

# The Trade Union wage premium in Ireland

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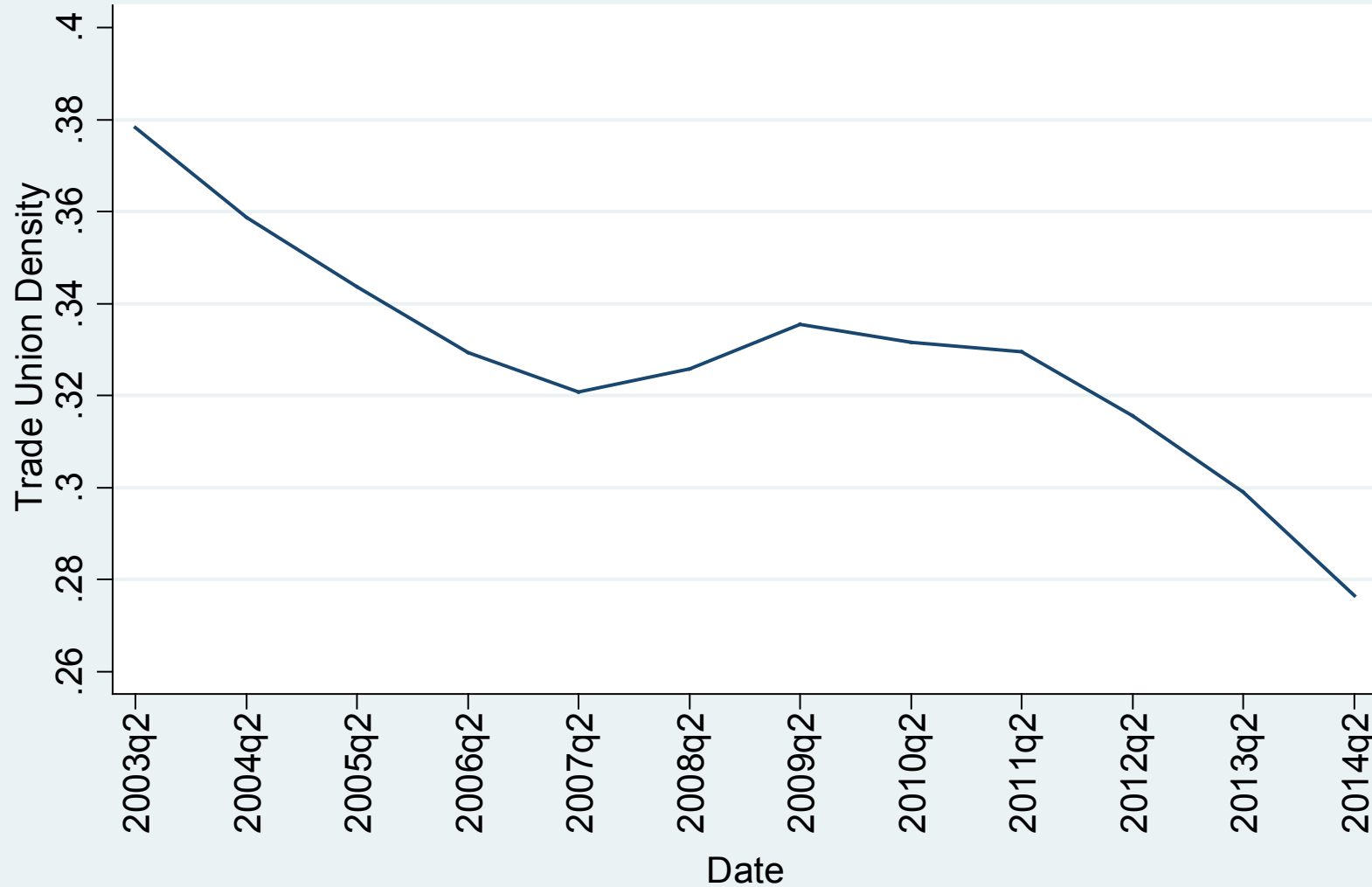
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Preliminary Results

# Introduction

- A large literature shows that members of Trade Unions earn substantially more than non members after controlling for worker and job Characteristics
- Walsh (2013) using SILC data estimates a premium of around 10% (A little higher for public sector and lower for the Private sector). Employees only
- The labour force survey shows a steady decline in the % of employees who are members over a number of decades
- This is inline with international evidence, although not as clear that the share of jobs covered by union contracts is falling. No data on this for Ireland (that I know of)
- Is the union wage premium holding up and how does it affect wage inequality

## Trade Union Density: All Employees



Source: Walsh (2014) IRN Labour Force Survey

Note: this excludes self-employed, unemployed or retired union members

For SIPTU retired members went from 4.2% in 1993 to 10.2% in 2016

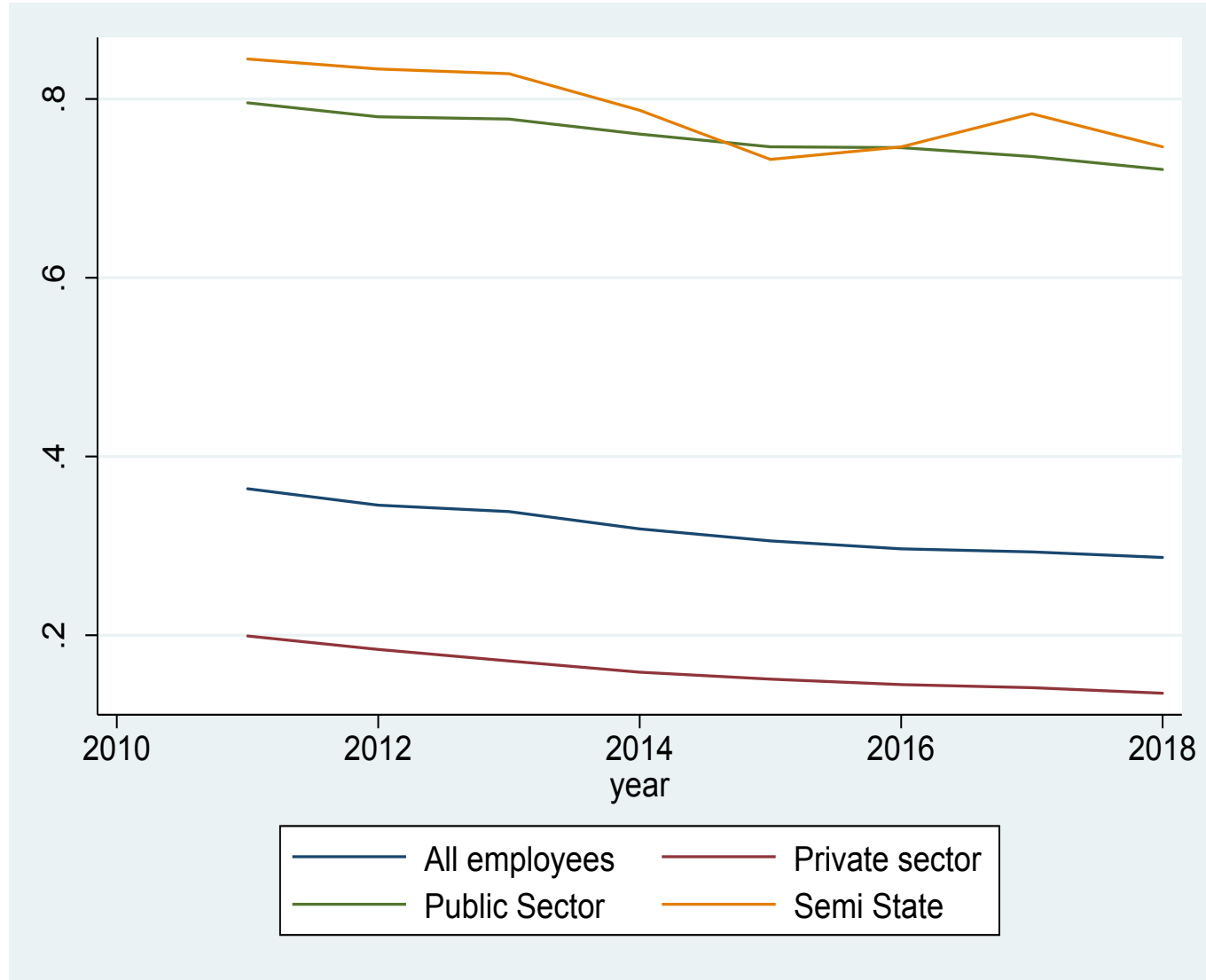
Substantial share of members excluded each year

Share changes over time

# Data

- Earnings Analysis using Administrative Data Sources (EAADS), Matched with the Labour force Survey. Compiled by the CSO
- Update of the data used in Public pay Commission report
- 2011-2018 Annual data 113,905 observations
- **Earnings (from main job), weeks worked Public sector and Industry taken from P35 and administrative data sources**
- Other Controls: Age, Education, Gender, Weekly Hours, Job Tenure, Nationality, Region, Marital Status, Occupation and industry all from Labour Force Survey
- Missing values are excluded from the data (This could cause selection bias)

# Trade Union density EAADS data by Public Sector status



- The exclusion of missing values means this is **not** the same as the CSO estimates from the Labour Force Survey
- Density seems to be higher in this data and the trend is more negative than LFS since 2013

# The Trade Union Wage Premium

	All Workers	Private	Public	Weekly Wage
Coefficient	11.6%	12.2%	6.9%	12.5%
Observations	131,905	95,891	36,014	131,905
Rsquared	0.7661	0.7624	0.7038	0.6829

- Linear regression of Annual/Weekly earnings controlling for worker and job characteristics
- Public sector (non semi-state) compares public sector union members with public sector non-members
- All coefficients in all the tables in this presentation highly statistically significant

## Oaxaca Decomposition of Union Wage Differential

	All Workers	Private	Public
Difference	52.7%	36.8%	36.1%
Endowments	41.1%	26.7%	26.9%
Coefficients	10.7%	12.4%	4.6%
Interaction	0.9%	2.3%	4.6%

- Gross wage differential is big (especially for private sector employees)
- Most of this is explained by differences in characteristics of the worker/job
- Still a substantial “Unexplained” wage differential for union members

## Unconditional Quantile Analysis [Firpo, Fortin and Lemieux (2009)]

- If membership of Trade Unions were to increase by a little how would this affect different quantiles of the wage distribution
- Conditional quantile analysis does not allow to answer this question
- Using Unconditional quantiles make a substantial difference
- In general in the literature trade unions tend to lower wage inequality



Quantiles	10%	25%	50%	75%
Conditional Private	16.4%	14.3%	12.4%	11.4%
Unconditional all	21.0%	23.5%	18.2%	5.3%
Unconditional Private	18.5%	23.4%	20.0%	12.7%
Private Weekly Wage	21.3%	19.3%	18.7%	13.2%
Unconditional Public	34.0%	9.6%	2.8%	3.2%

- Doing Unconditional vs Conditional quantile makes a substantial difference to the pattern
- The analysis suggests a large Union wage premium across the wage distribution, especially up to the 50<sup>th</sup> percentile
- Also that an increase in Trade Union membership across the distribution would reduce wage inequality

# Conclusions

- Share of employees in Unions is in decline amongst employees (we have no evidence on coverage)
- Density is low in the private sector (Although this data may have selection bias)
- There is a substantial Trade union Wage premium on average and across the distribution and a smaller premium in the public sector
- The evidence suggests that trade unions lower wage inequality
- Unconditional vs Conditional analysis makes a substantial difference to the estimates

# Additional Tables

## Summary Statistics EAADS data: 2011-2018

Name	Mean	Standard_Deviation
Annual Gross pay	€37,674	31,987
Annual weeks	47.86	9.31
Usual weekly Hours	34.48	10.37
% Union Member	0.33	0.47
%Public (Not Semi-State)	0.25	0.43
%Private	0.73	0.45
%Semi-State	0.03	0.16
Age	40.25	11.55
% Male	0.48	0.50
Years Tenure	10.28	9.33
%Irish	0.90	0.30

Number of Observations: 131,905

## Unconditional Quantiles Oaxaca decomposition

<b><i>All Workers</i></b>	10%	25%	50%	75%
Difference	99.4%	78.2%	51.3%	32.7%
Endowments	83.8%	51.2%	32.2%	20.9%
coefficients	15.6%	27.0%	19.1%	11.8%
<b><i>Private Sector</i></b>				
difference	72.2%	55.4%	35.2%	21.7%
endowments	45.7%	35.5%	23.1%	16.5%
coefficients	26.5%	20.0%	12.0%	5.2%
<b><i>Private Weekly</i></b>				
difference	54.2%	41.6%	31.0%	19.1%
endowments	25.9%	22.8%	18.7%	12.9%
coefficients	28.3%	18.9%	12.3%	6.2%