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Stronger Labor Protections Could Help Close America’s Wealth Divide

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Despite a resilient U.S. economy, the income and wealth divide between America’s richest and poorest households continues to grow. According to the U.S. Federal Reserve, the wealthiest 1% of Americans now hold over five times more wealth than the bottom 50%, an increase from four times in 2000. In 2024 alone, just 19 families gained a collective $1 trillion in wealth, the largest single-year increase on record. Meanwhile, nearly 60% of Americans lack sufficient savings to cover an unexpected $1,000 expense.

A 2023 study conducted by researchers from the University of Missouri-St. Louis and the University of Rhode Island suggest that stronger labor rights may be one solution to this growing inequality. The researchers analyzed data from 145 countries to assess how collective labor rights, such as the ability to join unions, collectively bargain, and strike, impact income distribution. Their findings indicate a clear link between robust labor protections and reduced economic disparity.

Collective labor rights refer to legal and practical measures that allow workers to organize, advocate for higher pay, and improve working conditions. While fewer than 10% of American workers belong to unions today, those who do typically earn more than their nonunion counterparts. Unionized workers also benefit from negotiated benefits and job protections. However, some public sector unions in the U.S., including those representing air traffic controllers and teachers, face legal restrictions on striking.

The study utilized the CIRIGHTS dataset compiled by U.S. academic institutions using reports from the U.S. State Department and organizations like Amnesty International to measure respect for 24 key human rights, including labor rights. Countries were assigned scores ranging from zero (widespread violations) to four (full respect for labor rights). The United States generally scored in the middle, alongside nations like Macedonia and Zambia, while countries such as Canada, Sweden, and France received top scores. The data shows a global decline in labor rights since 1994, which has coincided with rising income concentration among the wealthiest earners.

Using Gini index measures for disposable income, the researchers concluded that a one-point increase in labor rights correlates with a significant reduction in vertical inequality, the gap between the rich and the poor. In the U.S., such an increase could offset the inequality that surged during the Great Recession. The study also measured horizontal income inequality disparities between ethnic groups and found similar trends. Strengthening labor rights not only improved incomes for lower-earning ethnic groups but also limited income concentration at the top, potentially easing social tensions.