Colorado Fiscal Institute

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STRONG UNIONS MEAN STRONG ECONOMIC OUTCOMES FOR ALL COLORADANS

Examining research on the economic benefits of unions, the effects of Colorado's restrictive labor laws on workers' bargaining freedom, and the potential advantages of modernizing these laws to facilitate unionization and enhance workers' rights.

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EXECUTIVE SUMMARY

Economic evidence tells us that unions improve workers' lives by ensuring they have the ability to negotiate better wages, benefits, and safer working conditions. However, Colorado is among states that historically adopted policies intended to limit private sector workers' freedoms to form unions. Today, this suppression of workers' rights is weakening Colorado's economy.

Across the country, it has become challenging for workers to freely exercise their legal right to form unions due to weak federal labor laws. Additionally, some states – including Colorado – have laws in place that make it even more difficult for workers to unionize and limit their rights to collectively bargain with employers.

In this primer, we review available research on the economic benefits of unions, the impact of state laws like Colorado's that limit workers' freedom to bargain, and the potential economic benefits of modernizing Colorado's labor laws to remove unnecessary obstacles to unionization and restore workers' freedom to bargain.

COLORADO’S LABOR LAW LIMITS WORKERS’ FREEDOM TO BARGAIN

In many states, workers’ bargaining rights are constrained by anti-union, “Right to Work” (RTW) laws. These deceptively- named policies limit workers’ freedom to collectively negotiate for better wages, benefits, and working conditions. As Martin Luther King, Jr. pointed out in 1961, “right to work” is a “false slogan” since these laws provide neither rights nor work and are in fact intended “to rob us of our civil rights and job rights [and] to destroy labor unions and the freedom of collective bargaining by which unions have improved wages and working conditions of everyone.” Decades later, research supports King’s assertion that “wherever these laws have been passed, wages are lower.”

In short, anti-union laws are a policy designed to take economic power away from working people by tilting the scales of power in favor of corporations and big employers. These laws do not provide any assurances of employment, nor do they protect workers from being compelled to join a union, which federal law already prohibits. However, anti-union laws complicate the ability of workers to form unions and collectively bargain for better wages, benefits and working conditions.

Colorado’s state labor law similarly imposes *de facto* anti-union conditions on Colorado workers. As discussed further in this primer, Colorado’s outdated law has limited workers’ freedom to bargain since 1943 by banning negotiations over union security unless workers pursue and win (by supermajority) a state-mandated “second election.” This is an obstacle to union formation and collective bargaining not faced by workers in any other state in the nation. As a result, Colorado’s union density is only 6.9%, well below the national average and similar to that of many anti-union states. Because relative union strength is linked to key economic and labor market outcomes – including job quality, workplace safety, income inequality, and racial and gender wage gaps – state policies that suppress union membership damage the state’s economy and affect all Coloradans.

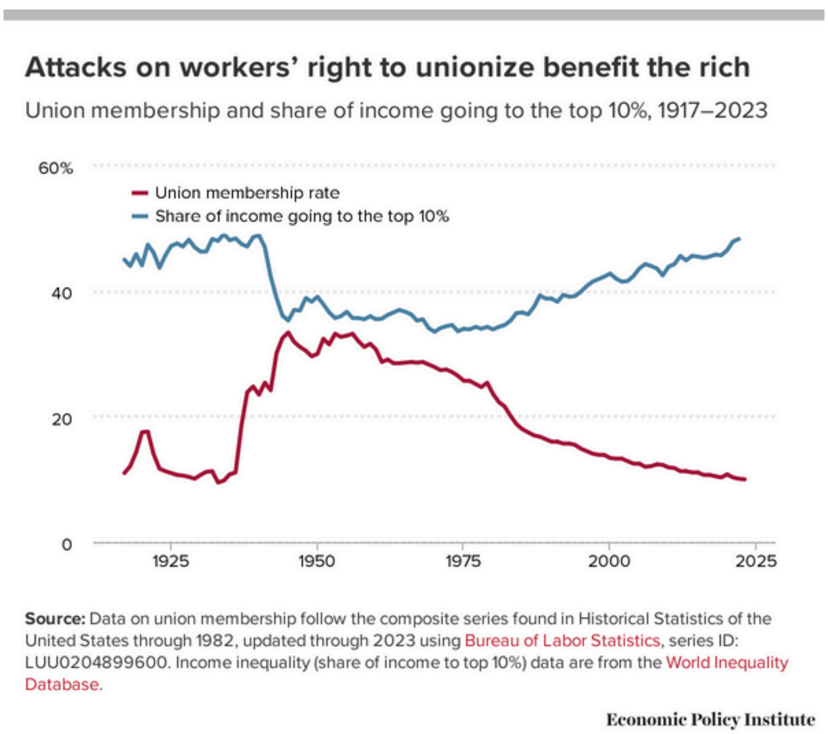
UNIONS IN THE ECONOMY

Unions Reduce Inequality, Boost Household Income, and Help Close Racial Wealth Gaps

Weak labor laws and decades of fierce anti-union attacks from big business have taken a toll on unions and played a role in our nation's growing economic inequality. One study found that hat between 1973 and 2007, the reduction in private sector union membership from 34% to 8% for men and 16% to 6% for women coincided with a more than 40% increase in wage inequality. This is not a mere coincidence; shrinking union density accounts for one-fifth to one-third of the increase in income inequality over that time period.

On average, a worker covered by a union contract earns 10.2% more in wages than a non-union worker in the same industry with the same education, job title, and experience. Unions also help working families build wealth, boosting economic security in good times and creating a cushion for times of crisis.

The Center for American Progress found that working-class union households hold nearly four times as much median wealth ($201,240) as the typical working-class nonunion household ($52,221).



Source: Economic Policy Institute

Union membership also increases the odds of a family owning their home; working-class union households had a 13 percentage point higher rate of homeownership than non-union households, and nonwhite Hispanic households experienced a 17 percentage point increase. While unions benefit all working families, evidence shows Colorado's Black and Latino/a families could see an even larger boost from greater access to union coverage, helping close racial and ethnic wealth gaps across the state.

Unions Benefit Both Union and Non-Union Workers

Unions also raise the bar across entire industries, so even non-union workers benefit when more workers have the freedom to unionize and collectively bargain. Had union density remained at its 1979 level nationally, weekly wages of non-union, private-sector male workers would be 5% higher, and 8% higher for non-union workers without a college education. Why? Because in industries and regions where unions are stronger, non-union firms often raise their own pay and benefit standards to prevent their employees from leaving for higher, union wages. Additionally, as new firms enter the market, they look to industry leaders who set the standard.

Higher union density could also promote economic security for all working families and Colorado as a whole, by helping workers fare better during economic downturns. The U.S. Treasury points out how reductions in inequality through unionization can help promote economic resilience by reducing the financial fragility of the bottom 95% of the income distribution. Unionization helps build more stability into our economy at baseline for the working families who keep it afloat, serving as a natural automatic stabilizer.

Unions Boost Civic Engagement and Voter Participation

Rebuilding unions is a smart, evidence-based policy to rebuild democratic participation; union members are at least 3%–5% more likely to vote according to Harvard study's review of existing research. Unions provide workers with direct experience of democratic processes; the same Harvard study notes that by creating opportunities for workers to engage in activities that mirror electoral participation – like attending meetings, voting on contracts, and being educated on issues impacting working people and their own economic realities – union members became more empowered to engage civically outside of their union.

One study found that a one percentage point increase in union density was associated with a 9.8% increase in the number of ballot drop boxes per capita. Conversely, presidential-level voter turnout has been found to be lower in states that adopt anti-union laws: an entire two to three percentage points lower in anti-union counties compared to union security bordering counties.

COLORADO'S OUTDATED LABOR LAW LIMITS WORKERS' RIGHTS, SUPPRESSING UNION MEMBERSHIP

Colorado's Labor Law Led 1940s Wave of Anti-Union Legislation

Anti-union policies in place in Colorado since the 1940s have limited Coloradans' access to unions. Like anti-union laws in many states, the Colorado Labor Peace Act (C.R.S. § 8-3-101) was enacted in response to significant pushback from large corporations against workers asserting their newly won rights to organize under the National Labor Relations Act (NLRA) of 1935. As a result, union density quickly increased across the country.

Colorado's labor law was passed in 1943 following a wave of strikes among coal miners and agricultural workers, many of whom were Latino immigrants. Employers in the state wanted to limit unions' power after the passage of the NLRA, and this law was an attempt to stop union momentum in Colorado. Just four years prior to the law's passage, for example, construction workers striking for union recognition (and union security) on the Green Mountain Dam project were met with violence (six were gunned down while picketing) before securing a union agreement with contractors.

Colorado's legislation introduced a series of stringent restrictions on workers' rights. For instance, it curtailed legal protections for collective action, restricted unions' political activities, and prohibited various forms of worker solidarity actions. This included secondary strikes, boycotts, and pickets, which many unions had successfully employed to encourage reluctant employers to acknowledge or negotiate with emerging unions. The law also expanded the power of employers to pursue court injunctions to squelch worker collective actions deemed to fall outside these narrow legal bounds. Many anti-union provisions of Colorado's law were functionally in effect only for a few years, until the 1947 Taft-Hartley Act amended the NLRA to incorporate similar restrictions on various types of union activity into federal law.

However, one significant and unique anti-union provision of Colorado's law remains in effect today: workers must hold not one but two union elections in order to win full collective bargaining rights.

Colorado Law Includes Anti-Democratic "Second Election" Requirement Designed to Limit Workers' Collective Bargaining Rights

Under today's broken labor laws, winning any union election – much less reaching a first contract agreement – is already difficult, given the prevalence of coercive, unlawful actions of anti-union employers. Research exposes how employer opposition to unions has intensified in recent decades, and employers spend over $400 million per year on "union avoidance" to prevent working people from winning a seat at the bargaining table. While federal law requires only that a majority of those voting in a National Labor Relations Board (NLRB) union election cast their votes in order to win union representation, Colorado stacks on an additional barrier for workers to win full bargaining rights.

Like private-sector workers across the country, Coloradans covered by the federal NLRA have the right to unionize by demonstrating majority interest and seeking employer recognition for their union, or showing majority interest in a union by voting in a union election administered by the federal NLRB. But Colorado's law requires that they must then take a second vote in a state-administered election to determine whether they can negotiate with their employer over union security. Contractual agreements on union security ensure present and future employees covered by a union-negotiated contract will either join the union as dues-paying members or contribute an agency fee to cover costs associated with negotiating and administering the contract.

Colorado workers who have voted to form a union cannot bargain for union security until they also win this second election by a supermajority vote of at least 75% of those who vote, or 50%+1 of all employees eligible to vote, whichever is greater. This is an extremely high bar, designed to pose obstacles to the full bargaining rights of a democratic majority of workers who have already demonstrated interest in gaining union representation.

Historically, the ability to bargain over union security has proven critical to establishing the stability and longevity of unions in the context of highly unequal workplace power relationships. Without a union security agreement, there's a significant risk that an anti-union employer could hinder the bargaining process or undermine a new union. They may employ delay tactics to dissuade workers from pursuing collective bargaining, pressure certain employees to opt out of joining the union, or even choose future hires based on their potential willingness to collaborate with management against the union. These practices violate federal labor law but remain commonplace because they are difficult to prove and even if proven, generally result in few or no consequences for employers.

Colorado's Law Blocks Worker Organizing, Damaging the State's Economy – Much Like Anti-Union "Right-to-work" Laws

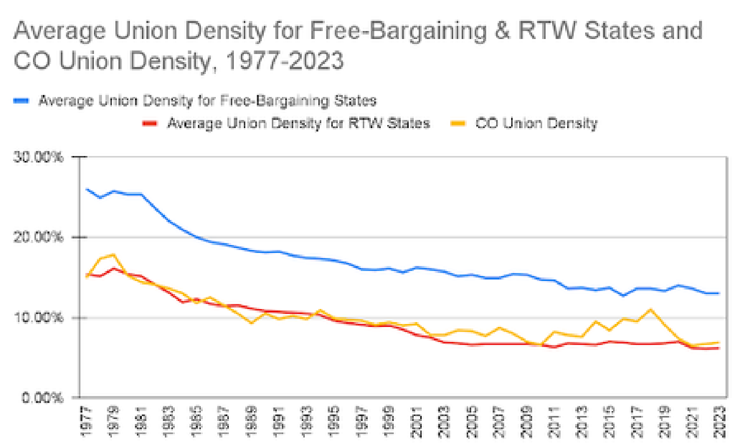
Like the anti-union laws other states began to pass in the early 1940s to prohibit bargaining over union security agreements, Colorado's second-election requirement is intended to constrain workers' bargaining rights and diminish the power of newly formed unions. And like anti-worker laws in other states, Colorado's second-election requirement continues to serve as a significant barrier to new worker organizing, suppressing union density in the state.

Colorado workers who unionize end up in conditions much like those of workers in anti-union states. Despite having won a democratic union election administered by the federal NLRB, unionized workers in Colorado cannot bargain over union security unless they choose to pursue a state-mandated second election. Workers opting to pursue this second election must redirect their time and energy from the crucial task of preparing to negotiate a new contract. Instead, they need to concentrate on securing a supermajority vote regarding the right to negotiate union security. This often comes right after enduring difficult circumstances and facing significant employer opposition to win the original NLRB election..

In practice, Colorado labor law leads to less fair, undemocratic outcomes in Colorado union elections.

It makes the process for workers to build new unions more onerous. By adding such a high bar for a second election, this law stacks the deck against working people, in favor of anti-union employers and corporations.

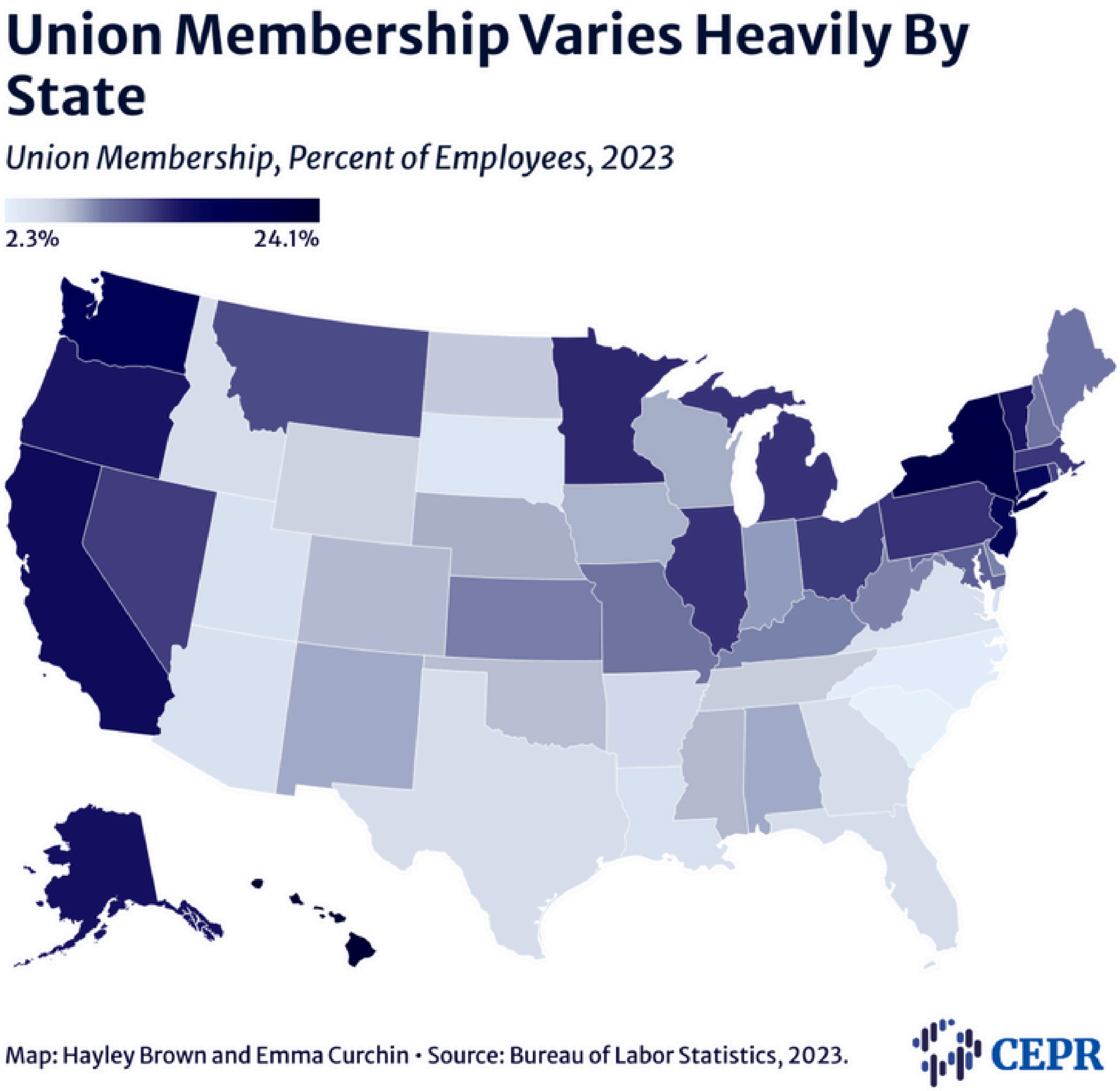
In fact, new analysis of Colorado data suggests that "given the high bar for winning union security elections, unions may have refrained from initiating them altogether." The chart below shows data from July 1977 to July 2024. Of the 553 unions who initiated second, union security elections in this time period, 376 (68%) won the election by a supermajority and regained the freedom to bargain over union security. In another 126 of these second elections, majorities of workers voted yes, but their freedom to negotiate over union security was still denied because of the law's undemocratic supermajority requirement.



Source: Forthcoming AUA Election & Union Density Fact Sheet, SEIU Local 105 Denver, Jonathan Perkins

Research Shows Anti-Worker Laws like Colorado’s Harm State Economies

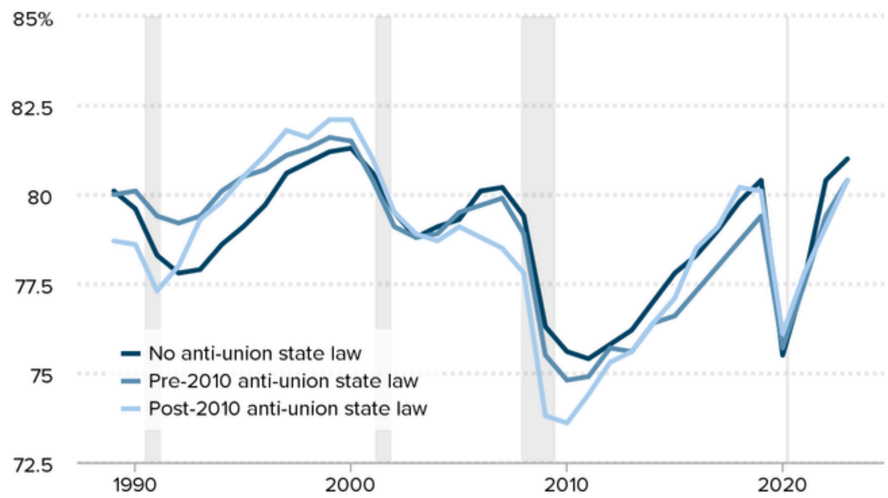
Colorado’s law effectively operates like an anti-union labor law, which not only hurts workers’ chances to form or sustain unions, but harms the economy as a whole. As a result, Colorado’s 6.9% union density in 2023 is much lower than the national average of 10% and over time has remained very similar to the suppressed union density levels of other states with anti-union laws.



Source: Center for Economic Policy and Research

Anti-union labor laws buy no advantage in job creation for state residents

Prime-age (25–54) employment as a share of population, in states without anti-union laws and states adopting anti-union laws before 2010 or after 2010



Note: Lines are weighted averages of three sets of states: those without anti-union so-called "right to work" (RTW) laws, those who passed RTW laws since 2010, and all other RTW states. Shaded areas represent recessions.

Source: EPI analysis of Economic Policy Institute. 2023. Current Population Survey Extracts, Version 1.0.38, https://microdata.epi.org.

Source: Economic Policy Institute

Anti-union laws like Colorado's damage state economies, and there is no evidence for any economic benefits. Rather, the evidence shows these laws erode job quality, reducing wages for all workers, without boosting jobs numbers.The evidence suggests these laws do not create any measurable benefit in employment growth for state residents.

In fact, the decline of unions may also slow economic growth, by increasing inequality and shifting more profits to the pockets of corporations and the wealthy. Economic scholars like Larry Summers have argued that declining worker power increases saving and reduces aggregate demand, undercutting broad economic growth. In other words, without policies that protect workers' rights to have a seat at the table, corporations and ultra-wealthy individuals hoard wealth, as opposed to the stimulus effect of those lower down the income and wealth distributions spending their money.

Further, unions make workplaces safer for all workers, while anti-union states have 50% more on-the-job fatalities per 100,000 workers relative to free collective bargaining states.

Modernizing Colorado Law Would Boost Income for All Working Families

The Colorado Fiscal Institute (CFI) set out to answer the question: How would a repeal of the second election requirement impact our state's economy?

Our analysis draws on existing comparisons of how workers and state economies fare when anti-union laws similar to Colorado's law are in place versus in free-bargaining states that do not restrict workers' collective bargaining rights. One regression analysis conducted by the Economic Policy Institute found that wages in anti-union states are 3.1% lower than those in union security states, after controlling for differences in individual demographic and socioeconomic factors as well as any variations across states' macroeconomic circumstances. Other research on Midwestern states finds a similar wage impact. Both studies show the impact of unions on real wages.The first national study used the Bureau of Economic Analysis Regional Price Parities tool to adjust for inter-area differences in prices. The second Midwestern analysis used the hourly incomes of workers adjusted for inflation by the Consumer Price Index (CPI-U). This means that any impact from prices would already be accounted for in these analyses.

CFI extrapolated from these analyses to estimate the impact of making Colorado a free-bargaining state by modernizing our law to eliminate the state's ban on bargaining over union security without a supermajority vote in a "second election." We found that lifting this restriction on Colorado workers' collective bargaining rights could eventually result in a boost of just over $1.11 per hour, or about $44.50 weekly for all private-sector workers. This amounts to over $2,300 in the hands of workers each year. Taking into account Colorado's private-sector workforce of about 2,468,700 workers in 2023, modernizing Colorado's labor law would put an estimated additional $5.7 billion annually in the pockets of CO working families.

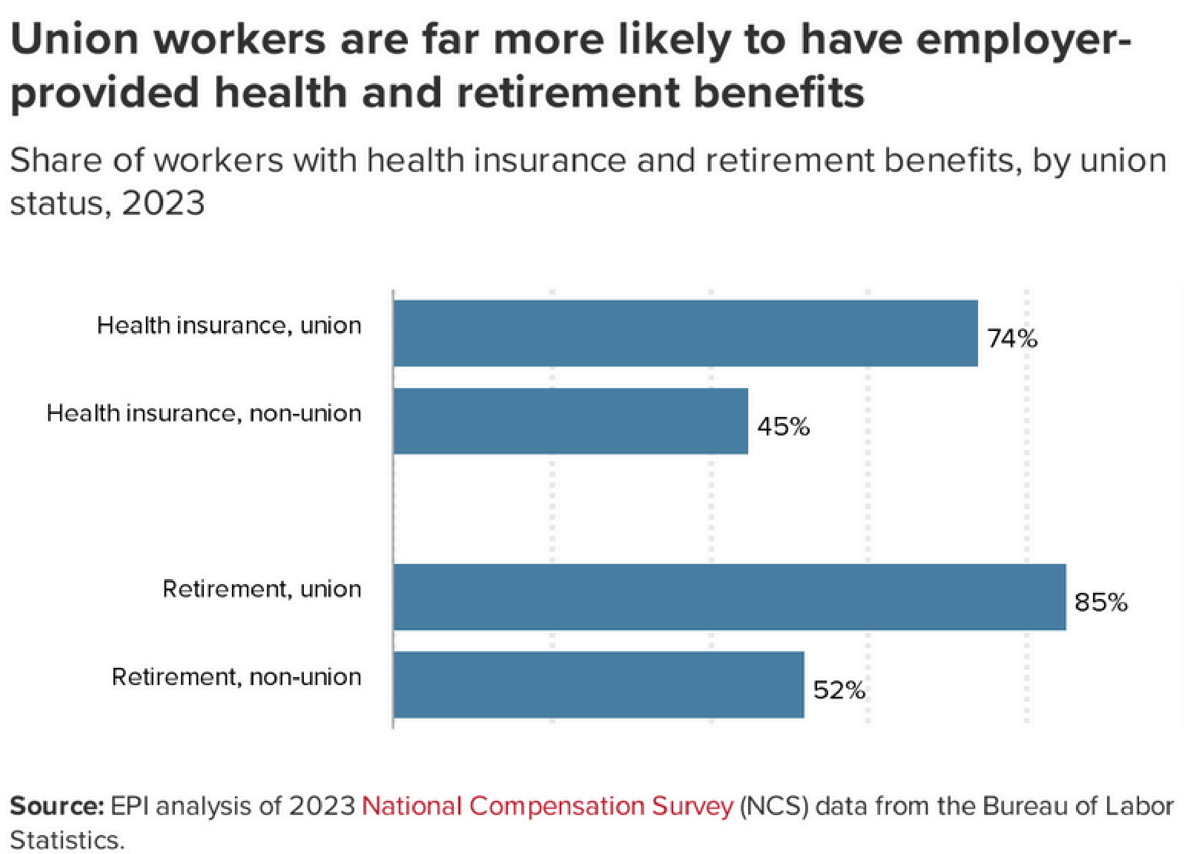
Unions Benefit Workers and Help Businesses Thrive

Unions are shown to increase U.S. economic productivity and strengthen broad-based economic growth. Unions help ensure wages keep up with cost of living, and ensuring workers earn their fair share helps boost the economy as a whole; unions are a pro-growth policy, and businesses benefit from that growth too. With inflation slowing already in 2024, this concern should be secondary to ensuring the rights of Colorado workers and uplifting our economy to ensure sustained growth for all working people. A wage-price spiral triggered specifically by union demands is very unlikely, and is generally very unlikely based on existing research.

By increasing job satisfaction and giving employees a voice in their working conditions, unions also help firms retain more tenured, productive workers. This can help reduce turnover costs and create the workforce stability firms need to invest in human capital development, improving business outcomes. Unions help promote long-run business growth, and the evidence suggests unions don't cause business failures or businesses to leave the state. One study revealed that there is "little or no union effect on business dislocation rates over 1- to 18-year timeframes.

Fiscal Impact on Public Benefits in Colorado

Another broad public benefit of unions is that union workers use fewer public benefits, because they are able to collectively bargain with their employers to provide adequate wages and necessary benefits. Research shows that relative to non-union workers, unionized workers are 64% more likely to have employer-provided health insurance and 63% more likely to have employer-provided retirement benefits. This reduces the need for Colorado to use our limited state revenue to finance public benefits for workers without access to wages that cover the basic cost of living, as well as employer-provided health insurance, pensions, or other safety net programs.



Source: Economic Policy Institute

Colorado's budgetary breakdown helps provide context for why unions would be especially fiscally beneficial to our already tight General Fund budget. Spending on The Department of Health Care Policy and Financing utilizes about 30% of the general fund budget, and the number of people enrolled in Medicaid is the largest driver of state health care spending. If more workers were able to secure this basic benefit for themselves and their families through their place of employment, it could free up general fund dollars to invest in moving Colorado's economy forward, instead of subsidizing low-quality jobs that result when employers fail to provide adequate wages and benefits.

Another study affirmed that increased union membership yields a positive "net fiscal impact, both because of the reduced reliance on public benefits and because unionized workers have more income and wealth, and therefore pay more taxes. While TABOR limits how much of this tax revenue could be kept and invested back into Colorado by the legislature, the long term implications of repealing anti-worker policies and boosting workers' power to unionize are clear; this is a smart policy choice to boost income for middle and working class Coloradans and to boost job quality in ways that would reduce reliance on public assistance.

In our upcoming briefs, we will explore the effects of anti-worker legislation on racial and gender pay disparities. We'll also discuss how unions foster more equitable workforce outcomes, address common misconceptions about laws that hinder unionization, and examine the potential impacts on employment levels and employers.

APPENDIX: METHODOLOGY

We used BLS Current Employment Statistics data for State and Area Employment, Hours, and Earnings from 2023 to estimate the mean wage for private sector workers in Colorado. We used 2023 data due to the availability of annual averages for the entire year at the time of publication.

The Annual Average Hourly Earnings of All Employees, In Dollars for all private sector workers in Colorado was $35.91. This is not seasonally adjusted. To maintain consistency across our estimates, we used the annual average total employment for 2023 that was not seasonally adjusted, which indicates there were 2,468,700 private sector employees in Colorado in 2023.

To estimate the wage differential between anti-unionand union security states, we reference the findings in Shierholz and Gould (2011), and an updated analysis from 2015, which found that wages in anti-union states are 3.1% lower than those in union security states.

We assume 52 weeks or 2080 hours per year.

Annual Average Hourly Earnings of all private sector workers in Colorado was $35.91
Wages in union security states are 3.1% higher
We assume a 40 hour work week and round to 52 weeks a year, for a total of 2080 hours
35.91 (1.031)= 37.02321
Over 1.11 boost per hour (1.11321)
2080 hours gets you to $2,315 annually per worker
Our methodology assumes that the additional union dues paid by some workers, if union density were to increase, would not be significant relative to the economy-wide wage impact explored through this analysis.

We estimate CO had 2,468,700 private sector workers in 2023
This yields over 5.7 billion more for workers annually.