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The Union Card

A Ticket Into Middle Class Stability

Hugh Mackenzie and Richard Shillington

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Executive Summary

IN A YEAR where middle class economics is taking political root in the U.S. and Canada, it's important to get clear about what's driving the strain on Canada's middle class and what can be done about it.

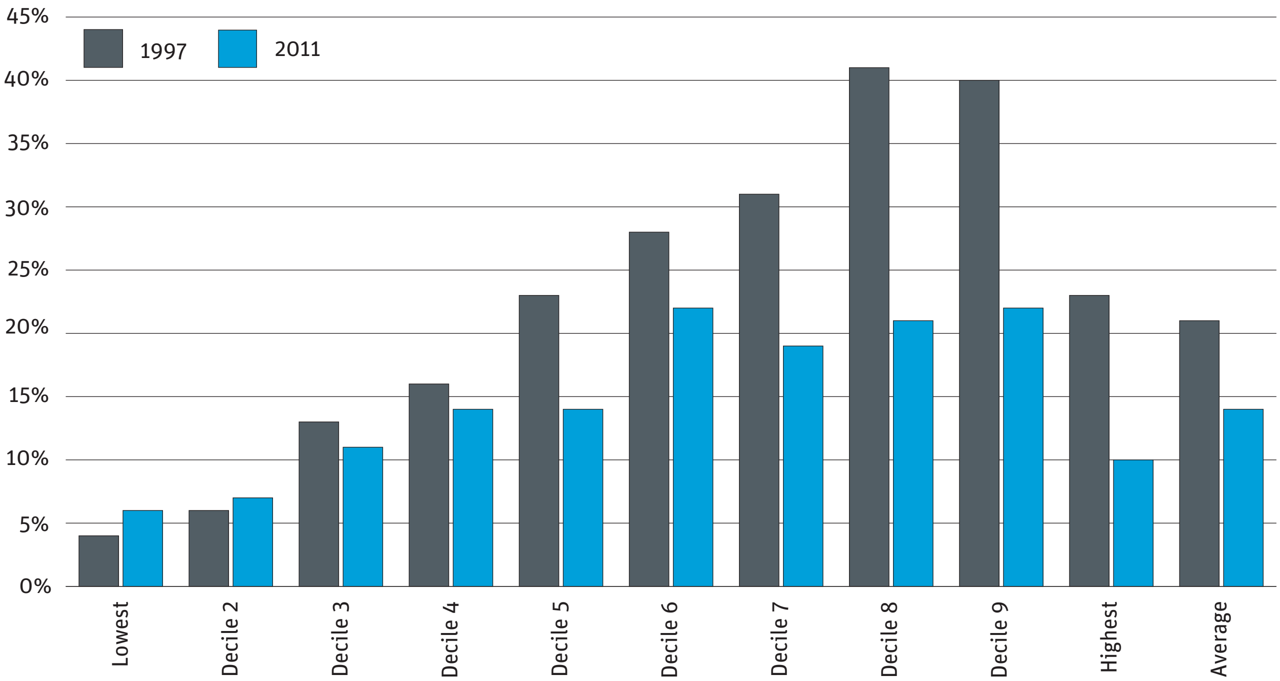
What we know about Canada's middle class is that it arose from the ruins of the Great Depression and the Second World War, growing steadily between 1945 and the late-1970s. We know from previous studies that the growth of the middle class happened in sync with the rise of unionized workers in Canada.

But since the late-1970s and early-1980s, these income trends have reversed, contributing to a widening income gap and a squeezed middle class. The data show that recent income inequality growth has been driven by concentrated income gains for the richest Canadians. But where is the squeeze on the middle class coming from?

This report examines 30 years of unionization and income data, thin slicing unionized workers along the income spectrum by deciles (slices of 10%) to examine the impact of union decline on the mobility of Canada's middle class. The resulting findings contribute a new addition to our understanding of middle class economics: it reveals that unionization is not just about a wage premium — it affects workers' location along the middle spectrum of the income ladder.

The study shows that while only 27 per cent of full-time Canadian workers were represented by a union in 2011 (the most recent year of available data), the majority of those workers reside in Canada's middle class. In the

FIGURE 6 Proportion of Private Sector Workers Represented by a Union, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Income deciles are defined by the income distribution of all full-time employees. The bars show the percentage of private sector employees in each decile who were represented by a union. For example, it shows that union density among private sector workers in the 7th income decile dropped from 31% in 1997 to 19% in 2011.

lowest income decile, for instance, only eight per cent of workers were represented by a union, whereas in the eighth income decile, over 50 per cent were represented by a union.

By examining where unionized workers stand along the income spectrum, this study is able to show that while union density in Canada declined only slightly between 1997 and 2011—dropping from 29 per cent to 27 per cent—that decline disproportionately impacted workers in the upper half of the middle class. Union representation actually increased slightly in the bottom half of Canada's income spectrum over that time frame.

By drilling deeper into private versus public sector workers who were represented by a union between 1997 and 2011, this study shows that a drop in private sector unionization had a big impact on workers' ability to stay in the upper income deciles. Overall, private sector union density in Canada dropped from 21% to 14% between 1997 and 2011, a significant drop. A more detailed look at the data shows that, overwhelmingly, the decline in union density took place in the upper half of the income distribution.

The report shows that a similar pattern emerges for the role of union representation in the economic well-being of families:

- Economic families with one or more full-time unionized workers are more likely to find themselves in the middle and upper-middle part of the income spectrum.
- These families are 1.75 times as likely to have incomes at the upper end of the income scale — in deciles 5 through 9 — than at the lower end.

However, the decline in union density between 1997 and 2011 is reflected in these data as well. The share of families with at least one union member went down between 1997 and 2011, and that decline was concentrated in the upper-middle family income range. Comparing data from 1997 and 2011, the report shows that most of the decline in the share of unionized families took place at the higher end of the income spectrum: In 2011, 47% of families in deciles 5 through 9 included at least one union member; 14 years earlier, in 1997, 56% of families in deciles 5 through 9 had at least one union member.

In other words, the hollowing out of Canada's middle class, particularly its upper middle class is closely associated with the decline of unionization in Canada — especially in the private sector.

To get closer to a view of the underlying causes of this association between unionization and the middle class, the study looked at data on individual Canadians in Statistics Canada's Longitudinal Administrative Databank. Using these data, the study investigates the relationship between unionization and income for individuals during the last two significant recessions in Canada — 1989 to 1994 and 2006 to 2011, covering the period before and after the Great Recession of 2008–09. The findings are astounding:

- In each recessionary period, workers who entered the recession with union representation and ended the recession without union representation lost income and dropped down the income ladder, a significant proportion by two deciles or more. For example, in the 2006 to 2011 period, 39% of those who lost union jobs dropped two deciles or more in the income distribution; median incomes in this group dropped by 9%.
- Those who gained union representation in the course of each recessionary period moved up the income ladder, often by two deciles or more. For example, in the 2006 to 2011 period, 35% of those who

gained union representation moved up two deciles or more in the income distribution; median incomes in this group increased by 39%.

The findings suggest that there is a huge opportunity cost for workers who lose a unionized position, especially during recessionary periods. Conversely, workers represented by a union tend to have greater mobility up the income ladder and are better positioned to weather an economic storm such as recession.

The findings reveal a new, previously unexamined dimension of the intricate relationship between a healthy labour movement and a healthy middle class in Canada. A union card is not only a ticket into Canada's middle class, it's the key to upward mobility within the middle and upper class. It's also insurance against tough economic times, ie, stability.

The report concludes that the widely discussed squeeze on the middle class in Canada is intertwined with the dramatic decline in union representation. Because union density has been in steady decline in the private sector, individuals losing union representation and experiencing income losses will inevitably outnumber those gaining union representation and experiencing income gains. This, in turn, suggests that the change in union density in the private sector over the past 30 years is an important driver of growing income polarization and inequality.

In other words: we can expect the middle class to shrink, and upward mobility to stall, as long as union representation continues to decline. Any policy discussion around middle class economics would rightly examine these startling trends and reconsider ways to facilitate the rise of collective bargaining in Canada's future. The health of the middle class depends on it.

Introduction

Income inequality in Canada has gone through two notable shifts since the end of the Second World War.

In the first shift, from the post-war 1940s until the late-1970s and early-1980s, the gap between the rich and everyone else narrowed. As the economy grew during this period, instead of concentrating the fruits of Canadian labour into the hands of the few, the gains of that economic growth were more evenly shared among all workers.

The income share of the richest 5% of Canadians dropped from 24.6% in 1945 to 22.1% in 1979, continuing a trend that had begun in the late-1930s, when the income share of the richest 5% in 1938 was 39.6%. The income share of the richest 1% of Canadians dropped from 10.1% in 1945 to 7.7% in 1979 and further to 7.1% in 1982, continuing another trend which had begun in the late-1930s (the richest 1% income share in 1938 was 18.4%).[1]

Between 1945 and the late-1970s, when Canada was busy growing its middle class, real average weekly earnings of working Canadians more than doubled, increasing by 114% (after inflation).[2] In 1947, wages and salaries accounted for 47% of national income. Thirty years later, in 1977, they had increased to 55%.[3]

Since the late-1970s and early-1980s, all of these trends have been reversed, contributing to worsening income inequality. The average of weekly wages and salaries in Canada actually declined by 0.3% between 1977 and 2013 (adjusting for inflation).[4] Since it peaked at 55% in 1977, the share of wages and salaries in national income has declined to 51%, roughly the same as it was in 1945.[5] The income share of the richest 1% of Canadians increased from 7.1% in 1982 to 12.1% in 2011—higher than it was in 1945.[6]

In the second shift, between the early-1990s and today, the worsening of income inequality in Canada has coincided with a period of stagnation in median real incomes. Incomes rose at the top of the income distribution, but not in the middle or below.

Here's what happened to incomes in Canada between 1991 and 2011:

- The richest 10% accrued 48% of all inflation-adjusted income growth in the country.
- The richest 5% accrued 35% of all income growth.
- The richest 1% accrued 18% of total growth.
- The bottom 50% of the distribution got 7%.[7]

Clearly, something has happened to the relative economic power of the middle class and the rich during this second phase.

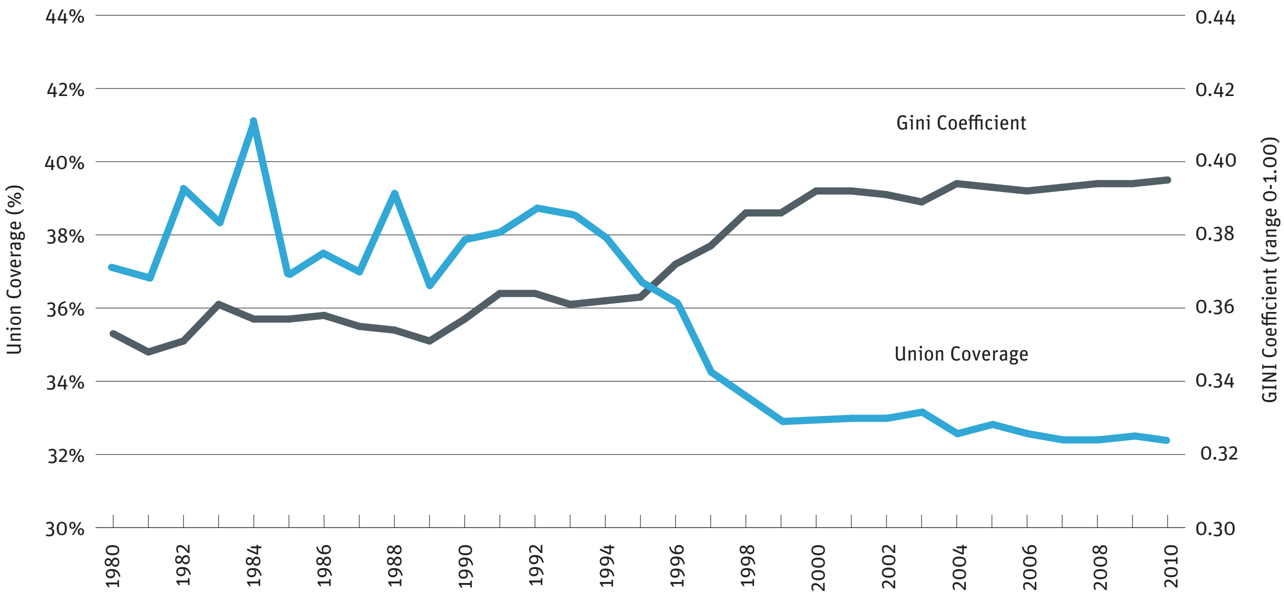
The data shows that recent income inequality growth has been driven by concentrated income gains for the richest Canadians. But what explains the middle class squeeze? The next section examines this question.

The Squeeze On the Middle Class

WHILE GLOBALIZATION AND technological advancements are frequently offered up as explanations for worsening income inequality in Canada, there are five notable domestic trends influencing the squeeze on the middle class and the working class:

1. Legislated employment standards are failing to keep pace with changes in the structure of the Canadian labour market;
2. Government policy changes, like the gutting of Employment Insurance and the extension of the temporary foreign worker program, are lowering the floor for workers' living standards;
3. Spending cuts on public services, combined with curbing public sector employment growth, is stagnating what was once a source of stable, relatively well-paid employment;
4. More than two decades of tax cuts, which have been focused on income from capital and high personal incomes, are constricting public supports that help the middle and working classes; and
5. Union density in Canada, particularly among Canadians employed in the private sector, is steadily declining.

FIGURE 1 Union Coverage and Gini Coefficient in Canada, 1980–2010



Source Gini Coefficient - CANSIM Series v21151657 Canada; After-Tax income; All family units. The Gini Coefficent data has been multiplied by 100. Union Coverage - Visser, J. Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts database (ICTWSS) www.uva-aias.net/208. 1984 and 1988 data are reported by Andrew Jackson (2004), p. 135. 2010 data from Statistics Canada Table 282-0078.

This final trend is worth deeper examination. Several recent studies have focused on the relationship between unionization and income inequality in Canada.[8] In general, these studies find that workers in a position to bargain collectively for their wages and working conditions are able to negotiate earnings 5–10% higher than those of other workers. In industries where union density is relatively high, studies show that all workers benefit — even those who aren't unionized — because employers in that industry are forced to compete with union wages and working conditions. In other words, the presence of a strong labour movement is a force for improving living standards for all workers.

Looking at the generally accepted aggregate measure of income inequality, the Gini coefficient, along with union density, the Canadian data tell a story about the "arc of inequality" and unionization over time. *Figure 1* shows income inequality growing as union density declines — particularly in the mid-1990s.[9]

This paper investigates this relationship from a different perspective than previous studies. It starts with an examination of the distribution of income at both the individual and economic family level, looking at the union/non-union split in each income decile.

Unions and the Middle Class

THIS SECTION EXAMINES union representation by individual income decile between 1997 and 2011 and the presence of union families (families with at least one union member) by family income decile using data from the Survey of Labour Income Dynamics (SLID) database.

Using Statistics Canada's Longitudinal Administrative Databank (LAD), it also analyzes the impact of changes in union representation on individuals' relative positions in the income distribution and on income levels.

The influence of union organization on the well-being of middle-income workers in the United States has been well documented. Studies based on U.S. Department of Commerce data have shown a clear link between the growth in union density in the United States in the immediate post-war period and the growth in the living standards of middle-income families. They also show the link between the decline in union density and the stagnation of middle-income living standards over the past 30 years.[10]

In Canada, study of the long-term relationship between income and union membership has been hampered by the fact that, prior to the 1990s, there was no regular national survey that asked a question regarding union representation. As a consequence, it was not possible to separate employees represented by unions and employees not represented by unions in the statistics.

That changed with the addition of a question regarding union membership in the Labour Force Survey in 1997. This data set does not provide the sweep of coverage that would be needed to trace the role of union representation in the changes in income distribution for the entire postwar period. But when it is combined with other data captured in the Survey of Labour Income Dynamics (SLID), it can support an analysis of the role of union representation in the Canadian middle class and how that role has changed between 1997 and 2011.

In addition, increased public access to Statistics Canada's Longitudinal Administrative Database (LAD) supports an analysis of the relationship between union membership and individuals' upward and downward relative mobility over a much longer time period.

Except where specifically noted and discussed, the data in this paper are presented by income decile, each decile representing 10% of the group from which the data are drawn, with the deciles organized from the lowest income to the highest income.

Union Representation and the Distribution of Income: Aggregate Data for Individuals

All Employees

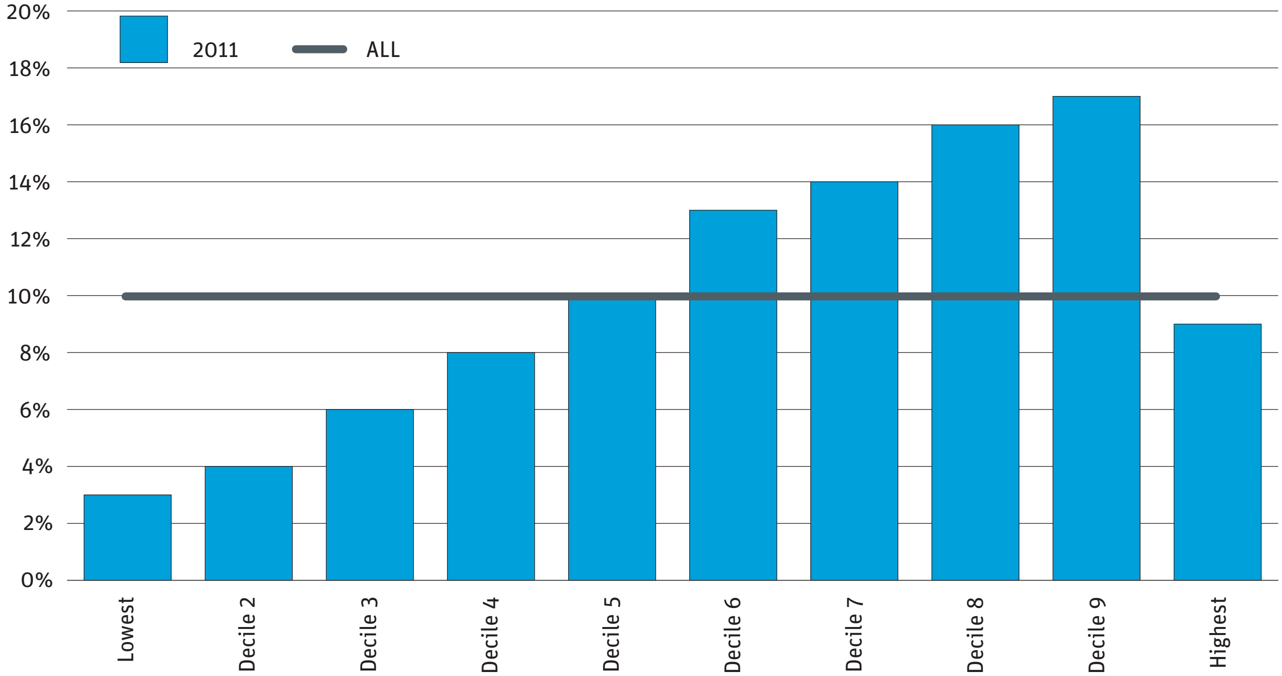
FIRST, WE LOOK at the income distribution of unionized and non-unionized individuals working full-time.

Figure 2 shows the distribution of full-time employees represented by a union in 2011. Canadian workers represented by a union were more likely to find themselves in the middle class and the upper-middle class (deciles 5 through 9). Among the top six deciles, only the richest 10% had below-average union representation — about the same as workers in decile 4.

While this pattern has generally remained consistent since 1997, the relative position of union members has moved lower in the income distribution. It is important to note that this reflects a change in relative position of union members in the overall income distribution; it does not capture the effect of changes in the proportion of all employees represented by a union (commonly referred to as union density).

Between 1997 and 2011, employees represented by a union shifted down the income distribution. In 1997, unionized employees were more likely to

FIGURE 2 Distribution of Full-Time Employees Represented by a Union, 2011



Source Data for Figures 2 and 3 are based on annual data from Statistics Canada's Survey of Labour Income Dynamics (SLID). In Figure 2, the income deciles are defined by the distribution of all full-time employees, by income. Each bar in the chart represents the proportion of full-time employees with union representation that falls into each of the decile ranges. So, for example, the bar at decile 3 shows that 10% of *all* employees fall into that income range, and less than 6% of employees represented by a union fall into that income range. Thus the figures compare the income distribution of full-time employees represented by a union with the income distribution of all full-time employees.

be in deciles 7 through 10. By 2011, union representation in deciles 7–10 had decreased, but it grew in deciles 1–4; it remained static in decile 5, the very middle; and it grew in decile 6.

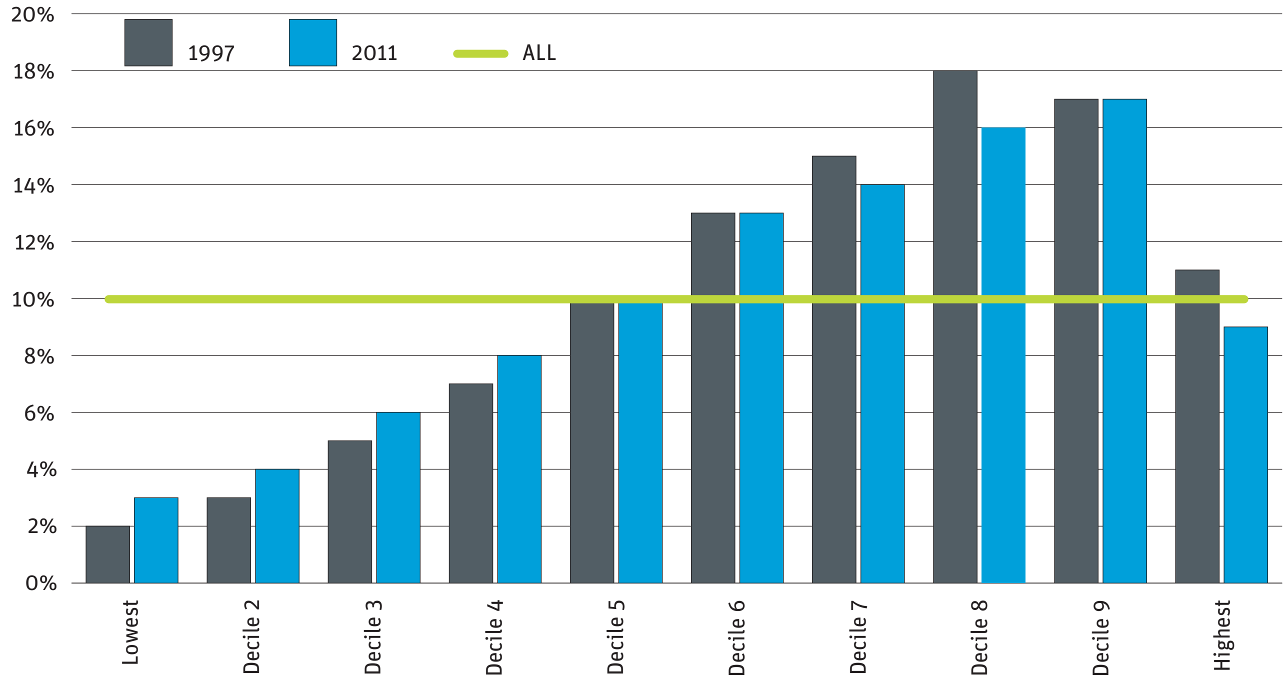
The data presented in Figures 2 and 3 compare distribution of union members as a group across the distribution of income of all employees. They essentially compare the distribution of income of union members with that of full-time employees as a whole.

The next figure looks at the data from a slightly different perspective.

Figure 4 shows the proportion of all full-time employees represented by a union in each income decile, comparing the data for 1997 with the data for 2011.

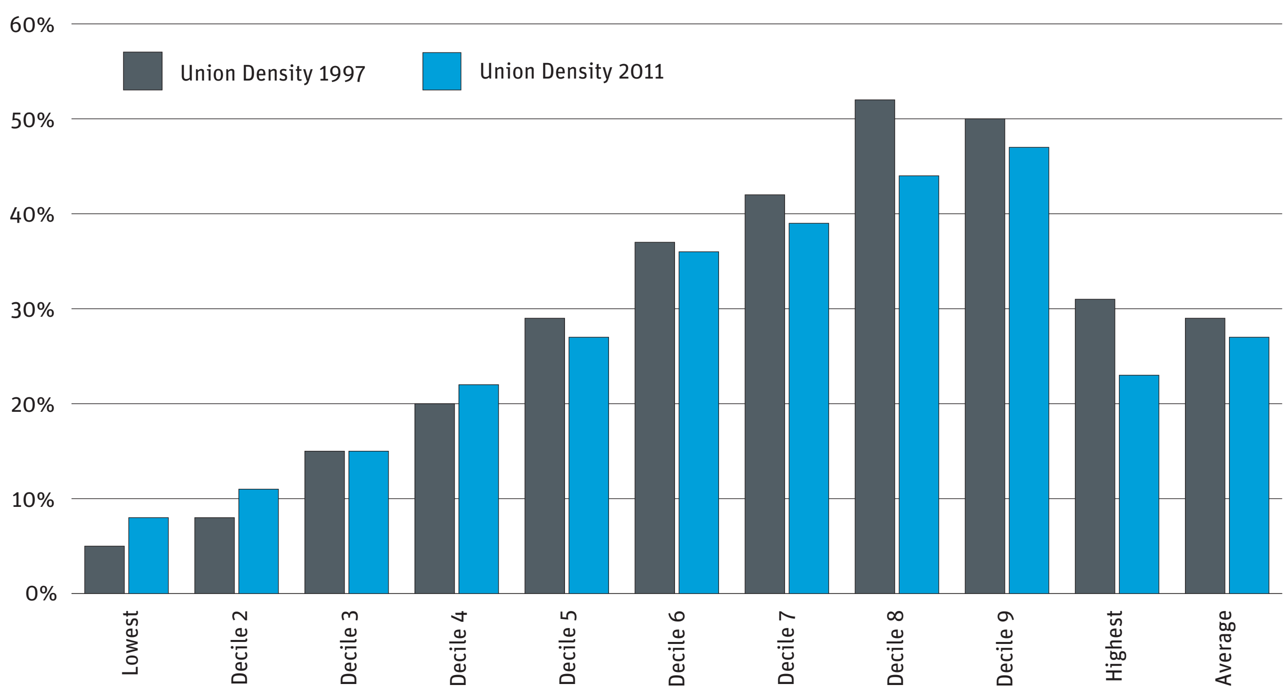
On average, approximately 27% of full-time Canadian workers were represented by a union in 2011. Union density was highest within the range that would be considered middle to upper-middle class in Canada. In the lowest income decile, only 8% of workers were represented by a union, whereas in the ninth income decile, 47% were represented by a union.

FIGURE 3 Distribution of Full-Time Employees Represented by a Union, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Deciles are defined by the distribution of all full-time employees; the figure shows the proportion of full-time employees represented by a union in each income decile group in 1997 compared with 2011.

FIGURE 4 Proportion of Full-Time Workers Represented by a Union, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Here again, the income deciles are defined by the income distribution of all full-time employees. For each decile, the chart shows the proportion of employees in the decile who were represented by a union in 1997 and in 2011 as well as the average overall union density. For example, between 1997 and 2011, overall union density among full-time employees dropped by two percentage points, from about 29% to about 27%. The bars at Decile 7 show that 42% of employees in the 7th income decile were represented by a union in 1997. By 2011, union representation in the 7th decile had dropped to 39%.

In 1997, the average proportion of full-time workers represented by a union had been two percentage points higher, at 29%, than it was in 2011.

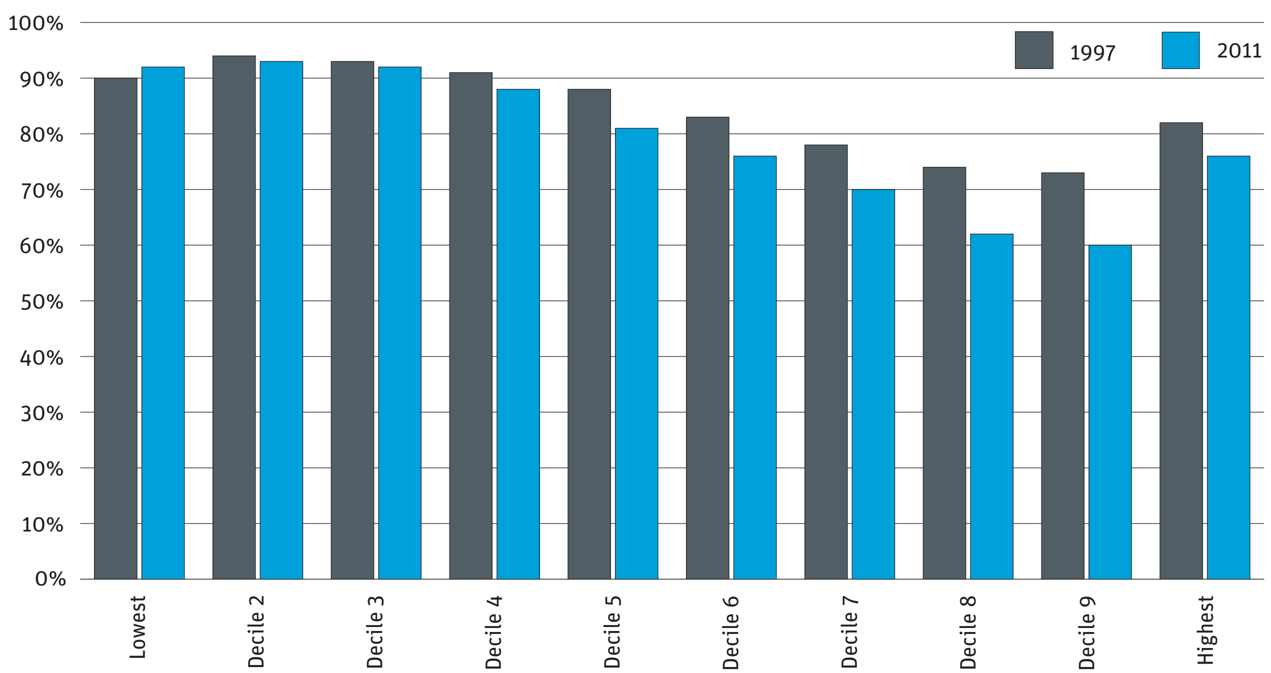
The figure shows clearly that the decline in union density was not uniform across the income distribution. The decline was highly concentrated in the middle and upper-middle parts of the income distribution.

Private-Sector Employees

These data illustrate the interrelationship between income distribution and union representation among all employees, and show that union-represented employees have been disappearing from the middle and upper-middle of the income range. That pattern is even more pronounced for workers in the private sector.

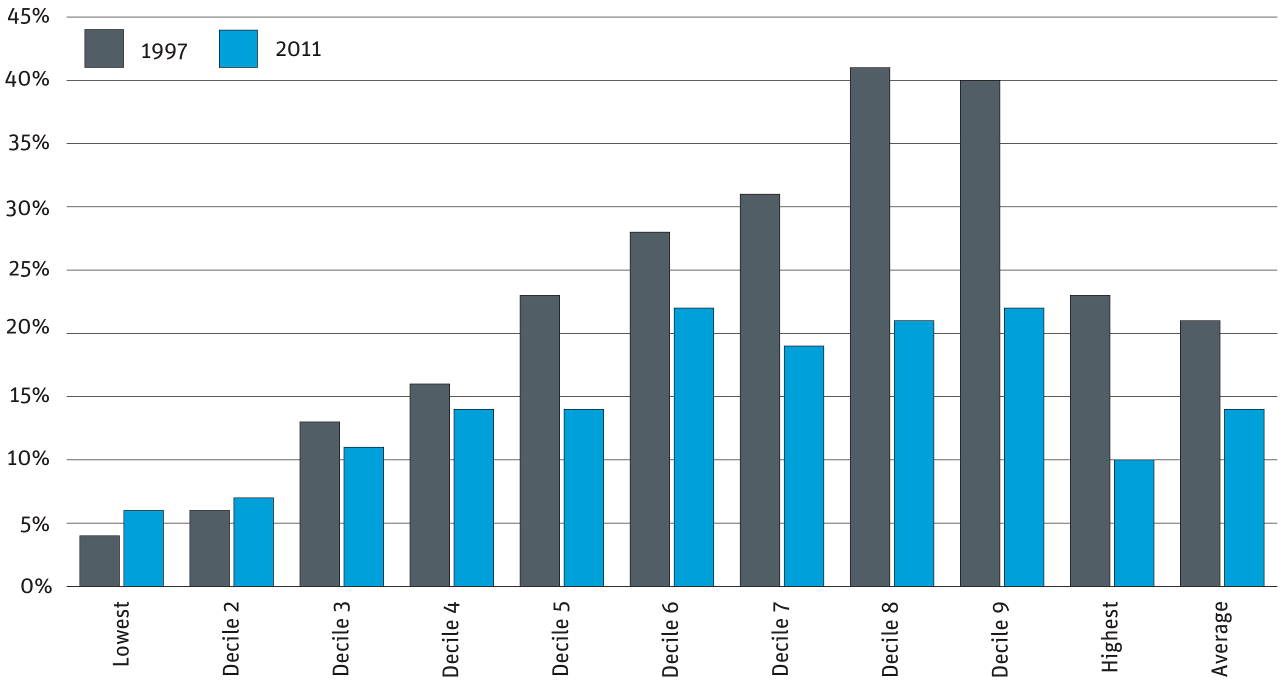
Figure 5 shows that the proportion of all full-time workers in each income decile in the private sector was roughly the same in 2011 as it had been in 1997. It is notable that the private sector share of employees in the upper-middle portion of the income distribution dropped between 1997 and 2011.

FIGURE 5 Private-Sector Share of Employment, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Income deciles are defined by the distribution of all full-time employees. Each bar shows the proportion of all employees in that decile that were employed in the private sector. So compared with an average of approximately 79% of full-time employees who were employed in the private sector in 2011, over 90% of full-time employees in the bottom three deciles of the income distribution were employed in the private sector.

FIGURE 6 Proportion of Private Sector Workers Represented by a Union, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Income deciles are defined by the income distribution of all full-time employees. The bars show the percentage of private sector employees in each decile who were represented by a union. For example, it shows that union density among private sector workers in the 7th income decile dropped from 31% in 1997 to 19% in 2011.

In general, the pattern remained similar over the period, with private-sector workers overrepresented in the bottom half of the income distribution and underrepresented in the top half.

In contrast, the data on union representation among full-time workers in the private sector tell a powerful story of change over the period.

Overall, private sector union density in Canada dropped from 21% to 14% between 1997 and 2011. The average, however, masks a dramatic change within the distribution. *Figure 6* shows union density among private sector workers in the middle to the upper-middle income ranges (deciles 5 through 8) shrunk from 23%, 28%, 31%, and 41% to 14%, 22%, 19%, and 21%, respectively. During a 14-year time frame, union-represented employment in those income ranges was virtually cut in half.

Essentially, what this means is that the decline in the weight of full-time unionized private sector workers in the middle to upper-middle income range is associated with a dramatic reduction in well-paid, private sector, unionized jobs, and that reduction took place over a very short span of time.

Aggregate Data for Economic Families

A SIMILAR PATTERN emerges when we look at the role of union representation in the economic well-being of families. This section examines Canadian economic families with one or more members aged 35 to 55 employed full-time.

Figure 7 shows that economic families with one or more full-time unionized workers are more likely to find themselves in the middle and upper-middle income range of the overall distribution.

Unionized families are 1.75 times as likely to have incomes in the deciles 5 through 9 than in the lower first four deciles. In other words, the labour movement continues to be the ticket into the middle class and the upper-middle class in Canada. But the pattern changed between 1997 and 2011.

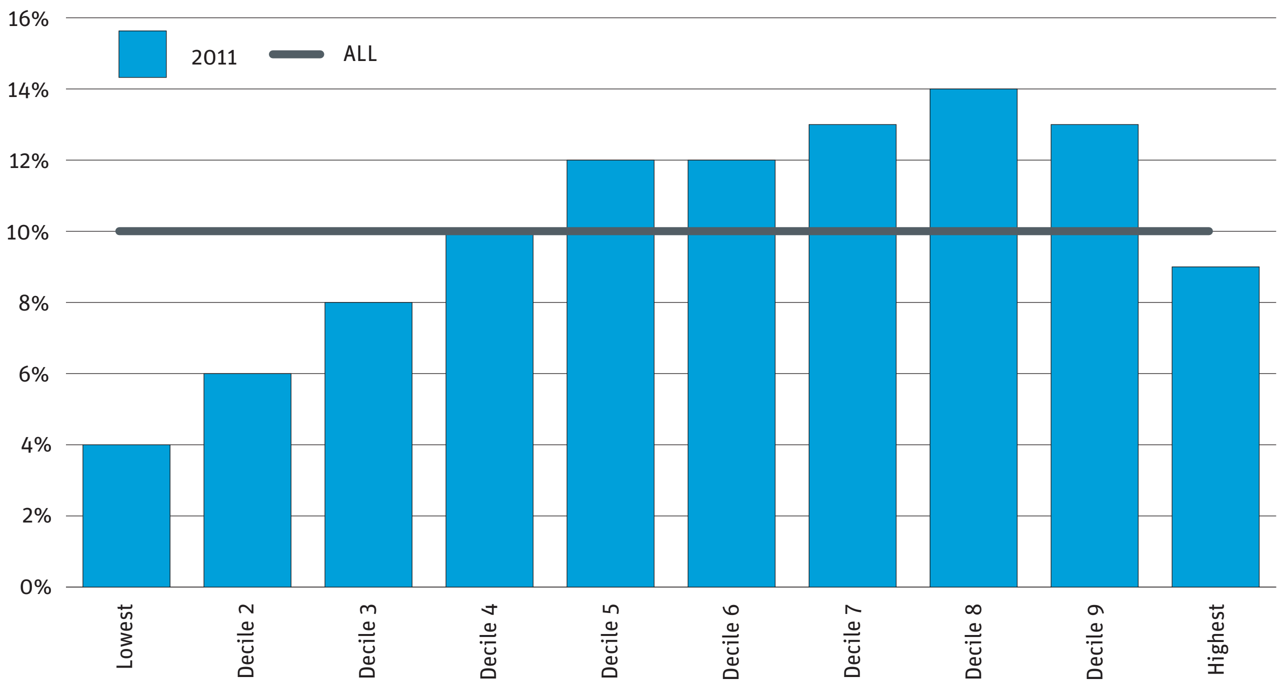
Between 1997 and 2011, the distribution of families with at least one union-represented member shifted slightly downward in the income distribution, although the overall pattern changed very little.

Figure 9 looks at the same data from a different perspective. It shows the proportion of families with at least one member who was employed full-time and represented by a union in each income decile for 1997 and 2011.

In 2011, 56% of families in deciles 5 through 9 included at least one union member. That contrasts with the pattern 14 years earlier, in 1997, when 47% of families in deciles 5 through 9 would be classified as unionized families.

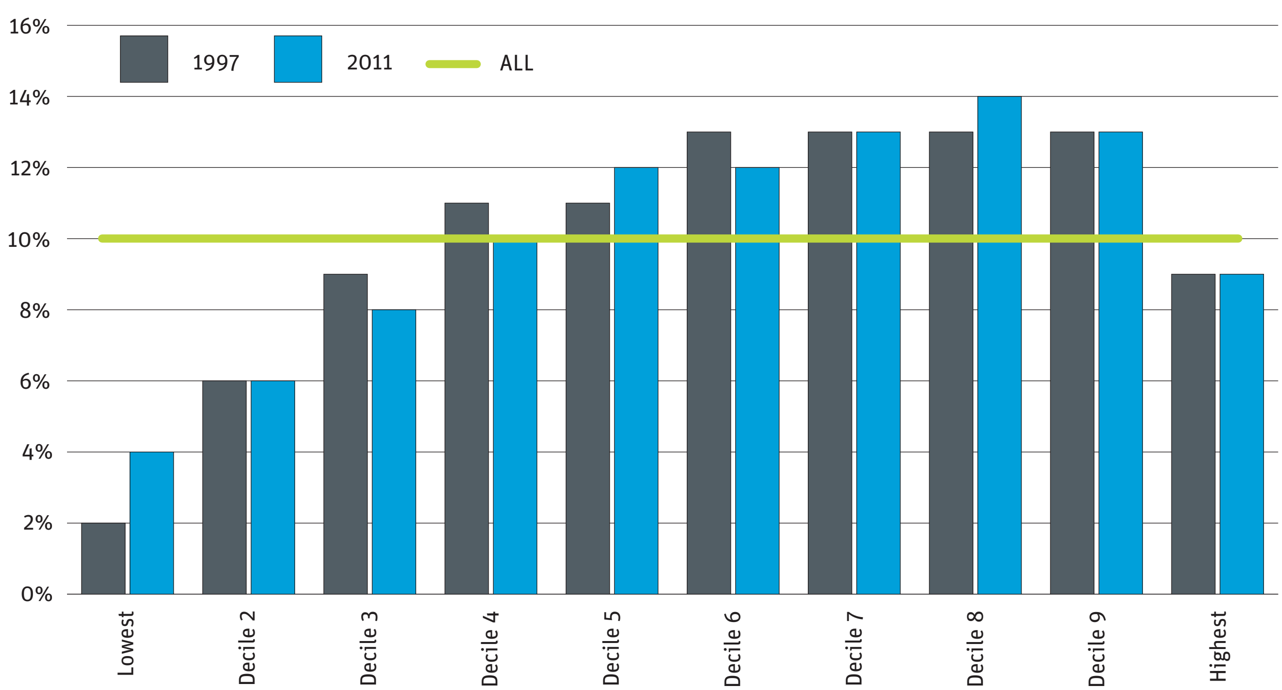
Most of the decline in the share of unionized families took place in the upper end of the income spectrum, between the sixth and ninth deciles.

FIGURE 7 Distribution of Economic Families With at Least One Union-Represented Member, by Income Decile, 2011



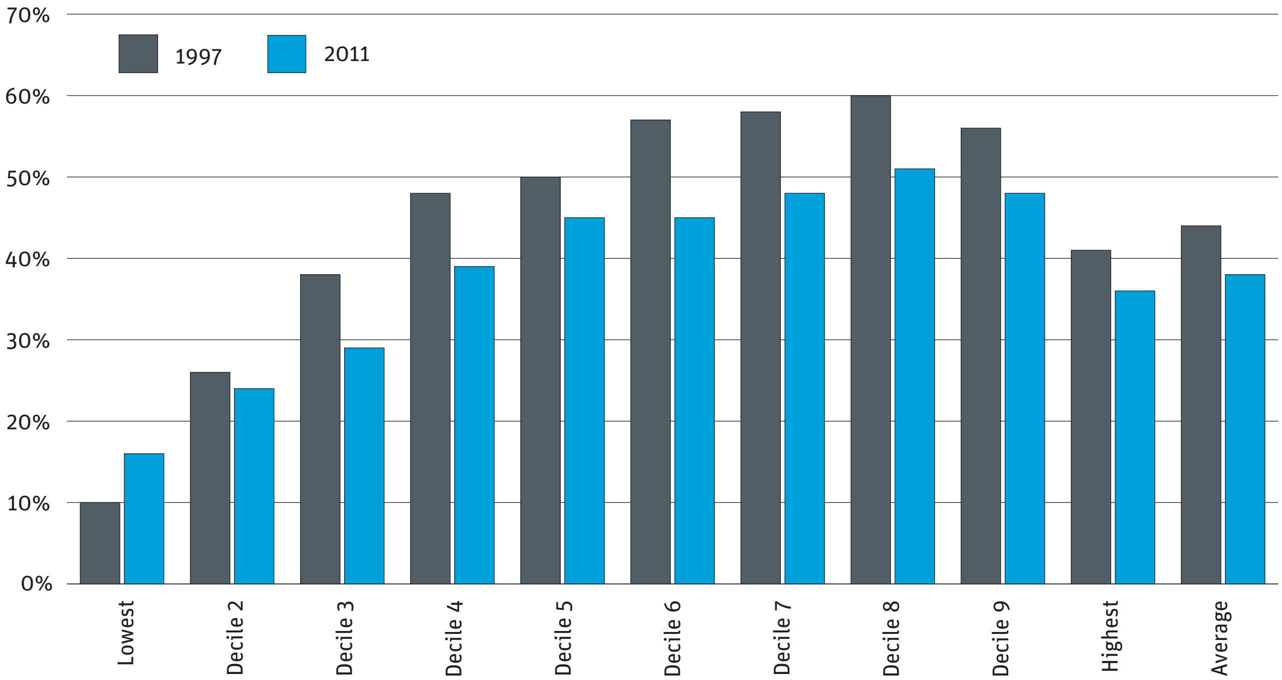
Source Statistics Canada, SLID, 2011. Income deciles are defined by the distribution, by income, of economic families in which one or more member is employed full-time. The bars superimpose the distribution of economic families in which one or more member is employed full-time and is represented by a union.

FIGURE 8 Distribution of Economic Families With at Least One Union-Represented Member, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Income deciles are defined by the income distribution of all economic families with at least one member employed full-time.

FIGURE 9 Proportion of Economic Families With at Least One Union-Represented Member, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Deciles are defined by the income distribution of all economic families with at least one member employed full-time. The bars show the proportion of the families in each decile that had at least one member employed full-time and represented by a union.

Union Representation and Economic Families, Private-Sector Employees

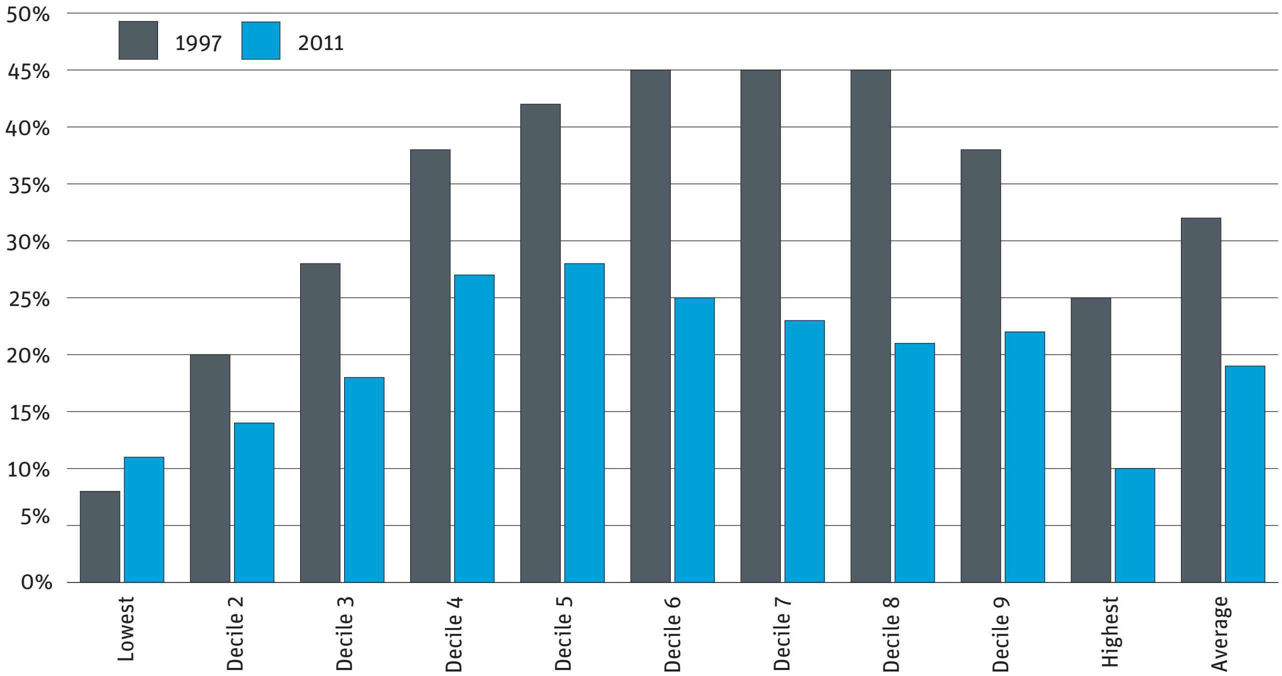
AS WAS THE case for individuals, the pattern was more pronounced among families with private sector workers. The data showed a dramatic decline in union families in the middle of the income distribution.

In 1997, 32% of Canadian families in which every member was working in the private sector, at least one of whom was represented by a union. They tended to find themselves more in the middle and upper-middle income ranges than in the lower end of the income distribution. Only 8% of families in the lowest income decile in 1997 had a member represented by a union, compared with between 40% and 45% in deciles 6 through 9.

By 2011, the overall percentage had dropped to 19%. As was the case with individuals, the decline was concentrated in the middle and upper middle income range. In income deciles 5 to 9, the proportion of private sector families with at least one full-time employee who was a member of a union dropped from 43% in 1997 to 24% in 2011.

These data illustrate two features of changing income distribution in Canada since 1997. First, they demonstrate the importance of union representation among Canada's middle class. Second, they demonstrate that the de-

FIGURE 10 Proportion of Private Sector Families with at Least one Union Member, by Income Decile, 1997 and 2011



Source Statistics Canada, SLID, 1997 and 2011. Deciles are defined by the income distribution of all families with at least one member employed full-time. The bars show, for each family income decile, the proportion of families in which all of the employed family members were employed in the private sector and at least one family member was represented by a union.

cline in union density in Canada has been concentrated among employees in the upper half of the income distribution, and in particular among employees in the upper half of the income distribution in the private sector. To the extent that union representation in the private sector has been a driver of middle-income living standards in Canada, the strength of that driver has declined substantially over time.

Union Representation and Economic Mobility

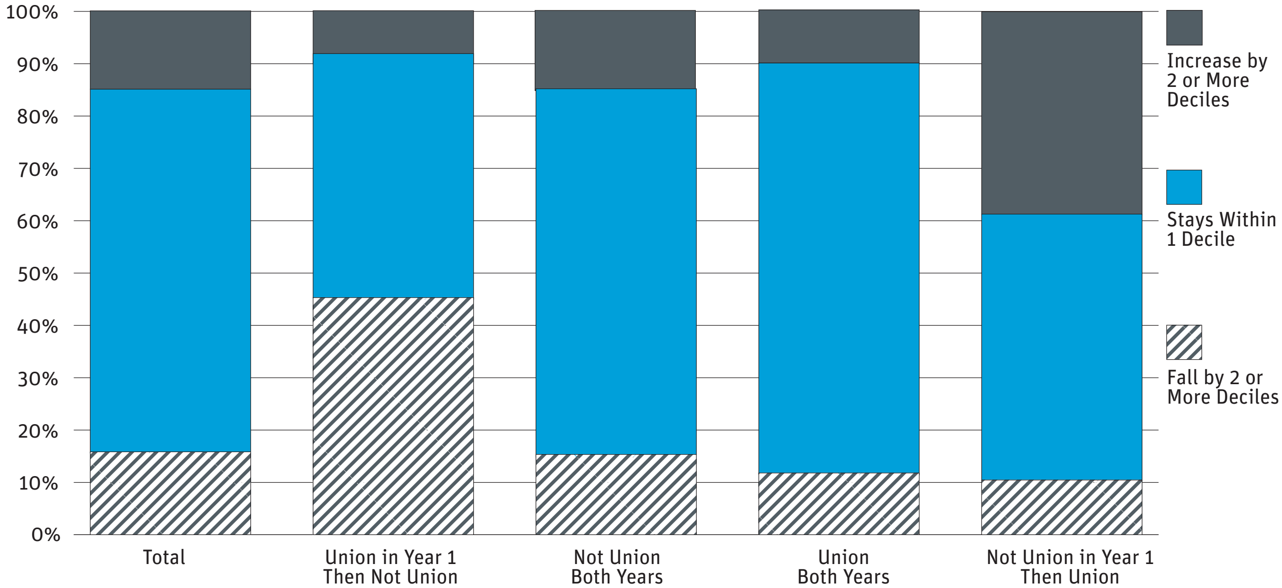
THE PREVIOUS SECTION looked at the impact of the decline in union density on income distribution in the aggregate, comparing annual data from the Survey of Labour Income Dynamics (SLID).[11] A second Statistics Canada data set, the Longitudinal Administrative Databank (LAD), tracks individual Canadians over time, allowing a closer look at the impact of union representation on individuals.

The LAD tracks overlapping panels of individuals over five-year periods to evaluate changes in their economic circumstances over time. This paper examines the following five-year periods between 1982 and 2011: 1982 to 1987, 1987 to 1992, 1992 to 1997, 1997 to 2002, and 2002 to 2007. In addition, we look in more depth at income dynamics during two major recessionary periods: 1989 to 1994, covering the period before and after the 1991 recession; and 2006 to 2011, covering the period before and after the Great Recession of 2008–2009.

We conclude with an evaluation of the relationship between changes in union representation status and relative income status over these five-year periods.

Figure 11 looks at changes in individuals' income by decile from 1982 to 1987. Overall, the results show that 69% of individuals between the ages of 25 and 54 working full-time in 1987 were within a decile of their position in the distribution of income in 1982. This indicates considerable income stability.

FIGURE 11 Change in Income Decile Position and Change in Unionization, Individuals, 1982 and 1987



Source Statistics Canada, Longitudinal Administrative Databank (LAD). The LAD tracks individuals over a five-year period, supporting an analysis of changes in income and other characteristics over time. In this instance, we look at union representation status and relative position in the distribution of income (income decile) over time.

In total, 17% saw their relative income drop by two deciles or more and 15% saw their relative income increase by two deciles or more. Individuals who were not represented by a union in either year showed roughly the same pattern. But individuals who were represented by a union in both years exhibited a greater degree of income stability: 80% remained within one income decile of their 1982 income range, 10% saw their incomes decline by more than one decile, and 10% saw their incomes increase by more than one decile.

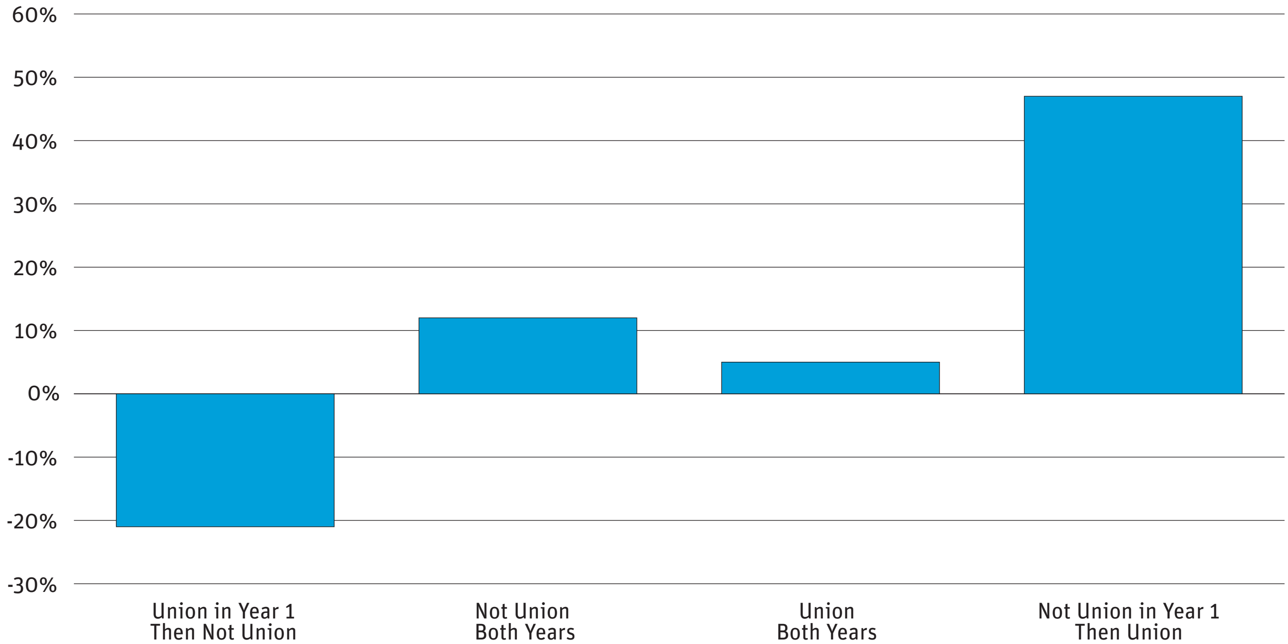
That overall pattern of relative stability changes dramatically, however, if union representation status changes.

Over 40% of those who were represented by a union in 1982 but not in 1987 experienced a significant decline in relative income, moving two or more deciles down the income distribution. And over 40% of those who were not represented by a union in 1982 but were in 1987 experienced a significant increase in relative income, moving two or more deciles higher in the income distribution.

The next figure shows the median change in income in each of the categories identified above.

Figure 12 shows that individuals who were represented by a union in 1982 but not in 1987 experienced a median income loss of 21%. Individuals who were not represented by a union in either year gained 12%. Individuals

FIGURE 12 Median Change in Income, Individuals, Between 1982 and 1987



Source Statistics Canada, LAD.

represented by a union in both years experienced a gain of 5%. And individuals who went from not being unionized in 1982 to having a unionized job in 1987 experienced a median income gain of 47%.

The pattern in these data is consistent over all of the five-year periods studied: significant income losses were associated with a loss of union representation; significant income gains were associated with a gain of union representation over the period; and workers who were unionized in both years had the greatest relative income stability.

Between 1987 and 1992, 45% of those who lost union representation dropped two deciles or more. Overall, those who lost union representation experienced a median income loss of 20%. Over the same period, 40% of those who gained union representation over the period moved up two or more income deciles. Overall, those who gained union representation experienced an income gain of 46%.

Between 1992 and 1997, 46% of those who lost union representation dropped two deciles. Overall, those who lost union representation experienced a median income loss of 25%. The 35% who gained union representation moved up two deciles or more. Overall, those who gained union representation experienced an income gain of 32%.

Between 1997 and 2002, 42% of those who lost union representation dropped two deciles or more. Overall, those who lost union representation experienced a median income loss of 9%. Of those who gained union representation, 35% moved up two deciles. Overall, those who gained union representation experienced a median income gain of 54%.

Between 2002 and 2007, 39% of those who lost union representation dropped two deciles or more. Overall, those who lost union representation experienced a median income loss of 6%. Of those who gained union representation, 34% moved up two deciles or more. Overall, those who gained union representation experienced a median income gain of 44%.

Recessions, Union Status, and Income Changes

DATA FOR THE two recession periods are particularly telling.

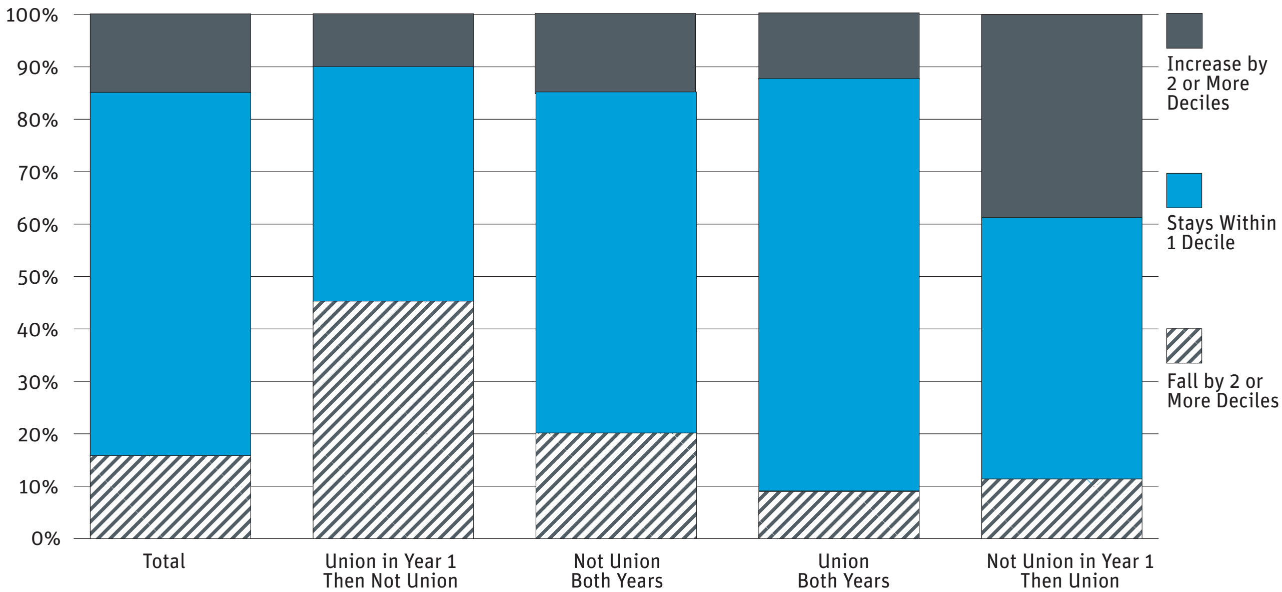
From 1989 to 1994

Figure 13 shows changes in income decile position based on changes in union representation status for the period 1989 to 1994. A full 45% of those who lost union representation between 1989 (the last pre-recession year) and 1994 dropped two or more deciles, for a median income loss of 26%. In contrast, 38% of those who weren't unionized in 1989 but held a unionized position in 1994 saw their incomes increase by two or more deciles, for a median income gain of 31%.

From 2006 to 2011

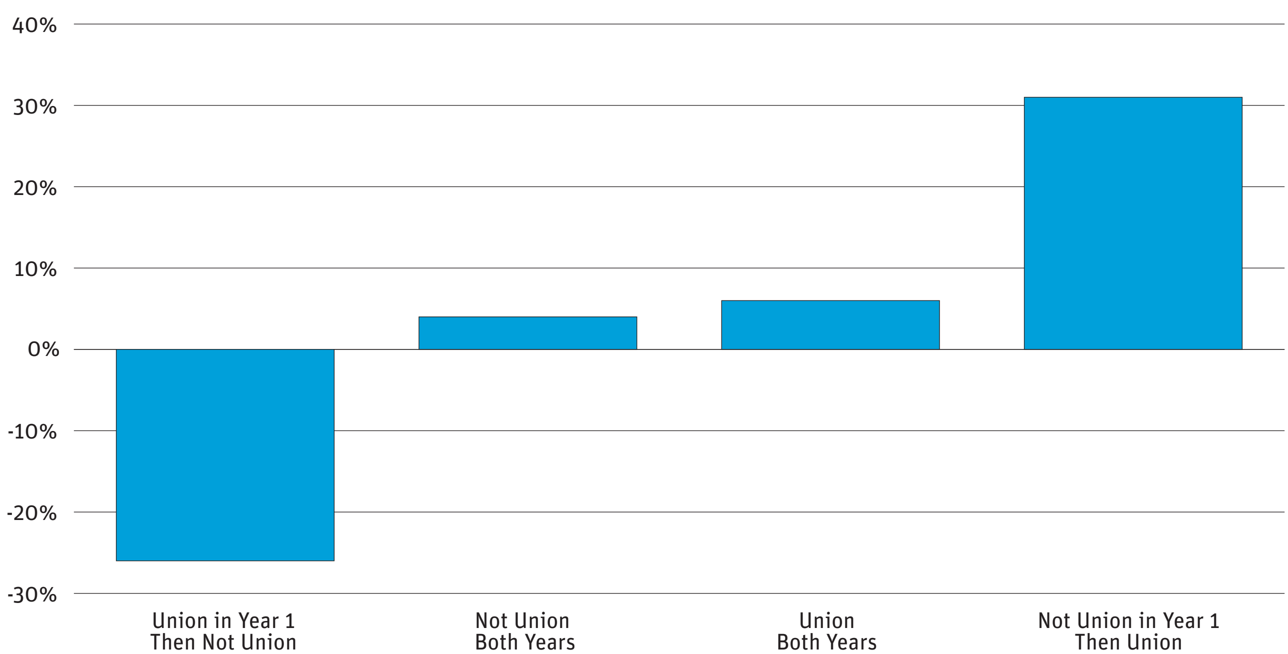
Figure 15 shows the relative impact of unionization between 2006 and 2011, which covers the period from two years before the 2008–2009 recession and the period two years after it.

FIGURE 13 Change in Income Decile Position and Change in Unionization, Individuals, 1989 and 1994



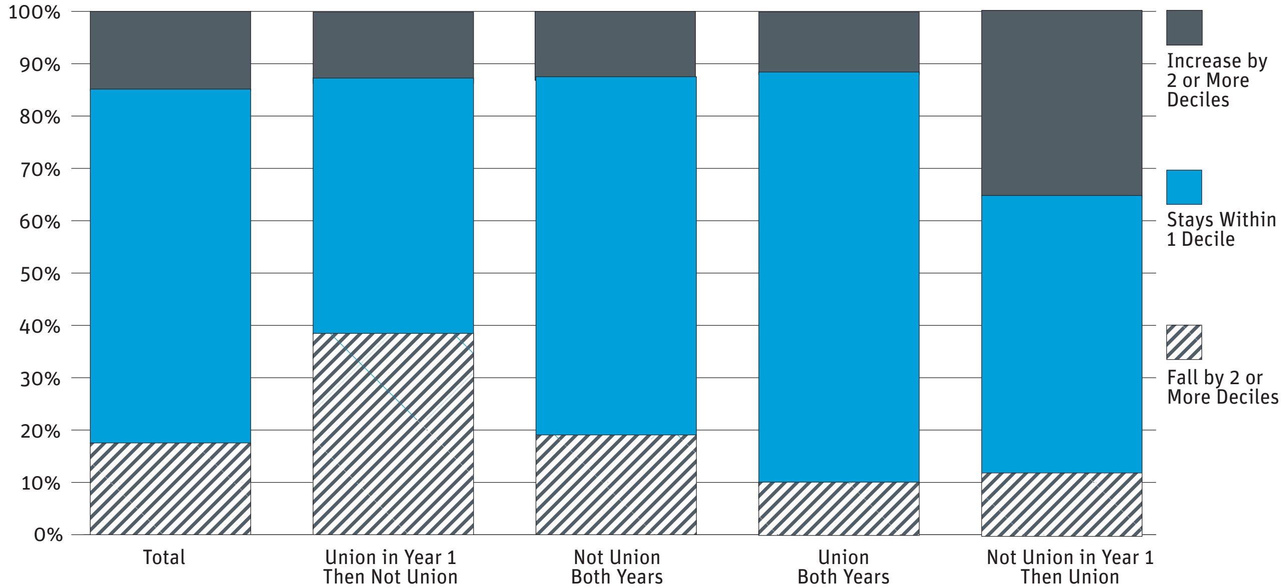
Source Statistics Canada, LAD.

FIGURE 14 Median Change in Income, Individuals, Between 1989 and 1994



Source Statistics Canada, LAD.

FIGURE 15 Change in Income Decile Position and Change in Unionization, Individuals, 2006 and 2011



Source Statistics Canada, LAD.

Of those who lost union representation between 2006 and 2011, 39% dropped two or more income deciles. Of those who gained union representation, 35% moved up two or more deciles.

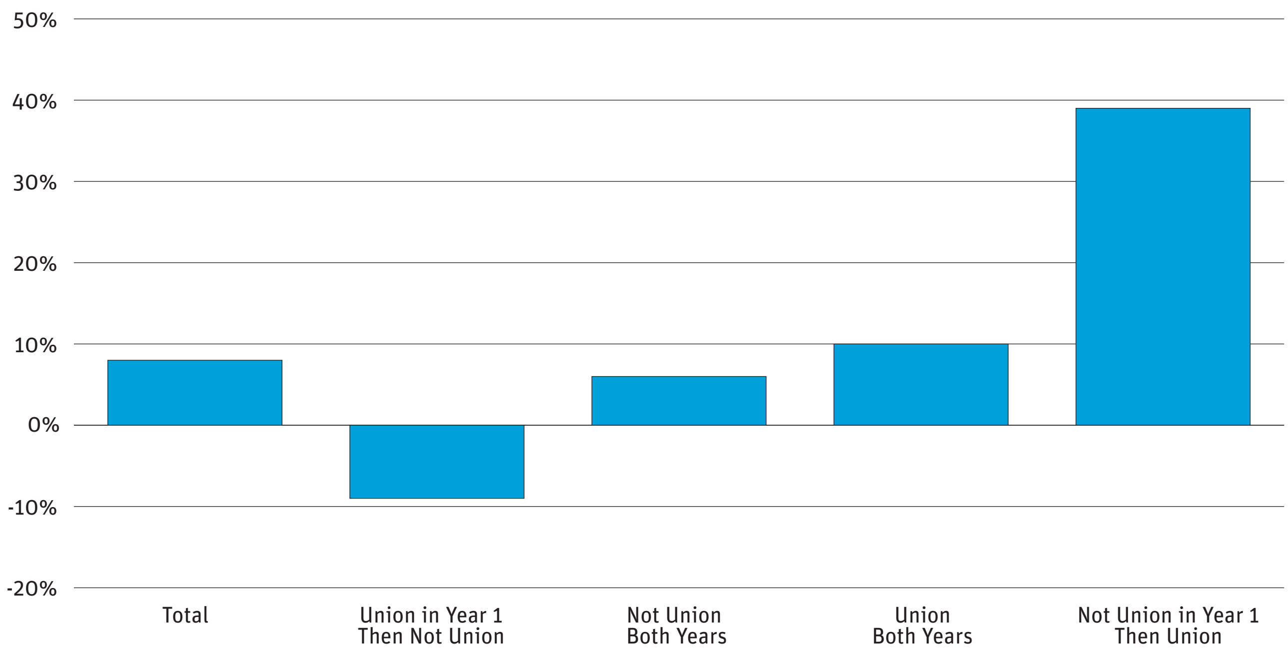
Figure 16 shows that those who lost union representation between 2006 and 2011 experienced a median 9% income loss while those who gained union representation over the same period experienced a median 39% income increase. The median income gain for those who were not represented by a union in either year was 6%. The median income gain for those who were represented by a union in both years was 10%.

Dollar numbers behind these overall percentage changes in median incomes highlight the impact of changes in union status on the living standards of middle-income earners.

The median income (inflation-adjusted to 2011 dollars) of individuals whose job status went from non-union between 2006 to union-represented in 2011 increased from $28,900 to $43,100, respectively. The corresponding figures for individuals whose job status went from union to non-union over the same period were $41,800 in 2006 and $36,100 in 2011.

The impact of moving from union to non-union status is particularly noteworthy for lower-income earners. The inflation-adjusted median income of an employee whose income was in the third decile in 2006 increased from

FIGURE 16 Median Change in Income, Individuals, Between 2006 and 2011



Source Statistics Canada, LAD.

$16,000 to $32,100, whereas for all employees with a 2006 income in the third decile, the increase was from $15,800 to $18,900.

For an employee in the fourth decile who moved from non-union in 2006 to union in 2011, the median inflation-adjusted income increased from $22,600 to $34,900, compared with an overall increase from $22,700 to $25,600.

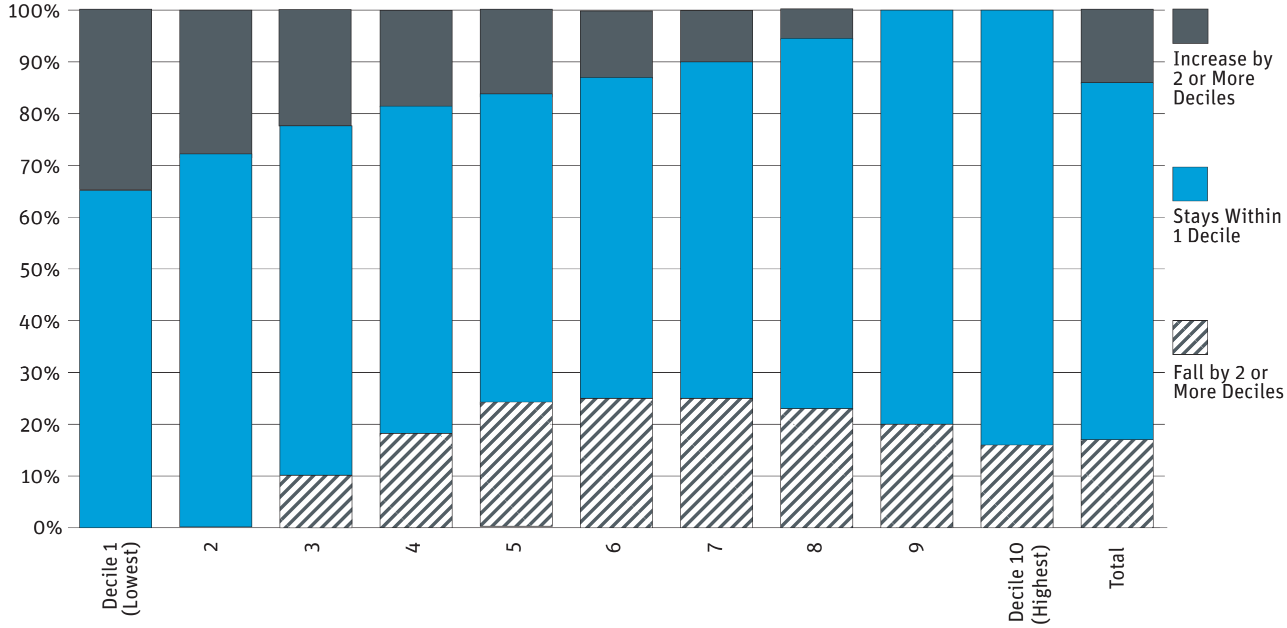
For an employee in the fifth decile in 2006 who moved from non-union in 2006 to union in 2011, median inflation-adjusted income increased from $30,000 to $34,900, compared with an overall increase from $30,100 to $32,700.

For an employee in the sixth decile in 2006 who moved from non-union in 2006 to union in 2011, median inflation-adjusted income increased from $37,500 to $44,100, compared with an overall increase from $37,700 to $39,900.

For an employee in the seventh decile in 2006 who moved from non-union in 2006 to union in 2011, median inflation-adjusted income increased from $45,900 to $51,600, compared to an overall increase from $46,100 to $48,500.

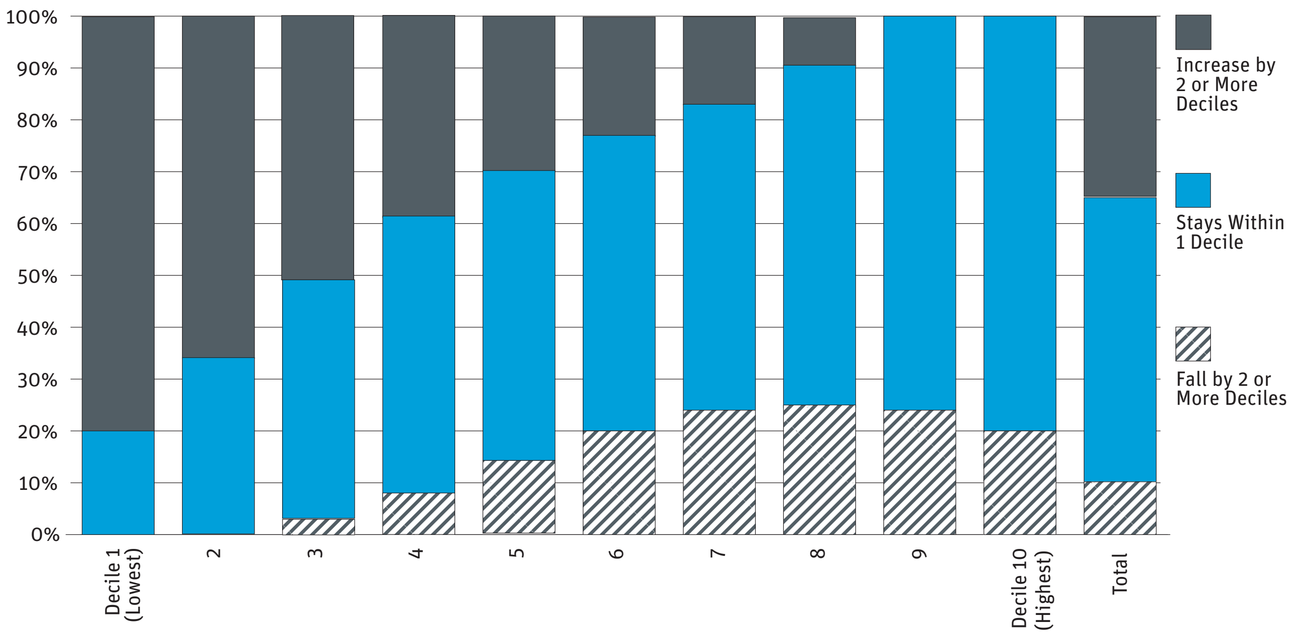
As in the other five-year periods studied, changes in union status were associated with substantial and predictable movements up and down the income ladder. Get a union job and you are likely to experience a substantial increase in income; lose a union job and you are likely to experience a substantial reduction in income.

FIGURE 17 Distribution of Shifts in Income Decile Position, All Employees, 2006 and 2011



Source Statistics Canada, LAD.

FIGURE 18 Shifts in Income Decile Position, Employees Moving From Non-Union Status to Union Status, 2006 & 2011



Source Statistics Canada, LAD.

Even with union representation hovering in the area of approximately 30% of the workforce, changes in union status have a notable impact on the overall distribution of employment income in Canada.

Figure 17 is very telling: it shows that only 35% of workers who were in the lowest income decile in 2006 moved up two deciles or more by 2011. And look at what happened to people in the deciles 5 through 8: 24% of those in the fifth decile dropped two or more deciles, while only 16% moved up two or more deciles. In the sixth decile, 25% dropped two or more deciles while only 13% moved up two or more. In the seventh decile, 25% dropped two or more deciles while only 10% moved up two or more. And in the eighth decile, 23% dropped two or more deciles while only 6% moved up two or more. In other words: deeply constrained upward mobility.

Figure 18 shows the same information for individuals whose union status went from non-union to union between 2006 and 2011. Again, the general trend is that getting a union job also means getting an income bump.

Conclusion

MORE THAN A decade and a half of excellent research in Canada has documented the growth in income inequality, the extraordinary gains of those at the top of the income distribution relative to everyone else, and the associated squeeze on the middle class.

This paper has looked closely at the relationship between these phenomena and the changes in union representation in Canada over the past 30 years. Our analysis finds that at both the individual and family level, employees represented by unions are far more likely to find themselves in the middle and upper-middle class. Finally, the paper shows that the trends in income inequality are associated with an overall decline in union density in the private sector — a decline that is concentrated among employees in the middle and upper-middle income deciles.

These results suggest that the widely reported hollowing out of the middle class in Canada is intertwined with the dramatic decline in union density in the private sector. In graphic terms, a significant proportion of the unionized middle class has been carved out of the income distribution as a result of declining union density.

While these macro-level data are highly suggestive of a relationship between changes in union representation and the distribution of income, it is in the micro data at the individual level, which shows the impact of changes in union representation. At the individual level, moving from employment with union representation to employment without union representation is associated with a significant loss of relative and absolute income.

Moving from employment without union representation to employment with union representation is associated with a significant gain in relative and absolute income.

Because union density has been in steady decline in the private sector, individuals losing union representation and experiencing income losses will inevitably outnumber those gaining union representation and experiencing income gains. And this, in turn, suggests that the change in union density in the private sector over the past 30 years is an important driver of growing income polarization and inequality. In other words, the union card has long been Canada's calling card for the middle class. Without it, stability within the middle class is greatly compromised.

Note On Data Sources

RESEARCHING INCOME INEQUALITY in Canada has become increasingly challenging because of the lack of data available.

Until 2011, the Survey of Labour Income Dynamics (SLID) proved to be a useful tool for inequality analysis (for the years 1997 and later) because it combines information about income with other characteristics, most notably for this paper, union membership. However, in addition to the time-period limitation, SLID is of limited value as a tool for measuring overall income inequality because high-income individuals are underrepresented in the data, and because the income measure does not capture income other than wage and salary income.

The Canadian Income Survey (CIS), which replaced SLID in 2012, uses a different methodology for data collection. As a result, Statistics Canada is currently recommending that income data from the CIS not be compared with data from SLID for previous years pending further research on how the methodological change will affect the data.

Income tax data have proven a fruitful source of information about incomes in general, and in particular about high-income earners. All of the information in the public domain concerning the incomes of the top 1% of Canadian income earners is derived from income tax data. Statistics Canada's Longitudinal Administrative Database (LAD), which is based in part on income tax data, is of particular value because it includes a number of demographic variables and permits analysis of changes at both the individual and the family level over time.

The Statistics Canada series Income in Canada tracks a number of income measures, including the Gini coefficient measure of inequality, beginning in 1976.

Data on union density are derived from two sources: for the period before 1997, union density data come from the filings under the *Corporations and Labour Unions Returns Act*; for the period after 1997, the source is SLID. Unfortunately, only the data from SLID and LAD link union density with other variables. This means that there is no direct way to measure the relationship between union membership and incomes over an extended period.

Employment income data is available from three overlapping Statistics Canada series from 1939 to the present, collected in the Survey of Employment, Payrolls and Hours (SEPH) and its predecessors. However, because these data are collected from employers, they lack the linkages to individual demographic characteristics found in other databases.

Historically, Census data have been used to highlight longer-term trends. But with the replacement of the mandatory long-form Census by the voluntary National Household Survey that came into effect with the 2011 Census, it is no longer possible to make meaningful, reliable, and up-to-date inferences from Census data.

Notes

1 Saez, E. and Veall, M. "The Evolution of High Incomes in North America: Lessons From Canadian Evidence", *The American Economic Review*, June 2005 pp. 831–849. Note that the standard aggregate measure of inequality for Canada, the Gini coefficient, is only available for periods after 1975.

2 Statistics Canada, CANSIM Tables 326-0021, 281-0014 and 281-0006.

3 Statistics Canada, CANSIM Table 380-0039.

4 Statistics Canada, CANSIM Tables 326-0021, 281-0014 and 281-0006.

5 Estimated from Statistics Canada CANSIM Tables 380-0016, 380-0039 and 380-0063.

6 This overall change, however, masks two significant differences. First, the data suggest that the key driver of the current period of growth in income inequality is driven by sources of income classified as income from wages and salaries as opposed to those classified as income from capital. This phenomenon may in part be explained by a blurring of income from employment with income from capital in very high–income occupations (for example, income from stock options). In addition, because these data are generated from income tax returns that do not report unrealized capital gains, they tend to understate income from capital. Second, whereas previous periods of growth in income inequality produced a widening of gaps throughout the income range, the current period of growth is characterized by the highest-income individuals essentially detaching themselves from the remainder of the income spectrum. That phenomenon is most clearly seen in two perspectives on the data.

7 Author's calculations from Statistics Canada CANSIM Table 0204-0001.

8 See, for example, the following: Jackson, A., "Up Against the Wall: The Political Economy of the New Attack on the Canadian Labour Movement", *Just Labour*, Volume 20, Summer 2013; Slan, G. et al, "Unions Matter", *Canadian Foundation for Labour Rights*, March 2013; and Jackson, A., "Union Communities, Healthy Communities", *The Broadbent Institute*, April 2013.

9 Figure is reproduced with permission from Slan, G. et al, "Unions Matter", *Canadian Foundation for Labour Rights*, March 2013.

10 See, for example, "Unions, Norms and the Rise in U.S. Wage Inequality", Bruce Western and Jake Rosenfeld, American Sociological Review, Vol. 76, No. 4 (August 2011) pp. 513–537.

11 Statistics Canada's longitudinal SLID establishes panels of interviewees whose economic circumstances are tracked over a five-year period, covering overlapping five-year periods ending in the years 1997 to 2010. This feature of the SLID program has now been cancelled.

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