

The Impact of Construction Union Dues in Minnesota

An Organizational and Individual-Level Analysis

August 16, 2016



EXECUTIVE SUMMARY

In Minnesota, construction workers are productive, high-skilled, and well-paid. An estimated 30.3 percent of these workers are members of a union. Construction workers can voluntarily choose to leave their unionized contractor, opt out of paying certain dues, or vote to decertify their labor union. Thus, trade unions in Minnesota must continually demonstrate how workers benefit from contributing membership dues.

An analysis of Form LM-2 reports filed in FY2015 by 39 construction trade labor unions representing 77,786 total members in Minnesota finds:

- The average union member contributes \$1,381 in annual dues, fees, and other membership payments in Minnesota to construction union locals— about \$115 per month.
- Only 1.4 percent of all membership dues and fees collected by construction unions in Minnesota are spent on political activities and lobbying— or \$17.47 annually per member.

There are many personal benefits of being a union member to Minnesota's construction workers. 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 construction workers by \$7,720 annually.
- Unions increase construction worker health insurance coverage by 13.1 percentage points.

The annual benefit-to-cost ratio of paying union dues is very high for construction workers in Minnesota: For every \$1 paid in dues and fees, an estimated \$5.59 is returned to union members in the construction industry in after-tax income. This financial return is *in addition to* other personal benefits such as better health coverage, apprenticeship training, and higher job satisfaction.

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

- Unionized construction workers independently create over 9,000 additional jobs that would not exist in Minnesota without unionization— including over 1,300 direct jobs in labor organizations and almost 8,000 other jobs from the higher earnings and consumer spending of union households.
- The net impacts of unionized construction workers are an \$808.6 million increase in Minnesota's economic output and \$99.5 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, political campaign spending data from public disclosure agencies do not support this claim. Of the \$98.3 million that was contributed to Minnesota's state and local elections in 2014:

- Construction unions contributed \$1.4 million, or 1.4 percent of all state and local political spending.
- Business, finance, insurance, and real estate interests contributed \$4.8 million (4.9 percent).
- The public fund contributed \$2.5 million to campaigns (2.5 percent).

This report describes how the dues of Minnesota's construction union members are functionally applied. At an annual cost of \$1,381, union dues and fees increase wages by \$7,720 after taxes— a \$5.59 personal benefit per dollar invested. The dues also increase the likelihood that a construction worker has health insurance coverage and give the construction worker a voice at work. Finally, union dues stimulate the broader Minnesota economy. Any attempt to weaken trade unions in Minnesota, if successful, would reduce these positive impacts that unionized construction workers 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 Minnesota 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 productivity, managerial efficiency, training, job security, workplace relationships, the value of a person's work, the cost of production, and profitability in the private sector. Labor unions also have an undeniable impact on social and political structures. Barbara Flick (2009) declares that, beyond collective bargaining, labor is the "quintessential civil society organization." 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 support a democratic society is by having a positive impact on political elections. Benjamin Radcliff and Patricia Davis (2000) reveal that a higher density of union membership increases voter turnout by nearly 7 percent. Indeed, in the fall 2014 Minnesota state elections, some estimates had labor households amounting to 24 percent of the overall vote (CNN, 2014), despite that fact that unions only represent 15 percent of the overall workforce (Hirsch & Macpherson, 2016). Voter turnout data has repeatedly affirmed a fundamental governing proposition: As unionization increases, the democratic participation of citizens expands.

Recognition of the economic and political contributions of unions 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. Although unions must represent all employees in a workplace, workers are not forced to join a union in Minnesota. 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 a 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.

In construction, labor unions provide significant benefits and raise standards for the entire industry. Unions increase apprenticeship training and improve safety standards (Manzo & Bruno, 2015). Among construction workers, union productivity has also been found to be 17 to 22 percent higher than nonunion output (Allen, 1984). These effects often have positive spillover on nonunion contractors.

Construction unions in Minnesota have strong incentives to continually provide value to workers and communities. As of 2015, an estimated 30.3 percent of Minnesota’s workers were union members (Manzo et al., 2016). These construction workers can voluntarily choose to leave their unionized contractor, opt out of paying certain dues, or vote to decertify their union. In order to maintain or increase active membership, individual unions must demonstrate how workers benefit from contributing membership dues.

Thus, a practical examination of the subject of union dues is merited for the construction industry. What do union dues do? How are they allocated and to what ends? What is the “return on investment” from one dollar contributed in dues for a blue-collar construction worker who chooses to work for a unionized contractor?

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

CONSTRUCTION UNION DUES AND FEES COLLECTED IN MINNESOTA

Despite the decline in unionization over the past decades, Minnesota’s construction union membership rate has consistently been above the national average. In 2015, 13.2 percent of the U.S. construction industry was unionized, while 30.3 percent of the Minnesota population was unionized. Construction is the second-most unionized industry in Minnesota, behind public administration (Manzo et al., 2016). Construction workers are also productive, high-skilled, and well-paid in Minnesota (Manzo & Bruno, 2015). Construction unions consistently demonstrate their importance by training workers who complete high-quality infrastructure for the safety of Minnesota residents.

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).¹

In Fiscal Year 2015, a total of 39 construction unions in Minnesota filed Form LM-2 reports with the Department of Labor (OLMS, 2015b). Figure 1 presents the four local or intermediate construction unions in Minnesota with the largest membership totals, according to the Form LM-2 reports. The International Union of Operating Engineers Local 49, representing 13,134 construction and related workers, is the largest construction union required to file a Form LM-2 in Minnesota. The Laborers' International Union of North America Local 563, the United Brotherhood of Carpenters Local 322, and the Sheet Metal Workers' International Association Local 10 all represent between 4,600 and 9,000 members (Figure 1).

FIGURE 1: CONSTRUCTION UNION LOCALS WITH THE LARGEST MEMBERSHIP IN MINNESOTA, REPORTING UNIONS, FY2015

Rank	Organization Name	Total Membership	Total Assets
1	International Union of Operating Engineers Local 49	13,134	\$13,416,694
2	Laborers' International Union of North America Local 563	9,095	\$10,424,338
3	United Brotherhood of Carpenters Local 322	5,390	\$1,258,570
4	Sheet Metal Workers' International Association Local 10	4,643	\$6,813,062

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

The 39 construction union locals filing Form LM-2 reports represented 77,786 total members, or approximately 1,995 members each in Fiscal Year 2015 (Figure 2). The cumulative annual revenue generated by these 39 construction trade unions totaled \$107.8 million in 2015. The primary sources of receipts for labor unions in the construction industry are dues, agency fees, and other payments from members. In total, union members in these organizations contributed \$107.4 million in dues, fees, and other revenue— or 99.6 percent of total receipts. Interest, dividends, rents, loan repayments, and other sources of income account for the remaining receipts.

FIGURE 2: DESCRIPTIVE STATISTICS OF CONSTRUCTION ORGANIZATIONS IN MINNESOTA, REPORTING UNIONS, FY2015

U.S. Department of Labor (Form LM-2) Data on Construction Organizations	Value
Construction Organizations Filing a Form LM-2	39
Members Represented	77,786
Total: All Receipts	\$107,774,551
Total: Dues, Agency Fees, and Other Revenue from Members	\$107,388,837
Dues, Fees, and Membership Revenue Share of Total Receipts	99.6%
Average: Annual Dues, Fees, and Membership Revenue Per Member	\$1,381
Median: Annual Dues, Fees, and Membership Revenue Per Member	\$1,540

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

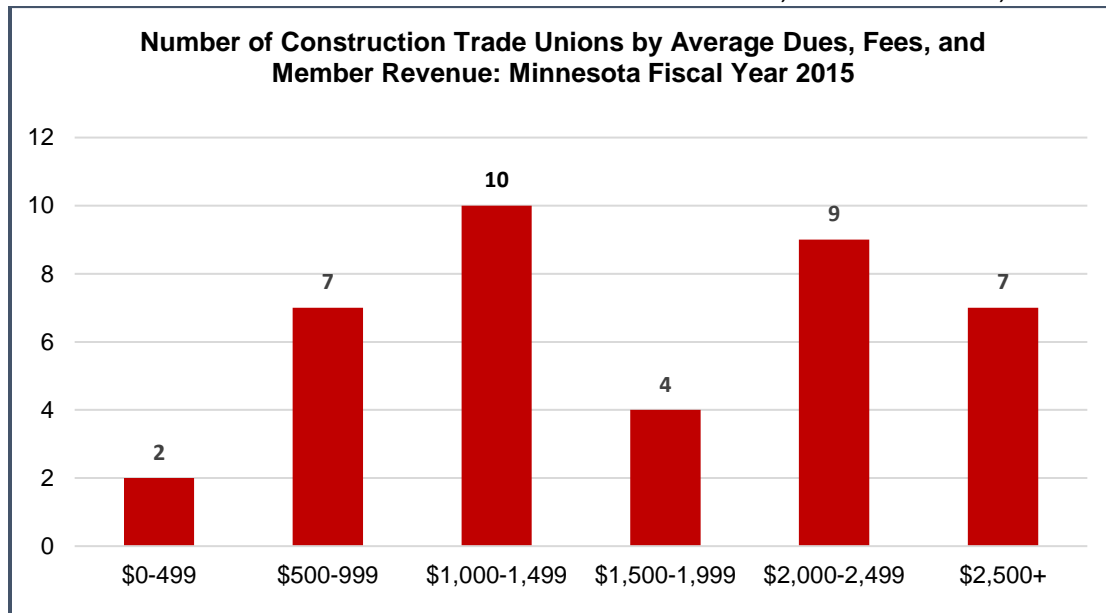
In Minnesota, the average construction union member contributes \$1,381 in annual dues, fees, and other membership payments to his or her labor union. This equates to approximately \$115

¹. 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.

per month for the average member. The median union member in the construction industry provides \$1,540 in annual membership dues and fees (Figure 2).

The majority of construction trade unions collect under \$2,000 in annual dues, agency fees, and other member revenue (Figure 3). According to the Department of Labor data, 23 out of the 39 construction trade unions (59.0 percent) have annual membership dues and fees that are under \$2,000 per member. However, 7 construction unions (17.9 percent) collect more than \$2,500 per member.

FIGURE 3: DISTRIBUTION OF MEMBERSHIP DUES AND FEES IN MINNESOTA, REPORTING UNIONS, FY2015



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

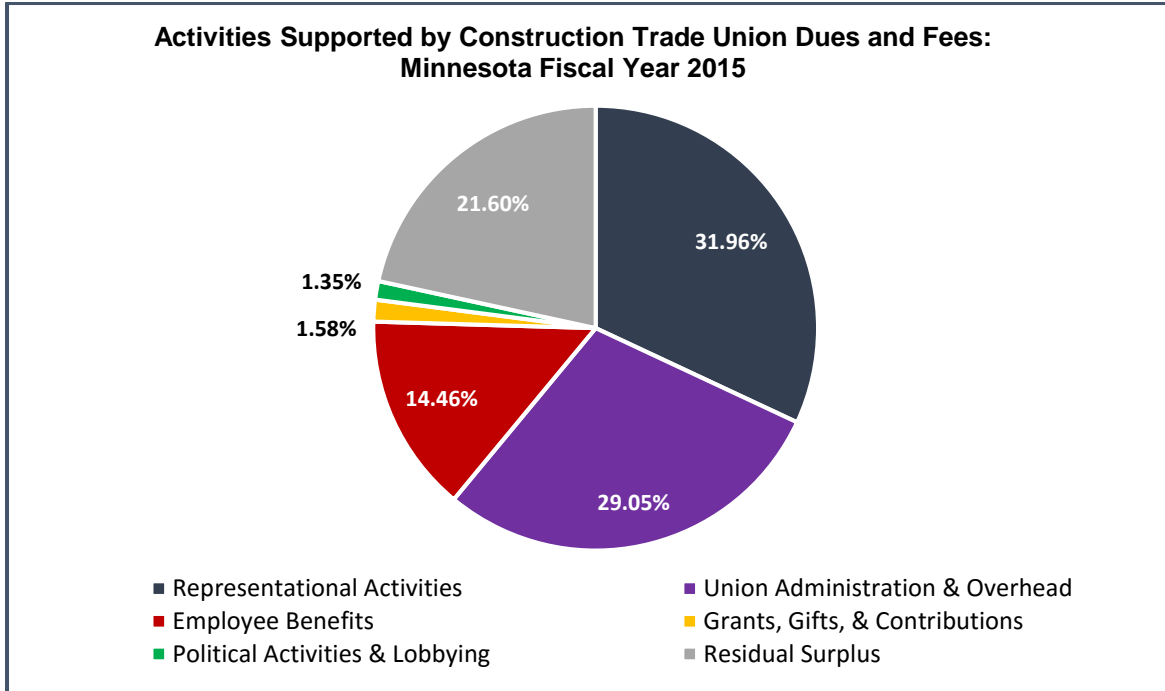
ACTIVITIES SUPPORTED BY CONSTRUCTION UNION DUES AND FEES IN MINNESOTA

A construction union represents the interests of employees on worksites. 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 construction unions invest in industry advancement and in worker training, such as the widespread use of joint labor-management registered apprenticeship programs. Many unions also spend a portion of membership dues on charitable donations, student scholarships, and food banks. Finally, some construction 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 Minnesota, construction trade unions spend approximately 75.5 percent of membership dues and fees on bargaining and representation (Figure 4). This estimate includes union administration and overhead (29.1 percent) and employee benefits (14.5 percent), as well as expenditures on

representational activities (32.0 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 21.6 percent of membership dues in Minnesota. This means that the average trade union in Minnesota saves just over 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 MINNESOTA, REPORTING UNIONS, FY2015



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.

In Minnesota, approximately 1.4 percent of all dues, fees, and membership contributions are spent by construction trade labor organizations on political activities and lobbying (Figure 5). In 2014, construction unions spent just \$15.63 per member on political activities and lobbying, or about \$1.30 per member per month (Figure 5). In addition, the median union expended just \$4.54 per member on political activities over the year (\$0.38 per member per month). Despite claims to the contrary, political spending accounts for only a marginal share of total construction union activities in Minnesota.

FIGURE 5: POLITICAL ACTIVITIES AND LOBBYING SUPPORTED BY DUES PER YEAR IN MINNESOTA, REPORTING UNIONS, FY2015

Annual Dues Spent on Political Activities and Lobbying	Value
Average Dues	\$15.63
Median Dues	\$4.54

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

THE PERSONAL BENEFIT OF CONSTRUCTION UNION MEMBERSHIP IN MINNESOTA

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., 2016). 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 Minnesota, 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 3,679 responses from employed workers from 2005 to 2014. The analysis uses statistical weights provided by the Census Bureau and the BLS to match these survey responses to the actual Minnesotan workforce. The weighted employed population in Minnesota was 2.5 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 in the construction industry improves annual earnings and health insurance coverage outcomes for workers in Minnesota (Figure 6). After controlling for other measurable factors such as occupation, education, demographics, and citizenship status, union membership is found to statistically increase the annual wage and salary incomes of construction workers by \$9,197 on average in Minnesota. A second regression parsing out the union difference for the median worker finds that construction unions particularly benefit the middle class in Minnesota. Union membership in the construction industry is associated with a \$17,556 increase in inflation-adjusted annual earnings for the median worker in Minnesota. Finally, a comparison of employees finds that construction trade union membership increases the probability that a Minnesota worker has health insurance coverage by 13.1 percentage points on average. Each of these analyses finds that unions foster self-sufficient workers in the construction industry. Unions raise worker wages, boost the middle class, and promote health insurance coverage.

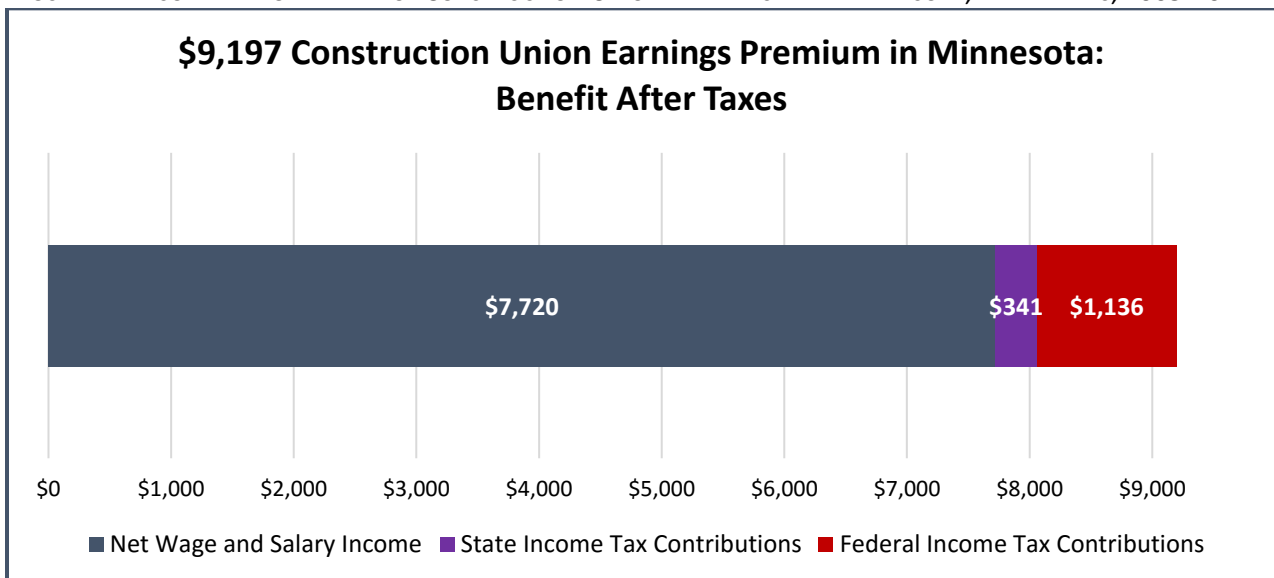
FIGURE 6: REGRESSIONS OF THE IMPACT OF CONSTRUCTION UNION MEMBERSHIP IN MINNESOTA, 2005-2014

Current Population Survey Data	Standard Regression: Real Wages and Salary	Median Regression: Real Wages and Salary	Standard Probit: Health Coverage
The Construction Union Difference	\$9,197.13***	\$17,556.39**	13.14%***
R ²	0.271	0.253	0.116
Sample Size	3,679	3,679	2,249

*** $p \leq 0.01$; ** $p \leq 0.05$; * $p \leq 0.10$. Source(s): Flood, et al., 2015. IPUMS-CPS. March Current Population Survey. Regression results are for employed Minnesota 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@midwestepi.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, construction workers who are union members in Minnesota contribute \$1,136 more in federal income taxes over the year than comparable workers who are not in a union. Similarly, the \$9,197 union wage premium in Minnesota means that construction union members pay \$341 more in state income taxes (after credits) than their nonunion equivalents. As a result, the financial benefit of being a union member is a net gain of \$7,720 annually in wage and salary income after taxes for the average Minnesota construction worker.

FIGURE 7: PERSONAL WAGE BENEFIT OF CONSTRUCTION UNION MEMBERSHIP IN MINNESOTA, AFTER TAXES, 2005-2014



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@midwestepi.org.

The personal benefits of construction union membership greatly exceed the individual costs in Minnesota (Figure 8). While the typical construction union member contributes \$1,381 per year in membership dues and fees, he or she earns \$7,720 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 13.1 percentage points.

Accordingly, the benefit-to-cost ratio of paying union dues is very high in Minnesota's construction unions (Figure 8). For every dollar paid in dues and fees, an estimated \$5.59 is

returned to unionized construction workers' after-tax income. This means that, on average, the financial return on investment is 459 percent annually for a union worker in construction. 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 to Minnesota's construction unions is an additional \$5.59 in after-tax income *plus* other benefits such as a higher chance of having health insurance, free apprenticeship training, and the ability to work on a more democratic worksite.

FIGURE 8: PERSONAL COSTS AND BENEFITS RATIO OF CONSTRUCTION UNION MEMBERSHIP IN MINNESOTA, 2015

Annual Costs	Annual Benefits			Benefit-to-Cost Ratio
Average Dues and Fees	After-Tax Income Benefit	Health Insurance Coverage Benefit	Additional Benefit	After-Tax Return on \$1 of Dues
\$1,381	+\$7,720	+13.14%	+Voice at work, safety, apprenticeship training	+\$5.59

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

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, the abuses of managerial authority, and employee misclassification. 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 Minnesota 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, construction union membership can have other meaningful positive impacts beyond the \$5.59 post-tax financial benefit per dollar invested in dues for workers in Minnesota.

THE ECONOMIC IMPACT OF CONSTRUCTION UNIONS IN MINNESOTA

Construction unions continue to play a prominent role in Minnesota. While the previous section analyzed the personal benefits of union membership for an individual construction worker in Minnesota, this section evaluates the broader impact of construction unions on the Minnesota economy. Union membership raises worker wages, especially for middle-class families. By

increasing earnings, unionization boosts consumer spending in the Minnesota 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 Minnesota. 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 Minnesota and the overall wage premium for all union workers in the state. Total FY2015 Disbursements for construction unions in the dataset were \$107.8 million. In addition, construction unions increase annual wages by \$7,720 per worker on average in Minnesota. Multiplying this average union benefit by total membership results in an increase of \$600.5 million in household income in Minnesota due to construction labor unions. The \$107.8 million in spending by labor organizations is the direct impact of union dues and other receipts while the \$600.5 million net increase in labor income generates other effects.

The economic impact analysis estimates that construction union members in Minnesota independently create 9,133 jobs in the state’s labor market (Figure 9). The \$107.8 million in spending from construction union dues and other receipts creates an estimated 1,326 direct jobs in labor organizations. The increased consumer spending both from these jobs and from the higher earnings of construction union households save or create an additional 7,807 jobs in other sectors of the state’s economy. The net impact is a \$808.6 million increase in Minnesota’s economic output, or gross domestic product (GDP).

FIGURE 9: THE ECONOMIC IMPACT OF CONSTRUCTION UNION MEMBERS ON THE MINNESOTA ECONOMY, 2015

Net Economic Impact Analysis (IMPLAN Data)	Employment (Jobs Created or Saved)	Labor Income	Minnesota GDP (Value Added to the Economy)
Direct Impact on Labor Organizations	1,326	\$38,840,602	\$90,197,499
Indirect and Induced Effects	7,807	\$407,524,575	\$718,424,867
Total Net Economic Impact	9,133	\$446,365,177	\$808,622,366

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 construction union members and would not exist without unionization in the industry. Any critical evaluation of labor organizations claiming that construction unions cause job loss in Minnesota *must* account for these positive direct, indirect, and induced impacts associated with union members. Even if there is evidence that unions limit employment within construction, a complete analysis would consider the impact of higher wages on other sectors of the economy and on the productivity of

workers in construction. 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 industry translate into higher spending and job creation in other sectors of the economy.

Figure 10 summarizes the return on investment from one dollar contributed in dues from a construction worker in Minnesota. As previously mentioned, the after-tax benefit to an individual construction worker’s income is \$5.59 per dollar contributed in dues. Now, with the finding that \$107.8 million in construction union disbursements translates into an economic gain of \$808.6 million, the statewide return on investment can be calculated. For every dollar contributed by construction workers in union membership dues, the Minnesota economy improves by \$7.50 (Figure 10).

FIGURE 10: RETURN ON INVESTMENT FROM CONSTRUCTION UNION DUES IN MINNESOTA, INDIVIDUAL AND STATEWIDE

Return on Investment from \$1 of Dues in Minnesota, 2015	
To Individual Construction Worker's Annual Income	\$5.59
To Overall Economic Output (GDP)	\$7.50

Source(s): OLMS, 2015b. Form LM-2 Data; Flood, et al., 2015. IPUMS-CPS. March Current Population Survey; IMPLAN, 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 \$9,197 on average in Minnesota. A portion of that, however, is paid to the State of Minnesota through personal income taxes. Cumulatively, trade union membership generates \$37.5 million in net state income tax revenues across the 77,786 workers belonging to a construction trade union. Through the 9,133 additional jobs created by union dues, another \$62.0 million is collected in state income taxes. Construction trade union members in Minnesota therefore independently account for \$99.5 million in state income tax revenues that would not occur without unionization. Attempts to weaken labor organizations in Minnesota, if successful, would reduce this positive impact on income tax revenues while likely 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 Minnesota.

FIGURE 11: ECONOMIC IMPACT OF CONSTRUCTION UNION MEMBERS ON MINNESOTA TAX REVENUES, 2015

Net Tax Impacts (IMPLAN Data)	State Income Tax Revenue (Additional Increase)
Net Collected from Union Members	\$37,493,553
Net Collected from Economic Impact	\$61,962,585
Total Additional State Income Taxes Collected	\$99,456,138

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

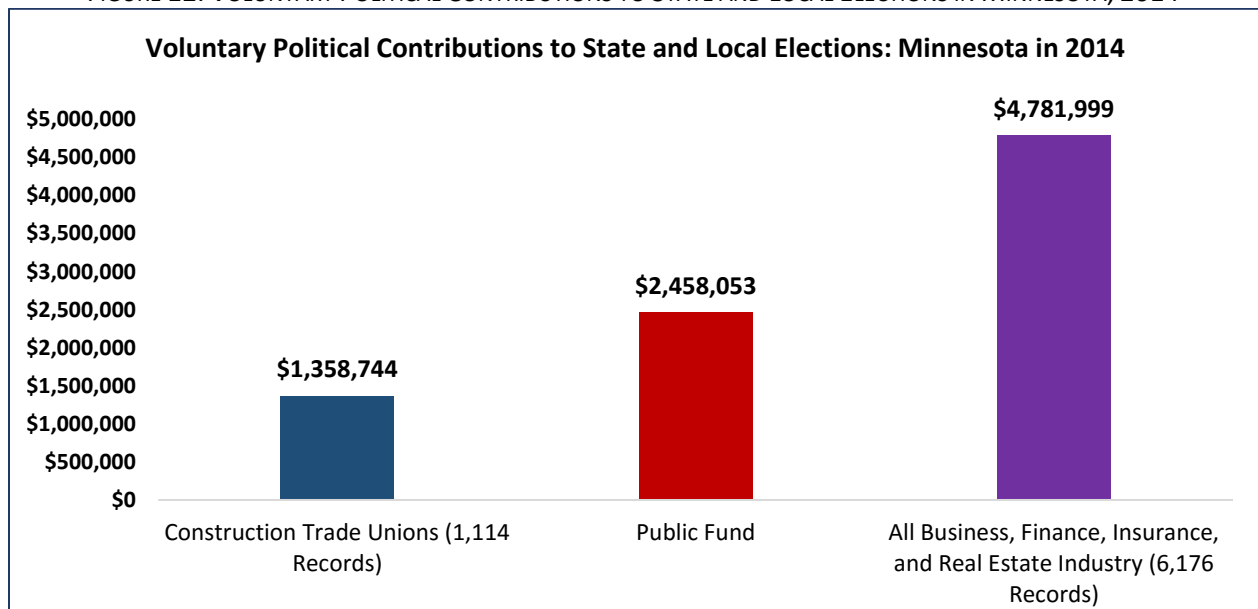
VOLUNTARY CONSTRUCTION UNION POLITICAL SPENDING IN CONTEXT

This section evaluates actual data on the voluntary political spending of construction trade unions in Minnesota, and puts it in context (Figure 12). 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 makes 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 \$98.3 million was contributed to candidates and committees in Minnesota’s state and local races in 2014, which was a gubernatorial election year (NIMSP, 2016b). Construction trade unions contributed \$1.4 million in voluntary political spending from their members– or 1.4 percent of all state and local political spending in Minnesota.² By contrast, general business, finance, insurance, and real estate interests made \$4.8 million in combined contributions (4.9 percent) to candidates and committees in Minnesota. Moreover, the public fund contributed \$2.5 million to electoral campaigns, accounting for 2.5 percent of the total political spending on state and local elections in Minnesota in 2014.

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



Source(s): National Institute on Money in State Politics, 2015(b). FollowTheMoney.org. and Minnesota Campaign Finance and Public Disclosure Board.

To recap, spending on political activities and lobbying accounts for just 1.4 percent of all construction trades union membership dues and fees, or \$17.47 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, construction unions accounted for 1.4 percent of all state and local political spending in Minnesota. Meanwhile, businesses and corporations contributed \$3.4 million *more* in state and local political spending

². The state figures include all construction trade unions that made political contributions to candidates and committees in Minnesota.

in Minnesota than construction unions. The data do not support any claim that construction unions have “undue” financial influence over state and local elections in Minnesota.

CONCLUSION

To maintain or increase active membership, construction unions in Minnesota must continually demonstrate how workers benefit from contributing membership dues. An analysis of Form LM-2 reports filed by labor unions in Minnesota finds that union dues, fees, and other revenue from members in unionized construction trades account for 99.6 percent of total receipts for construction labor organizations. The average trade union member contributes \$1,381 in annual dues, fees, and other membership payments in Minnesota to labor union locals, or about \$115 per month. With this revenue, construction unions in Minnesota spend 75.5 percent of dues and fees on bargaining and representation and only 1.4 percent on political activities and lobbying.

There are many personal benefits to being a union member in the construction industry. For every \$1 paid in dues and fees, an estimated \$5.59 is returned to union members in after-tax income. This financial return is *in addition to* other benefits such as better health coverage, apprenticeship training, and higher job satisfaction from working in a democratic workplace.

While there are significant individual benefits to being a union member, Minnesota’s construction unions also have impacts on the broader state labor market. Unionized construction workers independently create over 9,000 additional jobs that would not exist in Minnesota without unionization— including more than 1,300 direct jobs in labor organizations and about 7,800 other jobs from the higher earnings and spending of union households. The net impacts of union members are an \$808.6 million increase in Minnesota’s economy and \$99.5 million more in state tax revenue than there would be without unionization in the construction industry.

Finally, while some critics might argue that construction unions have “too much” political influence in Minnesota, political campaign data from public disclosure agencies do not support this claim. Of the \$98.3 million that was contributed to candidates for state and local offices in Minnesota in 2014, construction trade unions voluntarily contributed \$1.4 million, or 1.4 percent of all state and local political spending. Business, finance, insurance, and real estate interests contributed \$4.8 million (2.5 percent).

In effect, this report has described what the dues of Minnesota’s unionized construction workers do. At an annual cost of \$1,381 for the average member, union dues and fees increase worker wages by \$7,720 after taxes— a \$5.59 personal benefit per \$1 invested. The dues also increase the likelihood that a worker has health insurance coverage and give the employee a voice in his or her workplace. Finally, total union dues stimulate the broader Minnesota economy. Any attempt to weaken construction unions in Minnesota, if successful, would reduce the positive impact that unionized construction workers have on the state.

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