

# Do Unions have a Role to play in Decreasing Earnings Inequality? Recent Evidence from Metropolitan Statistical Areas

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**Abstract:** One of the notable economic trends since the late 1980's is a dramatic rise in earnings inequality. Several researchers concluded that a significant source of earnings inequality is due to a large decrease in the unionized fraction of the labor force. The main focus of this paper is to investigate impact of union density, unemployment, and demographic characteristics on income inequality (*i.e.*, Gini index). Preliminary results, based on a panel of Metropolitan Statistical Areas in the United States between 2010 and 2023, indicate that the union membership rate has a countering effect on growing income inequality. Demographic controls also seem to affect income inequality. By disaggregating union density, we find the magnitude of its effect on income inequality is larger in the private sector relative to the public sector. The overall effect of union density on Gini is driven by the private sector due to its larger share of employment. Accordingly, the recent upswing in private sector union drives with the backdrop of a tight labor market may have an important role to play in reducing inequality in the coming years.

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