGURE 4: ACTIVITIES SUPPORTED BY MEMBERSHIP DUES AND FEES IN ILLINOIS, REPORTING UNIONS, FY2014



Source(s): OLMS, 2015b. Form LM-2 Data.

Labor organizations are required to report their direct and indirect political disbursements to entities and individuals. Political contributions are those “intended to influence the selection, nomination, election or appointment of anyone to a Federal, state, or local executive, legislative or judicial public office, or the election of Presidential or Vice Presidential electors, and support for or opposition to ballot referenda” (OLMS, 2015c). Get-out-the-vote (GOTV) campaigns, voter education campaigns, and lobbying efforts are all included.

<sup>3</sup> In AFSCME Council 31's case, 87 percent of the per capita tax allocated by its affiliates was spent on “Representational Activities,” while the IFT allocated 75 percent of its per capita tax on “Representational Activities.” In 2014, the proportional figure for AFSCME was less than what is typically allocated due to the availability of a surplus that was spent on political activities.

In Illinois, approximately 2.2 percent of all dues, fees, and membership contributions are spent by labor organizations on political activities and lobbying (Figure 5).<sup>4</sup> In 2014, unions spent just \$14.05 per member on political activities and lobbying, or about \$1.17 per member per month (Figure 5). In addition, the median union expended just \$6.62 per member on political activities over the year (\$0.55 per member per month). Despite claims to the contrary, political spending accounts for only a marginal share of total union activities in Illinois.

FIGURE 5: POLITICAL ACTIVITIES AND LOBBYING SUPPORTED BY DUES AND FEES IN ILLINOIS, REPORTING UNIONS, FY2014

Dues Spent on Political Activities and Lobbying	Value
Average Dues	\$14.05
Median Dues	\$6.62

Source(s): OLMS, 2015b. Form LM-2 Data.

## **THE PERSONAL BENEFIT OF UNION MEMBERSHIP IN ILLINOIS**

There are many personal benefits to being a union member. In the early 1990s, two leading labor economists found that unions raise worker wages by between 10 and 17 percent (Freeman, 1991; Card, 1992). This union wage premium has held over time (Hirsch & Macpherson, 2006; Schmitt, 2008; Manzo et al., 2015) Additionally, after controlling for all measurable factors, union membership nationally improves the likelihood that a worker will have employer-provided health insurance coverage by 6 percentage points and pension coverage by 13 percentage points, while lowering the probability that a given worker is below the official poverty line by about 3 percentage points (Manzo & Bruno, 2014).

To investigate how labor unions personally impact workers in Illinois, this report uses data from the March *Current Population Survey*, a household survey conducted jointly by the U.S. Census Bureau and the Bureau of Labor Statistics (BLS) (Flood et al., 2015). The BLS utilizes the *Current Population Survey* every month to measure unemployment and wage growth. In March, respondents are asked additional questions, including union membership status. Overall, the dataset includes 4,801 responses from employed workers from 2004 to 2013. The analysis uses statistical weights provided by the Census Bureau and the BLS to match these survey responses to the actual Illinois workforce. The weighted employed population in Illinois was 5.7 million workers on average over the ten-year period. Income estimates in this dataset were adjusted for inflation using the Consumer Price Index (BLS, 2016b).

Union membership improves annual earnings and health insurance coverage outcomes for workers in Illinois (Figure 6). After controlling for other measurable factors such as occupation, industry, education, demographics, and veteran status, union membership is found to

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<sup>4</sup>. On the basis of the per capita tax allocated from affiliates, AFSCME Council 31 spent \$25.68 per member and the IFT spent \$14.04 per member on “Political Activities and Lobbying” in 2014. AFSCME’s expenditure was roughly 7.2 percent of all disbursements but the figure was inflated above what is typically allocated due to the availability of a surplus that was spent on political activities.

statistically increase the annual wage and salary incomes of workers by \$5,261 on average in Illinois. A second regression parsing out the union difference for the median worker finds that labor unions particularly benefit the middle class in Illinois. Union membership is associated with a \$9,700 increase in inflation-adjusted annual earnings for the median worker in Illinois. Finally, a comparison of employees finds that union membership increases the chances that an Illinois worker has health insurance coverage by 14.0 percentage points on average. Each of these analyses finds that unions foster self-sufficient workers. Unions raise worker wages, boost the middle class, and promote health insurance coverage.

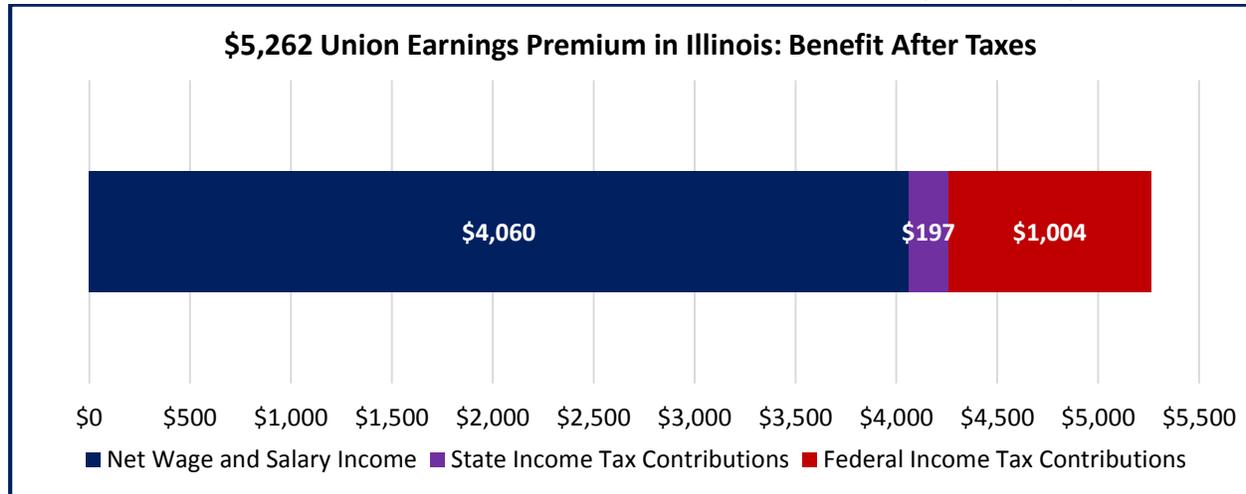
FIGURE 6: REGRESSIONS OF THE IMPACT OF UNION MEMBERSHIP ON ECONOMIC OUTCOMES IN ILLINOIS, 2004-2013

Current Population Survey Data	Standard Regression: Real Wages and Salary	Median Regression: Real Wages and Salary	Standard Probit: Health Coverage
The Union Difference	\$5,261.63**	\$9,699.52***	14.04%***
R <sup>2</sup>	0.235	0.229	0.229
Sample Size	4,705	4,700	4,700

\*\*\* $p \leq 0.01$ ; \*\* $p \leq 0.05$ ; \* $p \leq 0.10$ . Source(s): Flood, et al., 2015. IPUMS-CPS. March Current Population Survey. Regression results are for employed Illinois residents only and control for age, gender, race/ethnicity, educational attainment, veteran status, occupation, and industry. For complete regression outputs in a .txt format, contact author Frank Manzo IV at [fmanzo@illinoisepi.org](mailto:fmanzo@illinoisepi.org).

Because they earn higher incomes, union workers contribute more in federal and state income tax revenues than their nonunion counterparts (Figure 7). On average, workers who are union members in Illinois contribute \$4,693 in federal income taxes over the year while workers who are not in a union pay \$3,689 in federal taxes, a difference of \$1,004. Similarly, the \$5,262 union wage premium in Illinois means that union members pay \$197 more in state income taxes than their nonunion equivalents. As a result, the financial benefit of being a union member is a net gain of \$4,060 annually in wage and salary income after taxes for the average Illinois worker.

FIGURE 7: PERSONAL WAGE AND SALARY BENEFIT OF UNION MEMBERSHIP IN ILLINOIS, AFTER TAXES, 2004-2013

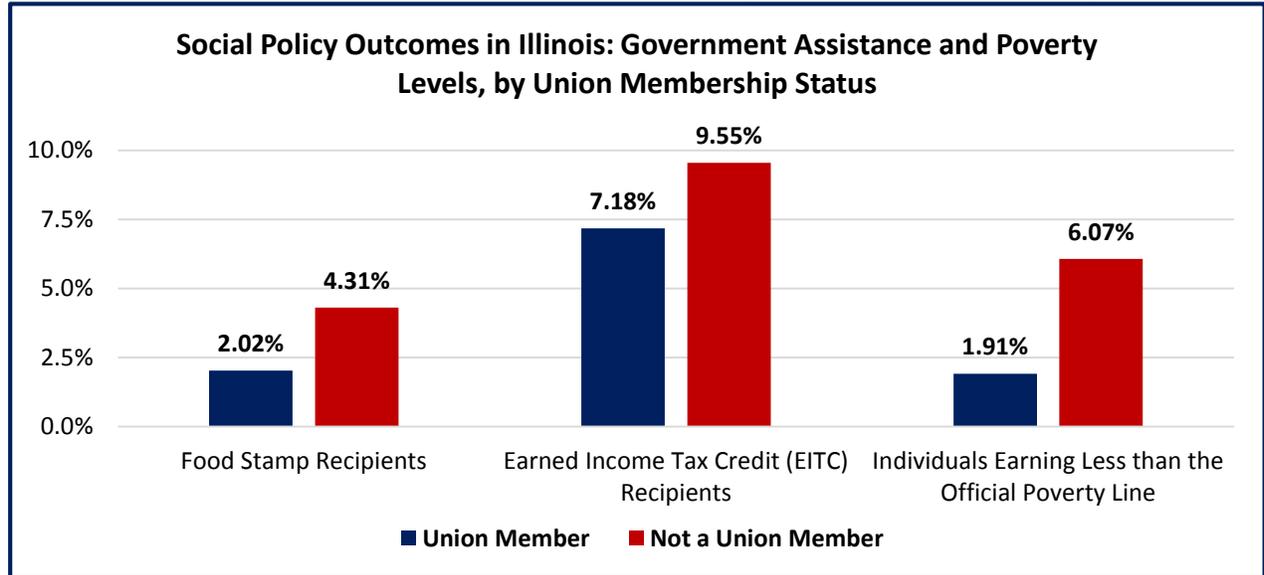


Source(s): Flood, et al., 2015. IPUMS-CPS. March Current Population Survey. For complete earnings and tax information in a .txt format, contact author Frank Manzo IV at [fmanzo@illinoisepi.org](mailto:fmanzo@illinoisepi.org).

By promoting self-sufficiency, labor unions prevent workers in Illinois from relying on government assistance programs (Figure 8). Figure 8 presents social policy information for

Illinois, broken down by union membership status. The data comprise workers in all sectors of the economy. The Census Bureau and Department of Labor data reveal that approximately 2.0 percent of Illinois' union members relied on food stamps, 7.2 percent of Illinois' union members received earned income tax credits (EITC), and only 1.9 percent of Illinois' union members earned an income that placed them below the official poverty line. By contrast, nonunion workers in the state were more likely to rely on food stamps (4.3 percent), more likely to get EITC assistance (9.6 percent), and more likely to earn poverty-level wages (6.1 percent). Labor unions raise worker wages, boost the middle class, improve health insurance coverage, increase state tax revenues, and reduce both poverty and reliance on government assistance programs in Illinois.

FIGURE 8: GOVERNMENT ASSISTANCE AND POVERTY LEVELS IN ILLINOIS, BY UNION MEMBERSHIP STATUS, 2004-2013



Source(s): Flood, et al., 2015. IPUMS-CPS. March Current Population Survey. For complete government assistance and poverty level estimates in a .txt format, contact author Frank Manzo IV at fmanzo@illinoisepi.org.

The personal benefits of union membership greatly exceed the individual costs in Illinois (Figure 9). While the typical union member contributes \$663 per year in membership dues and fees, he or she earns \$4,060 more in annual after-tax income from being a union member on average. Union membership also increases the likelihood that the worker will have health insurance by 14.0 percentage points and decreases the chances that he or she will rely on food stamps by 2.3 percentage points.

FIGURE 9: PERSONAL COSTS, BENEFITS, AND BENEFIT-COST RATIO OF UNION MEMBERSHIP IN ILLINOIS, 2014

Annual Costs	Annual Benefits				Benefit-to-Cost Ratio
	Average Dues and Fees	After-Tax Income Benefit	Health Insurance Coverage Benefit	Chance of Relying on Food Stamps	Additional Benefit
\$663	+\$4,060	+14.0%	-2.3%	+Voice at work	+\$6.12

Source(s): OLMS, 2015b. Form LM-2 Data; Flood, et al., 2015. IPUMS-CPS. March Current Population Survey.

Accordingly, the benefit-to-cost ratio of paying union dues is very high (Figure 9). For every dollar paid in dues and fees, an estimated \$6.12 is returned to union members in after-tax income. This means that, on average, the financial return on investment is 512 percent annually for a union worker. Note that this benefit-to-cost ratio only considers average wage and salary income compared to average union dues. Thus, the actual benefit from contributing one dollar in union dues in Illinois is an additional \$6.12 in after-tax income *plus* other benefits such as a higher chance of having health insurance, a lower chance of needing food stamp assistance, and working in a more democratic workplace.

The latter benefit is difficult to quantify but particularly important. By providing a voice to labor, unions ensure that the concerns of workers are addressed. Through effective grievance procedures, unions protect workers against workplace conflict and the abuses of managerial authority. On net, the result is a workforce with higher morale, which reduces employee turnover, cuts down on training costs, and increases worker productivity (Rees, 1989).

The deep importance of work for families and communities means that elected officials and policymakers in Illinois must not overlook the employment relationship. Budd (2014) has persuasively noted that, labor unions “are the most visible nonmarket institution for creating publicly valuable outcomes relating to work.” Work is recognized by economists, philosophers, sociologists, and religious scholars as a human activity that determines how individuals determine their self-esteem and social identity, interact with others, and experience power imbalances in society (Budd, 2011). Accordingly, job satisfaction is a primary determinant of overall life satisfaction. Research done by Pfeffer and Davis-Blake (1990), demonstrates that “unionization has a significant positive effect on job satisfaction.” In an examination of data from the *World Values Survey* for developed countries, Radcliff (2013) found that “both [union] members and nonmembers lead better lives, on average, when more workers are organized.” Clearly, union membership can have other meaningful positive impacts beyond the \$6.12 post-tax financial benefit per dollar invested in dues for workers in Illinois.

## **THE ECONOMIC IMPACT OF UNIONS IN ILLINOIS**

Labor organizations continue to play a prominent role in Illinois. While the previous section analyzed the personal benefits of union membership for an individual Illinois worker, this section evaluates the broader impact of labor unions on the Illinois economy. Union membership raises worker wages, especially for middle-class families. By increasing earnings, unionization boosts consumer spending in the Illinois economy, which saves or creates jobs. Dues and fees paid by members also directly create jobs at labor organizations for officers, administrators, organizers, lawyers, and other staffers. Consequently, individuals in these directly-created jobs spend money in the local economy.

This section utilizes the IMPLAN (IMPact analysis for PLANning) software to measure the impact of union spending on economic activity, employment, and tax revenues in Illinois. IMPLAN is an input-output software that estimates the ripple effect, or multiplier, of changes in industry

spending or household expenditures. The input-output model investigates inter-industry relationships in an economy based on Census data, specifically measuring market transactions between industries and consumers. IMPLAN is considered the “gold standard” for economic impact modeling (Vowels, 2012).

Two “events” are inputted into the analysis– labor organization spending in Illinois and the overall wage premium for all union workers in the state. Total FY2014 Disbursements for unions in the dataset were \$664.9 million. As previously noted, these unions represent 85 percent of all union members in the state. Assuming that disbursements for the unions that did not file a Form LM-2 are proportional to reporting unions, the estimated total spending by labor unions in FY2014 was \$782.2 million. In addition, unions increase annual wages by \$4,060 per worker on average in Illinois. Multiplying this average union benefit by total membership results in an increase of \$3.57 billion in household income in Illinois due to labor unions. The \$782.2 million in spending by labor organizations is the direct impact of union dues and other receipts while the \$3.57 billion net increase in labor income generates other effects.

The economic impact analysis estimates that union members in Illinois independently create 42,950 jobs in the state’s labor market (Figure 10). The \$782.2 million in spending from union dues and other receipts creates an estimated 10,160 direct jobs in labor organizations.<sup>5</sup> The increased consumer spending both from these jobs and from the higher earnings of union households save or create an additional 32,790 jobs in other sectors of the state’s economy. The net impact is a \$3.58 billion increase in Illinois’ economic output, or gross domestic product (GDP).

FIGURE 10: ECONOMIC IMPACT ANALYSIS ON THE EFFECT OF UNION MEMBERS ON THE ILLINOIS ECONOMY, 2014

<b>Net Economic Impact Analysis (IMPLAN Data)</b>	<b>Employment (Jobs Created or Saved)</b>	<b>Illinois GDP (Value Added to the Economy)</b>
Direct Impact on Labor Organizations	10,160	\$647,974,000
Indirect and Induced Effects	32,790	\$2,932,133,000
<b>Total Net Economic Impact</b>	<b>42,950</b>	<b>\$3,580,107,000</b>

Source(s): OLMS, 2015b. Form LM-2 Data; Flood, et al., 2015. IPUMS-CPS. March Current Population Survey; IMPLAN, 2015.

These employment and economic effects are directly attributable to union members and would not exist without unionization. Any critical evaluation of labor organizations claiming that unions cause overall job loss in Illinois *must* account for these positive direct, indirect, and induced impacts associated with union members. Even in cases where there is evidence that unions limit employment within a given occupation, a complete analysis would consider the impact of higher wages on other sectors of the economy and on the productivity of workers in the occupation being studied. While economic theories and “all else equal” analyses are important, economic sectors do not exist in a vacuum. The labor market is dynamic: Higher wages in one occupation translate into higher spending and job creation in another sector of the economy.

<sup>5</sup> The model is very precise, as estimates from the *County Business Patterns* survey published jointly by the U.S. Department of Commerce and U.S. Census Bureau report that “labor unions and similar organizations” employed 10,833 workers in Illinois in 2013. The annual payroll cost, or employee compensation, for these jobs was \$323.2 million (CBP, 2015).

The positive employment and output impacts of union members also result in a stronger state budget (Figure 11). As demonstrated in the previous section, union membership raises an individual worker’s annual wage and salary income by \$5,262 on average in Illinois. Approximately 3.75 percent of this increase, however, is statutorily contributed to the State of Illinois through personal income taxes. Cumulatively, union membership generates \$173.6 million in net state income tax revenues across the 880,000 workers belonging to a union. Through the 42,950 additional jobs created through union dues, another \$44.2 million in collected in state income taxes. Union members in Illinois therefore independently account for \$217.9 million in state income tax revenues that would not occur without unionization. Attempts to weaken labor organizations in Illinois, if successful, would reduce this positive impact on income tax revenues while simultaneously increasing worker reliance on government assistance programs. These potential impacts on the public purse must be accounted for in discussions by elected officials and policymakers regarding the labor market of Illinois.

FIGURE 11: ECONOMIC IMPACT ANALYSIS ON THE EFFECT OF UNION MEMBERS ON ILLINOIS TAX REVENUES, 2014

Net Tax Impacts (IMPLAN Data)	State Income Tax Revenue (Additional Increase)
Net Collected from Union Members	\$173,634,000
Net Collected from Economic Impact	\$44,242,000
Total Additional State Income Taxes Collected	\$217,876,000

Source(s): OLMS, 2015b. Form LM-2 Data; Flood, et al., 2015. IPUMS-CPS. March Current Population Survey; IMPLAN, 2015.

## **VOLUNTARY UNION POLITICAL SPENDING IN CONTEXT**

This section evaluates actual data on the voluntary political spending of labor unions in Illinois, and puts it in context. The nonpartisan National Institute on Money in State Politics is a nonprofit organization which compiles “comprehensive campaign-donor, lobbyist, and other information from government disclosure agencies nationwide and mak[es] it freely available at FollowTheMoney.org” (NIMSP, 2016a). The National Institute on Money in State Politics is viewed as the “gold standard” resource for political spending data and “has been a driving force behind informed public discussion of state campaign finance in the academic, journalistic, and advocacy communities” (McGovern & Greenberg, 2014).

According to public records, the National Institute on Money in State Politics reports that \$309.6 million was contributed to candidates and committees in Illinois’ state and local races in 2014, which was a gubernatorial election year (NIMSP, 2016b). Labor unions, who represent 15.2 percent of the state’s workforce, contributed \$30.7 million in voluntary political spending from their members— or 10 percent of all state and local political spending in Illinois.<sup>6</sup> By contrast, general business, finance, insurance, and real estate interests made \$45.7 million in combined contributions (15 percent) to candidates and committees in Illinois. Moreover, a small sample of large individual donors and self-financed candidates for office, contributed \$54.4 million to

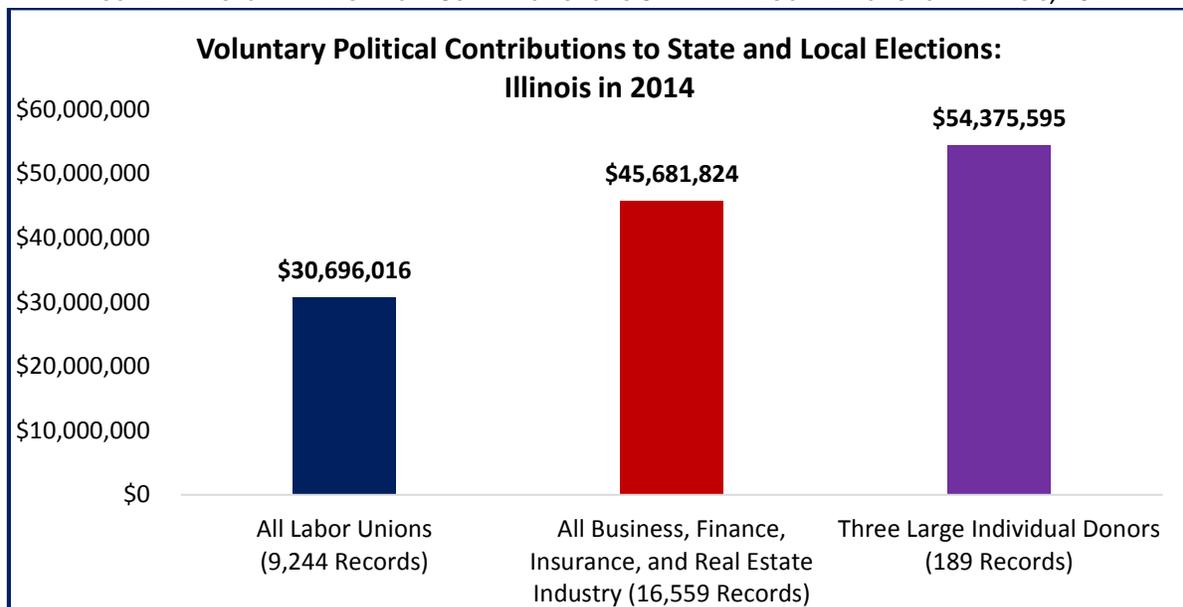
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<sup>6</sup>. The state figures include all unions that made political contributions to candidates and committees in Illinois.

electoral campaigns, accounting for 18 percent of the total political spending on state and local elections in Illinois in 2014.<sup>7</sup>

To recap, spending on political activities and lobbying accounts for just 2.2 percent of all union membership dues and fees, or \$14.05 annually per union member. Union members can legally opt out of paying these dues if they choose and can save the extra dollar or so per month. In voluntary political contributions in 2014, labor unions accounted for 10 percent of all state and local political spending in Illinois, but represented 15.2 percent of the state’s workforce. Meanwhile, three wealthy individuals contributed \$23.7 billion *more* in state and local political spending in Illinois than did the hundreds of labor organizations who represent at least 880,000 members. The data do not support the claim that unions have “undue” financial influence over state and local elections in Illinois.

FIGURE 12: VOLUNTARY POLITICAL CONTRIBUTIONS TO STATE AND LOCAL ELECTIONS IN ILLINOIS, 2014



Source(s): National Institute on Money in State Politics, 2015(b). FollowTheMoney.org.

## CONCLUSION

To maintain or increase active membership, labor unions in Illinois must continually demonstrate how workers benefit from contributing membership dues. An analysis of Form LM-2 reports filed by labor unions in Illinois finds that union dues, fees, and other revenue from members account for 73 percent of total receipts for labor organizations. The average union member contributes \$663 in annual dues, fees, and other membership payments in Illinois to labor union locals, or

<sup>7</sup> For example, Kenneth C. Griffin contributed \$13,784,095 and Richard Uihlein \$2,860,000 to Illinois races, while Bruce Rauner gave his own governor’s campaign \$37,731,500. For more, visit: <http://www.followthemoney.org/election-overview?s=IL&y=2014>.

about \$55 per month. With this revenue, labor organizations in Illinois spend 77 percent of dues and fees on bargaining and representation and only 2 percent on political activities and lobbying.

There are many personal benefits to being a union member. For every \$1 paid in dues and fees, an estimated \$6.12 is returned to union members in after-tax income. This financial return is *in addition to* other benefits such as better health coverage and higher job satisfaction from working in a more democratic workplace.

While there are significant individual benefits to being a union member in Illinois, labor organizations have impacts on the broader Illinois labor market. Union members independently create nearly 43,000 additional jobs that would not exist in Illinois without unionization—including over 10,000 direct jobs in labor organizations and almost 33,000 other jobs from the higher earnings and spending of union households. The net impacts of union members are a \$3.6 billion increase in Illinois' economic output and \$218 million more in state income tax revenue than there would be without unionization.

Finally, while some critics argue that labor unions have “too much” political influence in Illinois, political campaign spending data from public disclosure agencies do not support this claim. Of the \$309.6 million that was contributed to candidates for state and local offices in Illinois in 2014, labor unions voluntarily contributed \$30.7 million, or 10 percent of all state and local political spending. Business, finance, insurance, and real estate interests contributed \$45.7 million (15 percent) and large individual donors along with self-financed candidates contributed \$54.4 million to campaigns (18 percent).

In effect, this report has described what the dues of Illinois' union members do. At an annual cost of \$663 for the average member, union dues and fees increase worker wages by \$4,060 after taxes—a \$6.12 personal benefit per \$1 invested. The dues also increase the chances that a worker has health insurance coverage, reduce the chances that he or she relies on government assistance, and give the employee a voice in his or her workplace. Finally, total union dues stimulate the broader Illinois economy. Any attempt to weaken labor organizations in Illinois, if successful, would reduce the positive impact that union members have on the state.

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