LABOR'S FORTRESS OF FINANCE

A Financial Analysis of Organized Labor and Sketches for an Alternative Future

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Introduction

In June 2022 union delegates gathered in Philadelphia to elect the next leaders of the AFL-CIO, the federation of unions representing over 12 million workers. The new leadership assumes their roles at a moment when the prospects for the labor movement are decidedly mixed. On the positive side, approval of labor unions is at the highest point since 1965, according to polling by Gallup. Independent worker movements have achieved stunning organizing victories at iconic companies like Amazon and Starbucks, and there is growing media coverage and support for the labor movement. Tight labor markets and the spirit of the Great Resignation have boosted worker's leverage vis-a-vis companies, and the Biden Administration and the Democratic Congress have pushed forward a variety of incremental pro-labor reforms.

Yet, despite these positive developments, union membership continues its steady decline on an absolute basis (712,000 fewer members since 2010) and relative to the total workforce, with union density (the percentage of total workers represented by unions) declined from 11.9% in 2010 to 10.3% in 2021.[1] The linchpin of organized labor's strategy to boost organizing—the overhaul of the broken U.S. labor law regime through the passage of the Protect the Right to Organize Act (PRO Act) and its public sector companion—is stalled in Congress, a victim of the filibuster and "moderate" Democrats (an echo of labor's failed attempt to pass labor legislation in 2009).

As organized labor and its allies debate the strategic path forward, an important question is what financial resources are available to labor to meet this moment. After all, the work of organized labor—new organizing, collective bargaining, strikes and pickets, and political and community campaigns—requires substantial financial resources. To help answer this question, publicly-available data on union finances from the Department of Labor (DOL) and other sources were examined from 2010 to 2020, providing a macro view of labor's key financial metrics over the last decade. There are many limitations of the DOL financial data, outlined in the body of the report and Appendix, so the analysis presented here is at best a reasoned approximation. With those caveats, below are some of the key findings:

- In 2020, organized labor booked $18.3 billion in revenues (85% from membership dues and related income), and spent $15.6 billion on operating expenses, leaving a financial surplus of $2.7 billion. Compared to other segments of civil society, organized labor's revenues substantially exceed those of environmental, human rights, and political organizations, but trail professional and business associations like the Chamber of Commerce.

- In 2020, organized labor had $35.8 billion in assets, and $6.8 billion in liabilities, leaving approximately $29.1 billion in net assets (assets minus liabilities). Over a third of labor's assets are highly liquid, with $13.5 billion held in cash or treasury securities, and the remainder in investments and fixed assets like real estate. Organized labor's $35.8 billion in combined assets would rank as the second largest foundation in the U.S., trailing the $48 billion Bill and Melinda Gates Foundation.

[1] All union membership data cited in the report are from Barry T. Hirsch and David A. Macpherson, Union Membership and Coverage Database from the Current Population Survey: Note," Industrial and Labor Relations Review, Vol. 56, No. 2, January 2003.

- Although there is little data on the amount of labor assets specifically committed to strike funds, financial filings show that organized labor paid out an average of $70 million a year in strike benefits since 2010, less than half-a-percent of net assets or revenues in most years.

- While union membership declined by nearly half a million members from 2010 to 2020, this membership loss did not adversely impact union finances. Total revenues increased by 28% over the last decade, exceeding the 17% increase in union spending. As a result, labor has reliably generated large budget surpluses, netting over $18.5 billion over the last decade, or $1.7 billion annually on average. As surpluses have increased, the net assets (assets minus liabilities) of organized labor have nearly doubled, increasing from $15 billion in 2010 to $29 billion in 2020.

- According to the Census Bureau, organized labor employs 23,440 fewer employees in 2020 compared to 2010, a 19% decline in the workforce (with a steep drop in 2020 likely due to the pandemic). However, management positions within organized labor have increased by 28%, with more than 10,000 employees earning a gross salary over $125,000, putting labor leaders and senior management in the top tenth percentile of income in the U.S.

- If the financial trends of the last decade continue (all things being equal), organized labor's assets could more than double by 2030, rising from $35.8 billion to $75.6 billion.

The financial analysis offers some important insights into current debates about labor strategy and theory. The defensive financial practices of labor over the last decade (running budget surpluses and boosting net assets) can be understood as the financial practice of "Fortress Unionism": a widely-debated theory in U.S. labor circles that advocates defending existing strongholds of union power, and avoiding costly and lengthy organizing drives in largely nonunion sectors until labor law is reformed and/or workers signal increased militancy.[2] In addition, the financial analysis problematizes the standard explanations about the decline of union membership and density in which labor is often portrayed as a passive bystander, lacking the agency to organize new workers because of a broken labor law regime and fierce employer opposition. Yet, the data suggest that organized labor had substantial untapped assets available to deploy to new organizing and growth over the last decade but chose not to do so (consistent with the theory of Fortress Unionism).

As labor's core legislative strategy to reverse the decades long decline in union membership is stalled in Congress, a growing number of labor advocates have called for a more aggressive and offensive stance. Recommended tactics include increasing spending on organizing campaigns, boosting the funding of alternative labor groups and independent unions, and engaging in more militant and disruptive labor activities such as legal and illegal strikes, secondary boycott activities, and defying restrictive court injunctions on picketing and protest.

Yet these calls for a more offensive posture must contend with the powerful economic incentives that align organized labor with the status quo. Despite a 3.2% decline in union membership over the last decade, organized labor (as a whole) was able to run large budget surpluses and nearly double its net financial assets, suggesting that labor law reform and large-scale organizing are not a necessary condition for labor's *economic* viability, at least in the short to medium-term. This (un)virtuous economic cycle, in which labor revenues and assets grow while membership steadily declines, exerts a

[2] Richard Yeselson, *Fortress Unionism*, Democracy Journal, Summer 2013.

powerful financial inertia in favor of the current strategic posture of labor (i.e. Fortress Unionism), and against a more aggressive and offensive approach that *might* break the decades long organizing stalemate in the U.S., but also subject organized labor to significantly higher financial risk.

Nevertheless, if the forces within the labor movement pushing for a more offensive approach prevail, there are substantial financial resources available for an alternative to Fortress Unionism. From a purely financial perspective organized labor could theoretically:

- Hire 20,000 new organizers at an annual cost of $1.4 billion.

- Boost funding of alternative labor organizations and independent unions, increasing the expenditures on grants and contributions from $408 million to $1.5 billion, for a net increase of over $1.1 billion.

- Radically increase strike activity, spending $1 billion *a year* on strike benefits (rather than the $767 million that labor spent over the last *decade*).

- Capitalize a new $3 billion entity (or entities) that could engage in riskier civil disobedience activities, like illegal strikes, secondary boycott activities, or defying restrictive court injunctions on picketing and protest.

What follows is a discussion of the methodology used to analyze the financial data, a look at the income statement and balance sheet of organized labor in comparative perspective, a review of labor's financial practices from 2010 to 2020 and the implications for labor strategy and theory. Finally, the report concludes with some speculative thoughts on the financial impact of a range of offensive tactics unions might choose to employ.

1. The Financial Statement of "One Big Union"

Responding in 1959 to overinflated public perceptions of union corruption (thanks in no part to Bobby Kennedy's illegal crusade against Jimmy Hoffa and the Teamsters),[3] Congress passed the Labor-Management Reporting and Disclosure Act (aka the Landrum-Griffin Act). Broadly seen as an attack on unions, the law tightened restrictions on secondary boycotts, restricted pickets for union recognition, and banned Communists from holding union office. But the law also provided a Bill of Rights for union members, requiring secret ballot elections for union officers, the right of members to see their union contracts, and the public disclosure of annual financial reports. The financial reports—commonly known as "LM-2s" (or LM-3s and LM-4s for smaller unions)—provide detailed information on a wide range of union finances, including any income or expense over $5,000.[4] Anti-union consultants and outfits like the Center for Union Facts mine the reports for anti-union propaganda, but the LM-2 reports also provide important information for union members and prospective members, and insights into the strategic direction of organized labor.[5]

Data for all unions required to file an annual financial report were obtained from the Department of Labor (DOL) for 2010 through 2020, representing the finances of over 13,000 union entities in 2020.[6] The LM-2 data were also supplemented with data from the Census Bureau, Bureau of Labor Statistics, the Internal Revenue Service, and other public sources. There are several limitations to the LM-2 reports that are important to note. Labor unions solely representing state, county, or municipal employees are not required to file a LM-2, although many public-sector unions do so because a portion of their membership is also in the private sector. In 2019, the DOL proposed extending disclosure to all public sector unions (estimating that at least 139 additional unions would be required to file), but after strong opposition from public-sector unions, the rule was withdrawn by the Biden Administration in 2021.[7]

A second limitation of the data relates the reporting year. The DOL aggregates different annual accounting periods used by unions, combining calendar and fiscal years (e.g. October-September, or July-June) into one year. For example, the 2020 data include roughly a third of reporting unions whose fiscal year begins in 2019. The financial analysis does not include data for 2021 because not all unions have filed their LM-2 as of the publication date of this report.

A third limitation to the LM-2 filing is that it is not organized like a standard financial statement that one might find in a company or non-profit annual report. LM-2 filings simply list all cash receipts and cash disbursements in various idiosyncratic accounting categories. For some unions, the filing is hundreds of pages, making analysis difficult. This might explain the relative dearth of studies and reports on union

[3] For an excellent account, see Jack Goldsmith, *In Hoffa's Shadow: A Stepfather, a Disappearance in Detroit, and My Search for the Truth*, Macmillan Publishers, 2009.
[4] Throughout the report, LM-2 is used to refer to all financial filings by unions, including LM-3 and LM-4 forms.
[5] When referring to "organized labor" versus the "labor movement," this report relies on the work of Dan and Mary Ann Clawson, who define organized labor as an institutionalized "legally constituted collective bargaining agent that represents workers in complex economic and juridical relations with employers and government," while the labor movement "is a more fluid formation whose very existence depends on high-risk activism, mass solidarity, and collective experiences." Dan Clawson and Mary Ann Clawson, *What Has Happened to the US Labor Movement? Union Decline and Renewal,* Annual Review of Sociology, 1999.
[6] Department of Labor Office of Labor-Management Standards. *Annual LM Reports* (2010-2020). Accessed at https://www.dol.gov/agencies/olms/public-disclosure-room
[7] Department of Labor. *Labor Organization Annual Financial Reports: Coverage of Intermediate Bodies.* Rule proposed December 17, 2019 and withdrawn March 17, 2021. Labor comments and docket accessed at https://www.regulations.gov/docket/LMSO-2020-0001/unified-agenda

finances from labor-friendly academics and journalists. To make the data more analytically useful, the LM-2 data were reorganized for this report to roughly resemble a cash basis income statement and balance sheet for the reporting unions. Each individual union's modified income statement and balance sheet were then consolidated to give a macro view of the financial status of organized labor as a whole, rather than any specific union, as though the Industrial Workers of the World's dream for One Big Union came true.

One of the problems with this methodological approach is that there are multiple intra-union transactions between headquarters and local and intermediate bodies that are very difficult to disentangle. For example, while local affiliates book dues revenue on the income side, they also typically pass up revenue to the headquarters and intermediate bodies through a per-capita tax, which is reflected as a local affiliate expense but also as income for the headquarters or intermediate bodies. Not all unions function this way, but most do. Theoretically, the debits and credits cancel each other out when consolidated, but it also could have the effect of overstating revenues and expenses, and potentially lead to double-counting. One possible way to avoid the issue of accounting for intra-union transactions is to solely focus on national headquarters, but roughly two-thirds of union assets and revenues are situated with local and intermediate bodies. Excluding them would give an incomplete picture. In light of the limitations of the LM-2 data, the financial analysis is thus best understood as a reasoned approximation, not an exact science or precise accounting. Please see the Appendix for a detailed discussion of the methodology and the limitations of the analysis.

Apart from the methodological issues, the analytic approach is to examine organized labor as an "industry"—not unlike how the research and campaign departments of unions might analyze industries and companies—and to understand the dynamics within this industry by looking at revenues, operating expenses, profits, employment, assets, and liabilities over time. Indeed, organized labor is large enough to be counted as an industry by the North American Industry Classification System (NAICS).[8] There are vast differences between the thousands of unions that make up organized labor (for example, industry and occupation, private or public sector, geography, size, and governance), so perhaps it does not make sense to lump them all together. Still, the assumption here is that despite the differences, all unions are analytically unified by a core ideology: every worker deserves representation at their workplace by a democratic union.

Of course, the ultimate power of organized labor is its ability to mobilize workers to contest the relationship between capital and labor, whether that is expressed through the negotiation of collective bargaining agreements governing pay and working conditions, strikes, boycotts, pickets, or broader political and community initiatives. Nevertheless, these activities require some financial support, and the intent of this study is to understand both the financial resources available to organized labor today but also how these resources have been deployed over time to gain insights into labor's strategic focus.

[8] United States Census Bureau, *North American Industry Classification System (2017)*. Accessed at https://www.census.gov/naics/?input=813930&year=2017&details=813930

1.1 Labor's Income Statement

As Table 1 shows, in 2020, unions in the United States collectively booked $15.6 billion in revenues from union members through dues and per capita taxes (i.e., a portion of dues paid to local unions and intermediate bodies that are then passed to the national headquarters). After paying operating expenses such as salaries and benefits, overhead and administration, political lobbying, strike benefits, and other costs, organized labor saw a small operating deficit of $28 million. However, this $28 million operating deficit was more than made up for by $2.8 billion in other revenues: $509 million in interest and dividends, $262 million in rental income from real estate, and $2 billion in miscellaneous revenue (this includes items like royalties and vendor rebates, grants, reimbursements from local affiliates, and health and benefit plan transactions). As a result of this other revenue, organized labor enjoyed a $2.7 billion surplus in 2020 (sometimes called a "profit"[9]), despite the impact of the pandemic.

As Table 1 shows, the pandemic did not significantly impact union finances overall, as revenues and expenses were generally comparable between 2019 and 2020. One explanation for the minimal impact of the pandemic on union finances is what the Economic Policy Institute has called the "pandemic composition effect -- the fact that the jobs lost in 2020 were more concentrated in industries with low unionization rates, such as leisure and hospitality."[10] While total employment declined by over 6.7% in 2020 during the pandemic, employment in unionized sectors only declined by 2.7%.[11] Another explanation is that some unions use a fiscal year (for example, July 2019 to June 2020), so the impact of the pandemic is not fully reflected in the 2020 data.

[9] Unions have tax-exempt status under Internal Revenue Code section 501(c)(5).
[10] Economic Policy Institute, *Number of workers represented by a union declined in 2021, showing why we must reform our broken labor law*, January 20, 2022.
[11] U.S. Bureau of Labor Statistics, *Union Membership (Annual) News Release*, January 22, 2021.

Table 1: Labor's Income Statement ($millions)

		2010	2019	2020	2020 v 2010
Membership Revenues	Income from dues, payments from affiliates (per capita), fees and fines	12,044	15,336	15,551	29.1%
Operating Expenses	Representational	4,090	4,529	4,618	12.9%
	Political Activities & Lobbying	574	627	797	39.0%
	Contributions, Gifts & Grants	320	382	408	27.3%
	General Overhead	2,354	2,841	2,876	22.2%
	Union Adminstration	1,517	1,654	1,459	-3.8%
	Benefits	2,042	2,422	2,589	26.8%
	Per Capita (e.g. payments to the AFL-CIO)	1,995	2,317	2,333	17.0%
	Strike Benefits	81	67	50	-38.8%
	Taxes	398	447	448	12.5%
	Total Operating Expenses	13,373	15,287	15,579	16.5%
Operating Income	Membership Revenues - Operating Expenses	(1,329)	49	(28)	(28)
Other Revenue	Interest & Dividends	349	432	509	46.2%
	Rental Income	179	270	262	46.8%
	Miscellaneous Income	1,683	1,977	1,973	17.2%
	Total Other Revenue	2,211	2,679	2,745	24.2%
Total Revenues	Membership Revenue + Other Revenue	14,254	18,015	18,296	28.4%
Net Surplus	Total Revenues - Operating Expenses	882	2,728	2,716	208%

To put organized labor's revenues in comparative "industry" perspective, the Census Bureau's Statistics of U.S. Businesses provides a rough approximation outlined in Table 2.[12] While dwarfed by the receipts of religious organizations and foundations, organized labor's combined revenues are competitive with the diverse array of business associations and professional organizations, and exceed that of environmental, human rights, and political organizations.

Table 2: Receipts of by Sector (2017)

NAICS Code	Sector	Establishments	Receipts ($000s)
813110	Religious Organizations	186,548	149,214,272
813211	Grantmaking Foundations	12,241	83,717,556
813910	Business Associations	15,888	27,613,210
813920	Professional Organizations	6,945	24,648,096
813930	Labor Unions and Similar Labor Organizations	13,923	19,002,587
813312	Environment, Conservation and Wildlife Organizations	7,713	12,396,031
813311	Human Rights Organizations	3,400	10,106,451
813940	Political Organizations	2,307	1,565,915

[12] United States Census Bureau, *2017 Statistics of U.S. Businesses Annual Data Tables by Establishment Industry (2017)*, May, 2021.

1.2 Labor's Balance Sheet

Turning to the balance sheet, in 2020 organized labor had $35.8 billion in assets (primarily cash, investments, and fixed assets like real estate), and $6.8 billion in liabilities, leaving approximately $29.1 billion in net assets (assets minus liabilities). Over a third of labor's assets are highly liquid, with $13.5 billion held in cash or treasury securities, and the remainder in "investments" and fixed assets like real estate. It is important to note that, unlike standard financial statements, "investments" in the LM-2s are not listed at market value, but at cost or "book" value, significantly undervaluing the amount of organized labor's assets.[13] In addition, the LM-2 balance sheet data generally *do not* include the assets of collectively-bargained pension and health funds. In 2019, collectively-bargained private pension funds had $2.7 trillion in assets, and public pension funds (many collectively bargained) held $4.5 trillion in assets.[14]

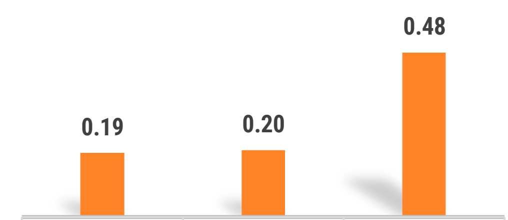
Table 3: Labor's Balance Sheet ($millions)

		2010	2019	2020	2020 v 2010
Assets	Cash	6,218	9,913	11,309	81.9%
	Accounts Receivable	662	865	889	34.2%
	Loans Receivable	361	260	356	-1.4%
	Treasury Securities	1,808	1,576	2,199	21.7%
	Investments	7,281	12,832	15,224	109.1%
	Fixed Assets	3,421	4,625	4,969	45.3%
	Other Assets	596	604	869	45.7%
Total Assets		20,348	30,675	35,814	76.0%
Liabilities	Accounts Payable	466	512	505	8.5%
	Loans Payable	514	497	553	7.5%
	Mortgages Payable	356	383	430	20.9%
	Other Liabilties	3,799	4,469	5,257	38.4%
Total Liabilities		5,135	5,861	6,745	31.4%
Sum of Net Assets	Total Assets - Total Liabilities	15,213	24,814	29,069	91.1%

[13] For example, a $1 million investment in an S&P 500 index fund in 2010 would have increased 13.6% *a year* from 2010 to 2020, but would still be listed at $1 million in 2020 (i.e. the book value or cost, not the market value).
[14] Employee Benefits Security Administration, *Private Pension Plan Bulletin*, September 2021.

As Chart 1 illustrates, organized labor has very little leverage (expressed as total liabilities divided by total assets) compared to U.S. corporations, and its liability-to-asset ratio is roughly comparable to the non-profit sector. If labor had the same liability-to-asset ratio as U.S. corporations, it would imply that unions could carry an additional $10.6 billion in debt.

Chart 1: Liabilities-to-Asset Ratio 2020



	Organized Labor ($m)	Non-Profit Sector ($b)	Non-Financial Corporate ($b)
Assets	$35,814	$10,034	$50,214
Liabilities	$6,745	$1,966	$24,336
Debt-to-Asset Ratio	0.19	0.20	0.48

Organized labor's $29.1 billion in combined net assets would rank as the second-largest U.S. foundation, trailing the $49.9 billion Bill and Melinda Gates Foundation, but larger than the Lily Endowment ($20.8 billion), the Ford Foundation ($15.9), William & Flora Hewlett Foundation ($12.7), and the Robert Wood Johnson Foundation ($12.6).[15]

1.3 The Question of Strike Funds and Dues Rebellions

A portion of labor's $29 billion in net assets are committed to strike funds, reserves set up by unions to provide financial assistance to members in the event of a strike. Unfortunately, the LM-2 data do not disclose the number of assets devoted to strike funds. In 2020 the DOL proposed that unions disclose the amount, but the Biden Administration withdrew the rule after labor opposition. Nevertheless, the LM-2s at least disclose the amount unions pay in strike benefits.[16]

Table 4: Strike Benefits vs. Union Assets

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average	Total
Strike Benefits ($mil)	81	60	112	41	31	82	112	56	75	67	50	70	767
Net Assets ($bil)	15.2	15.8	15.6	16.8	18.0	18.8	20.0	22.0	23.9	24.8	29.1	20.0	29.1
% of Net Assets	0.53%	0.38%	0.72%	0.24%	0.17%	0.44%	0.56%	0.25%	0.31%	0.27%	0.17%	0.35%	2.6%
Workers on Strike (1000s)	44.5	112.5	148.1	54.5	34.3	47.3	99.4	25.3	485.2	425.5	27	137	1504

As Table 4 shows, organized labor paid out on average $70 million a year in strike benefits since 2010, or approximately 0.35% of net assets annually. Over the last decade, roughly $767 million in strike benefits were disbursed, or only 2.6% of the $29.1 in current net assets. The number of striking workers does not

[15] FoundationMark, *FoundationMark Star Rankings*.

[16] Department of Labor. *Labor Organization Annual Financial Reports: Form Revisions*. Rule proposed October 13, 2020 and withdrawn March 17, 2021. Labor comments and docket accessed at https://www.regulations.gov/docket/LMSO-2020-0002/unified-agenda

correlate with the amount of strike benefits, most glaringly in the teacher strikes of 2018-2019, because not all unions pay strike benefits during work stoppages, and strike benefit compensation varies from union to union.

The financial analysis suggests that collectively organized labor has sufficient assets to support workers engaged in strikes at significantly higher levels. Still, there is a collective action problem that leads to asset hoarding: each union seeks to build their own strike fund, but if they cooperated and pooled their resources with other unions into a national strike insurance fund, billions in assets could be freed up for investments in organizing and other campaigns.[17]

The risk for organized labor of continuing to grow its net assets, whether devoted to infrequently used strike funds or sitting in cash reserves, is that it provides an inviting target for conservative factions within the union membership to reduce these assets through dues rebates or reductions. For example, union members of SEIU Local 1000, the largest public-sector union in California, recently elected a new union president who ran on a campaign to reduce dues by 50%, improve transparency about union financials, and end the union's role in electoral politics.[18] Over the last decade, Local 1000's net assets increased from $18.6 million in 2010 to $27.6 million in 2020.[19]

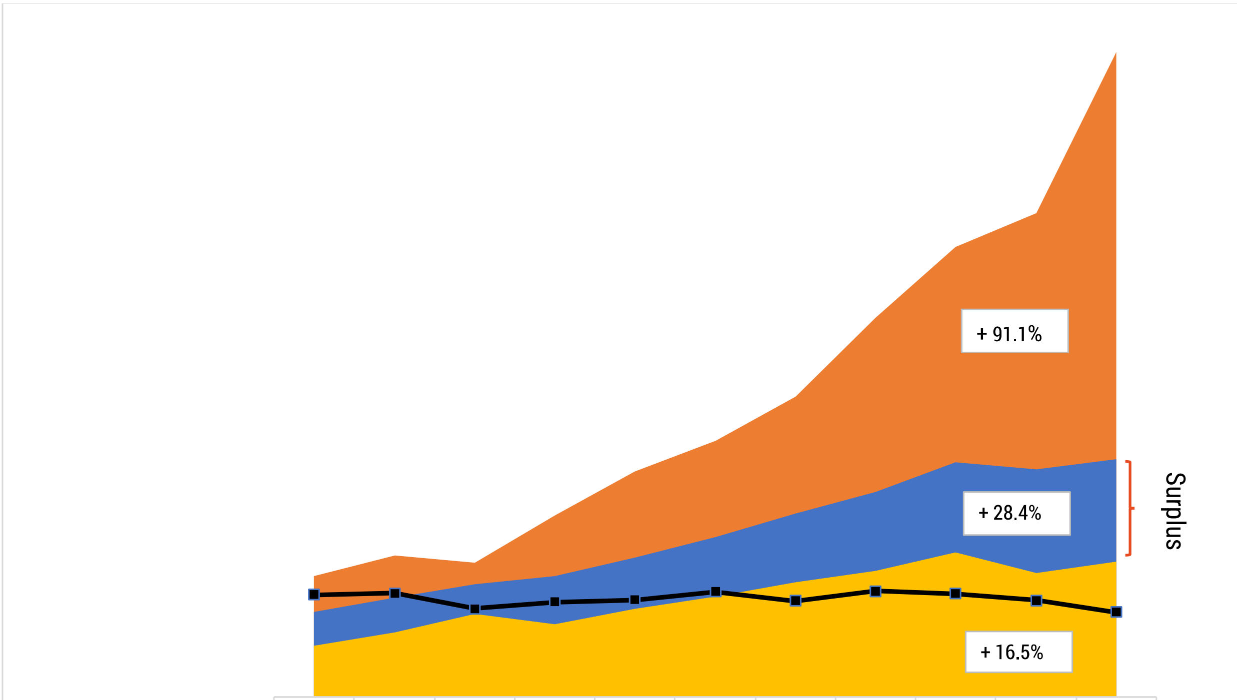
2. Financial Metrics Over Time

Organized labor has substantial resources at its disposal, but looking at labor finances over time also provides insights into how these assets were strategically deployed (or not deployed). The $2.7 billion surplus in 2020 was not a one-off event, but a consistent long-term pattern, as Chart 1 shows. Since 2010, organized labor has generated large surpluses, netting over $18.5 billion over the last eleven years, or $1.7 billion annually on average. As surpluses have increased, organized labor's net assets (assets minus liabilities) have nearly doubled, rising from $15 billion in 2010 to $29 billion in 2020.

How did organized labor nearly double its net assets while losing 465,000 union members, or a 3.2% decline in membership from 2010 to 2020? As Chart 1 shows, total union revenues are up 28% since 2010, increasing from $14.3 billion to $18.3 billion in 2020.[20] The revenue increase was driven by higher membership dues per member, rising from $818 per member in 2010 to $1,091 in 2020. In addition, significant increases in investment (+46%), rental (+47%), and miscellaneous income (+24%) contributed to the overall rise in revenues. As total revenues increased by 28%, total spending has only increased by 17% since 2010. With spending substantially lagging revenue growth, organized labor was able to book net surpluses every single year, rising from $882 million in 2010 to $2.7 billion in 2020.

[17] For example, see Hamilton Nolan, *We Need a Big National Strike Fund.*, In These Times, July 27, 2021.
[18] Wes Venteicher. *New California union president's agenda at standstill after failed SEIU Local 1000 meeting*, The Sacramento Bee, July 19, 2021.
[19] SEIU Local 1000, *IRS 990 Tax Forms Page,* 2010 IRS 990 form and 2020 IRS 990 form.
[20] Total revenues divided by annual union membership. Many unions set dues as a percentage of wages, so as wages rise, union dues also increase.

Chart 2: Organized Labor's Key Financial Metrics



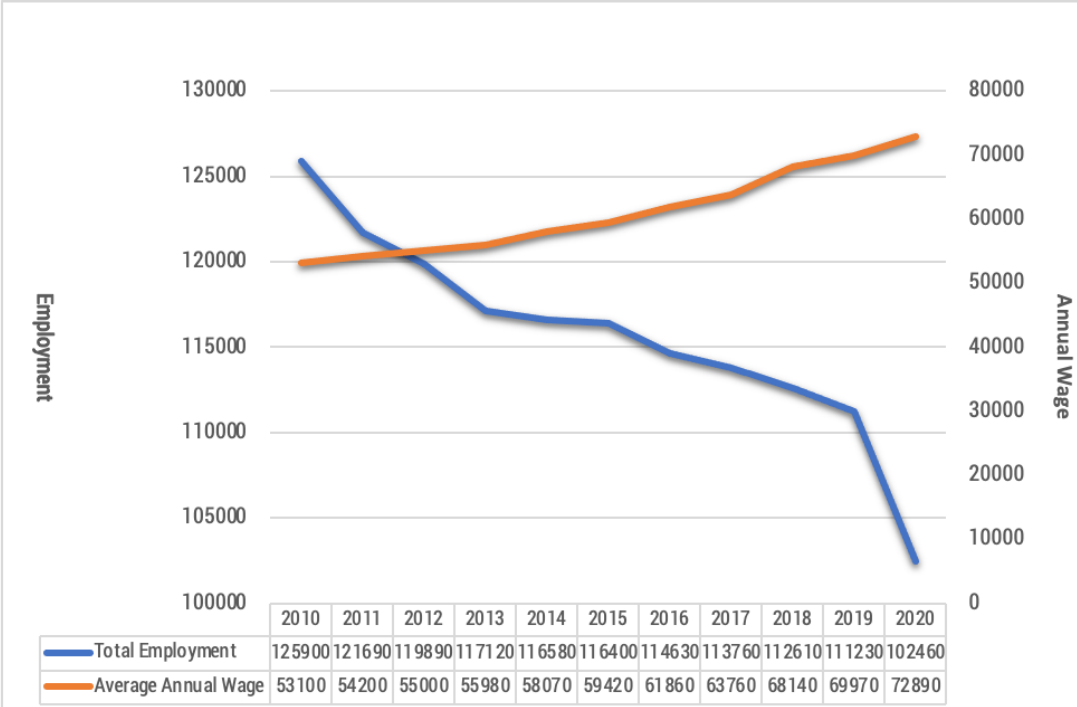
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Assets ($m)	15,213	15,754	15,562	16,811	17,967	18,793	19,961	22,032	23,916	24,814	29,069
Revenues ($m)	14,254	14,639	14,998	15,193	15,685	16,243	16,865	17,435	18,224	18,015	18,296
Spending ($m)	13,373	13,728	14,202	13,927	14,335	14,650	15,049	15,344	15,833	15,287	15,579
Net Surplus ($m)	882	911	796	1,266	1,349	1,593	1,816	2,092	2,391	2,728	2,716
Union Members ($000s)	14,715	14,755	14,349	14,516	14,570	14,786	14,550	14,812	14,740	14,567	14,250

Not only did union spending fail to keep pace with revenue increases, but according to the Census Bureau, organized labor employed 23,440 fewer staffers in 2020 compared to 2010, a 19% decline in the workforce (with a steep drop in 2020 likely due to the pandemic). As Chart 2 illustrates, while organized labor shed employees, average annual compensation increased by 37% since 2010.[21]

Although overall employment at unions declined by 19%, management occupations increased by 28% from 7,360 to 9,390 employees. According to the 2020 LM-2 data, over 10,000 officers and employees received a gross salary over $125,000, putting them in the top ten percentile of income in the U.S (this does not include the generous health, pension, and other benefits typically provided by unions).

[21] Bureau of Labor Statistics, *Occupational Employment and Wage Statistics*, 2010-2020.

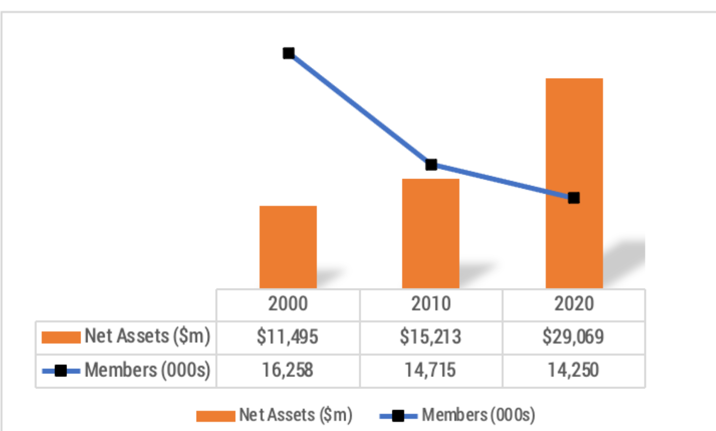
Chart 3: Labor Union Employment and Average Wage 2010-2020



3.1 Looking Backwards?

As noted earlier, there are few academic studies on labor finances. However, in 1997 Professor Marick Masters published a study *Union Wealth: The Bargaining Power Implications*.[22] Lamenting that "academic researchers have devoted little attention to union finances," Marick noted that the "[c]onventional wisdom holds that U.S. unions are in crisis." However, Marick examined the "financial wealth of the 28 largest U.S.-based unions during the period of 1979-1993, and [found] that these unions, overall, maintained their wealth during a period of substantial membership decline even after adjusting for inflation." Marick's conclusions foreshadow the results of the financial analysis of this report.

Chart 4: Labor Assets and Membership 2000-2020



Because the LM-2 form underwent a substantial revision in 2005, it is not possible to use the same methodology in this report to analyze earlier years. However, the reporting of balance sheet data by unions has maintained a consistent format since 2000. As Chart 4 shows, there was a large decrease in union

[22] Marick F. Masters, *Union Wealth: The Bargaining Power Implications*, Journal of Labor Research, Winter 1997.

membership (-9.5%) from 2000 to 2010, but a 32% increase in the net assets of organized labor, echoing the conclusions reached by Marick in 1997.

3. Implications for Labor Strategy and Theory

Was labor's robust asset and revenue growth over the last decade the result of a strategic choice by organized labor? U.S. labor unions are highly decentralized, with over ten thousand union entities grouped in more than one hundred union affiliations, so it is challenging to ascribe conscious intention to the multitude of labor entities with financial decision-making power. Nevertheless, labor's financial practices are consistent with the theory of "Fortress Unionism", a widely-debated union strategy advanced in 2013 by Richard Yeselson.[23]

Writing after the defeat of the Employee Free Choice Act in 2010, Yeselson argued that due to the straitjacket of labor law and an "uninterested working class," labor should not undertake "lengthy and expensive campaigns to organize new sectors" because organizing workers "takes too much time, and it costs too much in money and staff resources to try to do so over that long period of time." Instead of large organizing campaigns in unorganized sectors, Yeselson counseled that unions should instead "work to buttress the areas in which it is already strong" and "[d]efend the remaining high-density regions, sectors, and companies." Labor could leave the fortress walls to build coalitions, revitalize union locals, organize in high union density sectors, and invest in alternative labor organizations. Still, beyond that, Yeselson argued that labor should just wait: "Wait for the workers to say they've had enough…[wait] until the day arrives, if it ever does, when the workers themselves militantly signal that they want unions."

Whether or not Fortress Unionism was a conscious strategy adopted by labor, or simply the result of unions following the strategic and financial path of least resistance, the financial practices over the last decade are reflective of a defensive strategy, with spending lagging revenue growth, budget surpluses contributing to a near doubling of net assets and staffing significantly reduced. If labor had rejected the practice of Fortress Unionism, choosing instead to pursue "expensive campaigns to organize new sectors," the financial picture would arguably look different. One would expect that large-scale investments in organizing would have been reflected in higher spending rates, increases in staff rather than reductions, the running of deficits rather than surpluses, and a reduction in net assets as labor used its cash on the balance sheet to finance spending on organizing. In this counterfactual, union spending is an imperfect proxy for organizing expenditures, but there are few other public data resources to measure labor's spending on organizing. In 2020, the DOL proposed that unions disclose their total spending on organizing versus collective-bargaining activities, but the Biden Administration withdrew the rule after opposition from many unions.[24]

If labor's financial practices reflect the Fortress Unionism strategy, they also problematize the standard explanation of the decline of union membership and density. These explanations typically focus on the grossly unfair U.S. labor laws, the full-scale corporate attack on organizing and collective bargaining beginning in the late 1970s, and to a lesser extent, the decline of manufacturing and other economic

[23] Richard Yeselson, *Fortress Unionism*, Democracy Journal, Summer 2013.
[24] Department of Labor, *Labor Organization Annual Financial Reports: Form Revisions*, Rule proposed October 13, 2020 and withdrawn March 17, 2021. Labor comments and docket accessed at https://www.regulations.gov/docket/LMSO-2020-0002/unified-agenda

trends adverse to unions. For example, the labor-backed Economic Policy Institute (EPI) released a study ***Explaining the Erosion of Private-Sector Unions*** in 2020 that concluded:

> Why have union membership and union coverage (membership plus those covered by collective bargaining, even if not members) declined so precipitously in the private sector? We argue that corporations took advantage of the weak labor law regime in the United States to legally and illegally thwart union organizing and robust bargaining, especially in the 1970s, thus closing off unions' ability to bring in new members and grow along with the economy.[25]

Indeed, the broken labor law regime in the U.S. is a significant contributor to union membership decline (at least in the private sector), as the EPI study persuasively demonstrates. Still, it is curious that the study opts not to "substantively engage" the question of whether "unions became complacent and stopped reaching out to organize new workers" as a factor, treating organized labor as a passive bystander with little or no agency. The strategic choices pursued by labor are a minor factor, in this reading, because unions are "powerless" to organize under current labor law, leading EPI to conclude that the dominant explanation for membership decline is government "policy failure" or "policy drift." However, from a financial point of view, organized labor was not powerless over the last decade. Labor began 2010 with over $15 billion in net assets, and subsequently doubled those net assets by 2020, running large surpluses as revenues outpaced spending. These resources were available to deploy to new organizing and growth over the last decade, but labor chose to pursue a defensive financial strategy instead, a strategy consistent with Fortress Unionism.

Today, organized labor is confronting another policy failure as the Protecting the Right to Organize Act (PRO Act) is fatally stalled in Congress, much like in 2010 when the Employee Free Choice Act was defeated by the Senate filibuster. Will labor conclude (again) that it is powerless to organize workers on a large scale without labor law reform, and pursue Fortress Unionism 2.0 until the political stalemate is broken?

Despite a 3.2% decline in union membership over the last decade, the financial performance of labor over the last decade suggests that labor law reform and large-scale organizing are not a necessary condition for organized labor's *economic* viability, at least in the short to medium-term.

For those arguing for a more offensive strategic posture by labor and the rejection of Fortress Unionism, those forces must contend with the powerful economic incentives that align organized labor with the status quo. Despite a 3.2% decline in union membership over the last decade, the financial performance of labor over the last decade suggests that labor law reform and large-scale organizing are not a necessary condition for organized labor's *economic* viability, at least in the short to medium-term. Looking forward, labor has already achieved a wide variety of incremental reforms from the Biden administration and Democratic Congress. This will likely continue the trend of growing union revenues and assets over the next decade, even without more substantive changes to the labor law regime. These incremental reforms include a massive infrastructure bill with project labor agreements for construction unions, a promising overhaul of the National Labor Relations Board, an $86 billion bailout for struggling

[25] Lawrence Mishel, Lynn Rhinehart, and Lane Windham, *Explaining the erosion of private-sector unions*, Economic Policy Institute, November 18, 2020.

union pensions, a commitment to use the administrative and purchasing power of the federal government to support unionization, and Biden's willingness to use the bully pulpit to support workers engaged in labor activities.

As Table 5 illustrates, if organized labor's key financial and membership metrics follow the same growth rates as 2010-2020, by 2030 labor will more than double its assets, while losing nearly 800,000 members. For this to happen, the same factors that allowed organized labor to boost revenues and assets in the 2010-2020 period would need to be present: higher membership dues per member, as well as significant increases in investment, rental, and miscellaneous income. If the incremental Biden Administration reforms stabilize membership decline (or even lead to net growth), the financial picture may be rosier than the pro forma projections in Table 5.

Table 5: Financial and Membership Projections 2021-2030

	ACTUAL	PROJECTION										
Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Annual Growth Rate (2010-20)
Revenues ($m)	18,296	18,758	19,232	19,718	20,217	20,728	21,251	21,789	22,339	22,904	23,483	2.5%
Spending ($m)	15,579	15,836	16,098	16,363	16,633	16,908	17,187	17,470	17,758	18,052	18,349	1.7%
Surplus ($m)	2,716	2,922	3,135	3,355	3,583	3,820	4,065	4,318	4,581	4,852	5,133	
Assets ($m)	35,814	38,736	41,871	45,226	48,809	52,629	56,694	61,012	65,593	70,445	75,578	
Membership ($000s)	14,250	14,004	13,942	13,881	13,820	13,759	13,699	13,638	13,578	13,519	13,459	-0.4%

This (un)virtuous economic cycle, in which labor revenues and assets grow while membership slowly declines, exerts powerful financial inertia in favor of the current strategic posture of labor (i.e., Fortress Unionism), and against a more aggressive and offensive approach, which *might* break the decades-long organizing stalemate in the U.S., but also subject organized labor to significantly higher financial risk. While it might be a moral and political imperative to reverse the decline in union membership and density, it is not necessarily a pressing economic imperative, at least in the short- to medium-term. This is compounded by the fact that the key employees and officers making the strategic decisions for organized labor are also economically aligned with the status quo, earning incomes that place them in the top ten percentile of income in the U.S.

4. Looking Forward

As labor's core legislative strategy to reverse the decades-long decline in union membership is stalled in Congress, a growing number of labor advocates have called for a more aggressive and offensive strategy. There are many proposals, but there are at least three common tactical elements: 1) a substantial increase in spending on worker organizing campaigns; 2) a boost in the funding of "alternative labor" groups and independent unions like the Amazon Labor Union; and 3) the engagement in more militant and disruptive labor activities like legal and illegal strikes, secondary boycott activities, or defying restrictive court injunctions on picketing and protest. These initiatives are conceived as worth pursuing in their own right, but also as a strategy that could change the political environment to one more conducive to labor law reform.

As a speculative financial thought experiment, how much resources could labor collectively devote to these initiatives, and what would be the financial impact? Theoretically, organized labor could:

- Hire 20,000 new organizers at an annual cost of $1.4 billion.

- Boost funding of alternative labor organizations and independent unions, increasing the expenditures on grants and contributions from $408 million to $1.5 billion, for a net increase of over $1.1 billion.

- Radically increase strike activity, spending $1 billion *a year* on strike benefits (rather than the $767 million that labor spent over the last *decade*).

- Capitalize a new $3 billion entity (or entities) that could engage in riskier civil disobedience activities, like illegal strikes, secondary boycott activities, or defying restrictive court injunctions on picketing and protest.

Using the projection of union finances discussed in Section 3 and adding in the cost of the new initiatives, Table 6 shows that new spending is sustainable over a five-year period beginning in 2022 (assuming the trends of the last decade continue). Even with the significant boost in spending, organized labor would continue to run surpluses and grow assets under this pro forma financial projection.[26]

Table 6: Pro Forma Projections with New Spending

		PROJECTION					
Year	2020 (actual)	2021	2022	2023	2024	2025	2026
Revenues	18,296	18,758	19,232	19,718	20,217	20,728	21,251
Current Spending	15,579	15,836	16,098	16,363	16,633	16,908	17,187
Surplus	2,716	2,922	3,135	3,355	3,583	3,820	4,065
New Spending (2022)	20,000 Organizers		1,352	1,352	1,352	1,352	1,352
	Alt-Labor Contributions		1,045	1,045	1,045	1,045	1,045
	Strike Benefits		1,000	1,000	1,000	1,000	1,000
	New CD Entity		3,000				
	Subtotal		*6,397*	*3,397*	*3,397*	*3,397*	*3,397*
Adjusted Surplus	Rev. - (cur. + new spending)		(3,262)	(42)	186	423	668
Assets	35,814	38,736	35,474	35,432	35,618	36,041	36,709

Below, these ideas are outlined in more detail, but rather than advanced as concrete proposals, they are more like thought experiments that seek to elucidate the range of activities by organized labor that are financially possible (although perhaps not institutionally and politically possible). Of course, there is no "One Big Union," but thousands of unions grouped in over a hundred affiliations, but even if a fraction of these unions meaningful increased their spending and deployment of assets (like the CIO in the 1930s), it might substantively impact the landscape of the labor movement.

[26] The projection does not adjust new spending to account for inflation, nor does it assume any new dues revenue from newly organized workers.

4.1 Twenty Thousand New Organizers

As table 7 illustrates, it would cost approximately $1.4 billion to hire 20,000 new organizers paid $20 an hour with benefits (including general and administrative costs). An additional 20,000 staff would increase employment by 20%, bringing organized labor's total employment close to its 2010 levels (see Chart 3). There would undoubtedly be substantial organizational challenges to hire, train, and manage a rapid influx of new organizers, but it is not unprecedented. The AFL-CIO Organizing Institute claims to have recruited and trained "tens of thousands of union members and staff union organizers" over the last 25 years,[27] and buttressed with the many organizer training programs at union affiliates, the goal appears achievable.

Table 7: Organizer Expense Breakdown

Category	Amount
Annual Wage (@ $20 hr)	41,600
Benefits (30%)	12,480
Annual Compensation	54,080
Cost for 20k Organizers	1,081,600,000
General & Administrative (@ 25%)	270,400,000
Grand Total	1,352,000,000

4.2 Funding Alternative Labor Experiments

There is extensive literature on the rise of alternative labor organizations ("alt-labor") that organize workers outside the strictures of the collective-bargaining relationship (for example, the Restaurant Opportunities Centers United or National Domestic Workers Alliance), focusing on workplace issues but also on a broad range of community issues.[28] In addition, the growing level of autonomous worker organizing, most spectacularly illustrated through the NLRB election victory by the independent Amazon Labor Union, highlights the potential for organizing growth through independent and non-affiliated unions.[29] Both of these alternative strands need significant financial resources.

In 2020, organized labor spent a combined total of $408 million on contributions and grants to outside groups (typically for charitable purposes), or approximately 1.4% of net assets. In contrast, foundations must pay out five percent of their net assets to maintain tax-exempt status.[30] If organized labor spent 5% of its net assets on funding alt-labor and independent unions expenditures on contributions and grants would rise to $1.5 billion, or a net increase of a little over one billion.

In a bit of irony, perhaps organized labor could gain inspiration from the Ford Foundation, endowed by the son of Henry Ford, the founder of the Ford Motor Company and staunch opponent of organizing by the United Auto Workers in the 1930s. In June 2020, during the height of the pandemic, the Ford Foundation announced that it would dramatically increase its charitable spending from 6% of its $14 billion endowment to 10%, or a $725 million increase.[31]

[27] AFL-CIO, About The Organizing Institute.
[28] For an excellent overview, see The Alt-Labor Chronicles: America's Worker Centers, The American Prospect.
[29] Jon Hiatt, By Helping Self-Organized Workers, Labor Can Save Itself, The American Prospect, April 11, 2022.
[30] Candid, What is a "payout requirement" for a private foundation?
[31] James B. Stewart and Nicholas Kulish, Leading Foundations Pledge to Give More, Hoping to Upend Philanthropy, New York Times, June 10, 2020.

Joined by hundreds of social-justice-oriented foundations, Darren Walker -- the head of the Ford Foundation -- explained that the boost in spending was necessary because "[w]e are facing a once-in-a-century crisis, and we must respond in unprecedented ways to sustain organizations that are advancing the fight against inequality at a time when the need is more pressing than ever."[32] In addition, Walker urged foundations to "consider ideas — even radical ones that would have never been considered in the past." Supporting the move by the Ford Foundation, Scott Wallace of the Wallace Global Fund told the New York Times that "[i]f in our hour of greatest need, America's greatest crisis in generations, philanthropies are planning to spend less, then they need a big kick in the butt."[33]

Many leaders of organized labor would bristle at comparing union assets to foundation assets, correctly pointing out that the assets legally belong to the members. But these assets are also the legacy of prior worker movements and struggles, and unions rarely successfully organize and obtain contracts without a constellation of support from other unions and social justice movements. The tens of millions of unorganized workers do not have a legal claim on labor's assets, but perhaps they have a moral claim.

4.3 $29 Billion Reasons Against a General Strike?

Jane McAlevey, a labor organizer and influential writer on labor strategy, wrote in *The Nation* that "to achieve a restoration of worker freedom in America today will require exactly what it took to first pass the NLRA [National Labor Relations Act] in 1935: massive strikes, lots of them, in strategic industries…"[34] As outlined in Section 1.3, organized labor spent an average of $70 million a year on strike benefits from 2010 to 2020, or just 0.35% of average net assets. Over the last decade, approximately $767 million in strike benefits were disbursed in total by labor. If organized labor radically increased strike activity and spent $1 billion *a year* (rather than $767 million over *a decade*) for five years, it would cost approximately $5 billion, or 17% of labor's $29.1 billion of net assets over five years. Although organized labor's assets are distributed unequally among unions, collectively organized labor has the assets to sustain substantially higher levels of strike activity.

This theoretical financial exercise assumes that organized labor generally works within the existing legal system. However, many labor historians and commentators have rightly pointed out that labor's power, and its ability to change the system has frequently relied on disruptive civil disobedience activities. "Unlawful" strikes in the private and public sector, secondary boycott activities, defying court injunctions, and even industrial sabotage have all been part and parcel of the growth of organized labor, and fundamental changes in the political system. As the PRO act languishes in the Senate, just as the Employee Free Choice Act did over a decade ago, calls for more radical and disruptive tactics are growing. Eric Blanc recently noted in *Breaking the Law: Strike Bans and Labor Revitalization in the Red State Revolt* that the successful (and illegal) teacher strikes of 2018 suggest that

> rank-and-file workers, union officials, and labor scholars should reconsider the labor movement's prevailing strategy of working within the law… Labor law reform is certainly necessary, but if history is any guide, it will become a feasible legislative possibility only after a concerted working-class upsurge. As such, rank-and-file workers and militant

[32] Ford Foundation, *Ford Foundation Takes Historic, Unprecedented Action to Increase Grantmaking for Nonprofits by $1 Billion with Proceeds of Offering of Social Bonds in Response to COVID-19*, PR Newswire, June 11, 2020.
[33] James B. Stewart and Nicholas Kulish, *Leading Foundations Pledge to Give More, Hoping to Upend Philanthropy*, New York Times, June 10, 2020.
[34] Jane McAlevey*, Strike!*, The Nation, September 2, 2019.

> union officials today may need to reconsider the old adage of the Industrial Workers of the World: 'Strikers are to disobey and treat with contempt all judicial injunctions."[35]

However, apart from the personal legal liability facing labor leaders, the *financial* liability of engaging in these activities on a large scale could put organized labor's $29 billion net assets in significant jeopardy. This is not a theoretical concern. For example, in 1989 the United Mine Workers faced $62 million in fines for defying court injunctions in its strike against the Pittston Coal company, and more than 1,180 criminal charges were filed against union members.[36] In 2005, The Transportation Workers Union Local 100 was fined $2.5 million for breaking the state ban on strikes, and its president was sentenced to ten days in jail. The union later sold its headquarters to pay the fine.[37] The wave of teacher strikes in 2018 and 2019 also occurred in many states where public-sector unions had no legal right to bargain collectively or strike, which could have led to hefty fines and injunctions for teacher unions and members. In 2020, when 10,000 United Auto Worker members struck at Deere & Co, the union was hit with court injunctions severely limiting picketing (for example, no more than four pickets at a gate).[38] If the strike had not settled, the union would likely have had to confront defying an unjust court injunction and facing large fines and criminal liability, or accepting severe restrictions on picketing and other forms of protest.

The financial and strategic dilemma facing a labor movement contemplating more militant and risky tactics is concisely articulated by Richard Sullivan in his paper *Density Matters: The Union Density Bias and Its Implications for Labor Movement Revitalization.*[39]

> Union leaders may calculate the potential risks and rewards and reasonably conclude that engaging in an illegal strike or boycott would incur too high a price for the union in fines, bad publicity, and possible jail time for its leaders. Nevertheless, it is precisely the refusal to abide by the law and the willingness to suffer the consequences that makes civil disobedience powerful….[R]ather than assume a defensive posture because the costs for engaging in militant tactics are too high, we might argue for bolder actions on the grounds that unions are resource rich and therefore in a better position to withstand the consequences. In any case, there are solutions to what is actually labor's happy dilemma—a movement with too many resources. Resources are typically viewed as critical assets having a significant effect on whether social movements succeed or fail. It is incongruous that labor's vast resources are so often used to justify inaction, implying, in effect, that unlike other movements, labor's resources limit its power.

Sullivan suggests that one "solution for a labor movement with too much to lose is to develop alternative movement organizations to engage in riskier movement work." This concept has also been advanced by Joe Burns in *Reviving the Strike*, arguing that unions could spin off legally separate organizations that could engage in more militant tactics without the shackles of labor law.[40] Just 10% of

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[35] Eric Blanc, *Breaking the Law: Strike Bans and Labor Revitalization in the Red State Revolt*, Labor Studies Journal, 2020.
[36] Mark Paxton, *Strikers' Civil Disobediance Sending Hundreds to Jail,* Associated Press, April 30, 1989 and Debra Mccown, *1989 Pittston-Coal Strike a Battle for Workers Rights*, Bristol Herald Courier, September 6, 2009.
[37] Thomas J. Lueck, *Transit Union Is Fined $2.5 Million Over December Strike*, New York Times, April 18, 2006.
[38] Tyler Jett, *United Auto Workers attorneys ask judge to walk back injunction against Deere picketers in Davenport*, Des Moines Register, October 25, 2021.
[39] Richard Sullivan, *Density Matters: The Union Density Bias and its Implications for Labor Movement Revitalization, Mobilization*: An International Quarterly, 2009.
[40] Joe Burns*,* *Reviving the Strike*, IG Publishing, 2011.

organized labor's net assets could capitalize a new $3 billion independent entity, turning on the head the corporate tactic of "double breasting" (i.e., creating non-union entities at union employers).

Imagine that this new entity committed to providing financial assistance to workers engaged in strikes or other civil disobedience activities (for example, workers defying public employee strike laws bans, disobeying injunctions against picketing, or violating "no-strike" contract agreements in the private sector). Coupled with growing legal strike activity in the organized sectors of the economy, the landscape might start looking like the 1930s when union membership dramatically increased. Certainly, the idea that the conservative leadership of organized labor would transfer billions of assets to entities they do not control to create workplace disruptions (that they do not control) is improbable, but like the other thought experiments outlined here, the constraints are not necessarily financial.

Conclusion

The financial analysis of organized labor has some obvious drawbacks (please see the Appendix for methodological issues). There is no "One Big Union," but over ten thousand union entities grouped in over 100 union affiliations. Some unions have doubled down on spending, others have run large surpluses and kept their spending lower than the growth in revenue. Unions in growing sectors have prospered, other unions have struggled to maintain relevancy in declining sectors. Nevertheless, looking at organized labor collectively, the trends are clear: over the last decade, labor has nearly doubled its net assets, run large surpluses, reduced the workforce while increasing pay at the top, and spent less than the rate of inflation–all while union membership has declined.

As the financial analysis suggests, there is not necessarily a strong *economic* incentive for organized labor–or the highly-compensated labor leadership economically aligned with the status quo–to upset this (un)virtuous economic dynamic. As was the case in 2010, when labor seemed poised to obtain generational changes in labor law, only to be thwarted by "moderate" Democrats and the filibuster, the PRO Act and its public sector companion bill appear headed for defeat by the same forces. Changing this dynamic would require organized labor to take a different path than it did in 2009, to tear down the walls of Fortress Unionism and collectively put at risk its significant financial assets, and to fund a wide range of strategies to take advantage of this historic moment.

A change could come about through leadership at the top, but the prospects are dispiriting if the AFL-CIO is a proxy for union leadership in general. While the AFL-CIO has little power over its member unions and relatively modest resources (approximately 0.6% of total union revenues), it is the most publicly visible labor position in the country, and, equally important, potentially serves as a key venue to organize labor's resources and develop a common vision and strategy for all unions.

Elizabeth Shuler—the current President of the AFL-CIO, since the unexpected death of Richard Trumka in the summer of 2021—assumed the top leadership position at the June 2022 AFL-CIO Convention, with no opposition. Shuler previously served as the Secretary-Treasurer of the AFL-CIO for twelve years. She has a thin organizing resume. Her official biography only highlights a 1993 organizing campaign for clerical workers. She is a long-term practitioner of the traditional insider labor political program that has yielded little structural change. Highlighting her accomplishment of "turning deficits into surpluses" at the AFL-CIO, Shuler hardly seems the bold leader that will organize labor to do the opposite: turn surpluses into deficits by funding a wide range of strategies to revitalize labor.[41]

Rather than from leaders at the top like Shuler, change is most likely to come from the broad movement of workers striking against global corporations in defiance of their union leadership, and winning, such as at Deere and Kellog; reform movements seeking to democratize their bloated and/or corrupt union bureaucracies (such as the Teamsters and UAW); public sectors workers, many without a formal union, disobeying state bans on strikes (like the Red Ed teacher strikes); members defying the political directives of their union leadership to back left candidates offering real structural change (like the members of the Culinary Workers Union supporting Bernie Sanders in the 2020 caucus); the autonomous wildcat labor actions during the pandemic by "unorganized" workers; independent unions like the Amazon Labor Union defying conventional wisdom and winning at one of the most powerful companies in the world; and most critically, the young workers and union organizers who are impatient for change, intolerant of bureaucratic hierarchies, and far more open to consider alternatives to capitalism than a union leadership still trapped in the ideological straightjacket of the Cold War. It is this constellation of forces that could seize the assets from a labor movement that has failed to seize the moment.

[41] AFL-CIO, *Liz Shuler*.

Appendix: LM-2 Methodology

The Department of Labor (DOL) LM-2 (or LM-3 or LM-4 for smaller unions) data were obtained from the DOL's Online Public Disclosure Room for years 2010 through 2020.[42] The year listed in the LM-2 data was used for the analysis, although the data aggregate different annual accounting periods, for example calendar and fiscal year (e.g. October-September, or July-June). The DOL instructions for filing out the LM-2 form were consulted to thoroughly understand the different reporting categories and methods.[43]

Labor unions solely representing state, county, or municipal employees are not required to file a LM-2, although many public-sector unions do so because a portion of their membership is also in the private sector. In 2019, the DOL proposed extending disclosure to all public sector unions (estimating that at least 139 additional unions would be required to file), but after strong opposition from public-sector unions, the rule was withdrawn by the Biden Administration in 2021.[44]

Another limitation to the LM-2 filing is that it is not organized like a standard financial statement that one might find in a company or non-profit annual report, but simply lists all cash receipts and cash disbursements in various idiosyncratic accounting categories, with each category having separate schedules that can run to hundreds of pages. There are no separate income and cash flow statements, although the LM-2 balance sheet does roughly resemble a standard balance sheet (although see below for some limitations). It is not entirely clear why this irregular form of financial reporting was institutionalized by the DOL as it fails to provide easily understandable information to existing or prospective union members, one of the goals of the Labor-Management Reporting and Disclosure Act (LMRDA).

Despite the limitations, the advantage of the LM-2 form is that every single union (except unions representing solely state, county, or municipal employees) must fill out the standardized form, providing uniform data on union finances. To convert the LM-2 data to a format more amenable to financial analysis, the methodology of this report follows three steps: 1) the LM-2 form was reverse engineered to resemble a modified cash basis income statement and cash flow statement, then applied to the raw LM-2 data for every reporting entity; 2) the data for each reporting entity was aggregated into one overall financial statement for organized labor; and 3) the data were cross-checked against other public sources. Below these steps are explained along with the limitations.

A.1. Reverse Engineering the LM-2 Form

To illustrate the methodology, Figure 1 below shows the *Statement B - Receipts and Disbursements* from the LM-2 filed by the United Food and Commercial Workers International Union in 2020. The items highlighted in red – loans, investment purchases and sales, and member/affiliate transfers[45] -- are categories that belong in a cash flow statement, not an income statement, as they involve investing and

[42] Department of Labor Office of Labor-Management Standards. *Annual LM Reports* (2010-2020). Accessed at https://www.dol.gov/agencies/olms/public-disclosure-room
[43] Department of Labor Office of Labor-Management Standards. Instructions for Form LM-2 Labor Organization Annual Report
[44] Department of Labor. *Labor Organization Annual Financial Reports: Coverage of Intermediate Bodies.* Rule proposed December 17, 2019 and withdrawn March 17, 2021. Labor comments and docket accessed at https://www.regulations.gov/docket/LMSO-2020-0001/unified-agenda
[45] In the case of affiliate and member transmittals, the union is acting as a pass-through entity, for example contributions by members for transmittal by the union to designated charities.

financing activities. After removing the cash flow statement categories from Statement B, the LM-2 categories are reorganized into a cash basis income statement as reflected in Figure 2. For some categories, for example receipts and disbursements on supplies or fees and fines, the number reflected in Figure 2 is the net amount (i.e. receipts from sale of supplies minus disbursements for supplies) The LM-2 only lists *cash* items, and does not include non-cash expenses like depreciation, or the net unrealized gains (or losses) on investments. In addition, while a standard income statement would show interest payments on loans, these payments are buried in the "general overhead" category of the LM-2. Theoretically, the net surplus from the modified income statement *plus* net cash from financing and investing activities (investment sales and purchases, loans paid and received, affiliate transfers, and member transmittals) should match the change in cash on the balance sheet (see Figure 3 and 4 below).

Figure 1: UFCW National Headquarters 2020 LM-2

Form LM-2 (Revised 2010); (Tech. Rev. 2/2013)
STATEMENT B - RECEIPTS AND DISBURSEMENTS

FILE NUMBER: 000-056

CASH RECEIPTS	SCH	AMOUNT
36. Dues and Agency Fees		$0
37. Per Capita Tax		$220,844,654
38. Fees, Fines, Assessments, Work Permits		$1,920,320
39. Sale of Supplies		$22,313
40. Interest		$8,014,793
41. Dividends		$512,843
42. Rents		$2,270,438
43. Sale of Investments and Fixed Assets	3	$52,699,359
44. Loans Obtained	9	$0
45. Repayments of Loans Made	2	$235,254
46. On Behalf of Affiliates for Transmittal to Them		$6,019,000
47. From Members for Disbursement on Their Behalf		$0
48. Other Receipts	14	$19,287,284
49. TOTAL RECEIPTS		$311,826,258

CASH DISBURSEMENTS		SCH	AMOUNT
50. Representational Activities		15	$40,969,876
51. Political Activities and Lobbying		16	$16,763,057
52. Contributions, Gifts, and Grants		17	$1,577,637
53. General Overhead		18	$23,102,959
54. Union Administration		19	$6,643,664
55. Benefits		20	$113,318,648
56. Per Capita Tax			$10,673,091
57. Strike Benefits			$574,173
58. Fees, Fines, Assessments, etc.			$0
59. Supplies for Resale			$28,523
60. Purchase of Investments and Fixed Assets		4	$100,647,402
61. Loans Made		2	$265,353
62. Repayment of Loans Obtained		9	$0
63. To Affiliates of Funds Collected on Their Behalf			$5,982,509
64. On Behalf of Individual Members			$0
65. Direct Taxes			$4,029,533
66. Subtotal			$324,576,425
67. Withholding Taxes and Payroll Deductions			
67a. Total Withheld	$13,062,708		
67b. Less Total Disbursed	$13,081,249		
67c. Total Withheld But Not Disbursed			-$18,541
68. TOTAL DISBURSEMENTS			$324,594,966

Figure 2: UFCW Modified Cash Basis Income Statement 2020

Membership Revenues	Dues and Agency Fees	0
	Per Capita	220,844,654
	Fees Fines	1,920,320
	Total Membership Revenues	222,764,974
Operating Expenses	Representational	40,969,876
	Political Activities & Lobbying	16,763,057
	Contributions, Gifts & Grants	1,577,637
	General Overhead	23,102,959
	Union Adminstration	6,643,664
	Benefits	113,318,648
	Per Capita (e.g. payments to the AFL-CIO, IU)	10,673,091
	Strike Benefits	574,173
	Taxes	4,048,074
	Total Operating Expenses	217,671,179
Operating Income	Membership Revenues - Operating Expenses	5,093,795
Other Revenue	Interest & Dividends	8,527,636
	Rental Income	2,270,438
	Miscellaneous Income	19,281,074
	Total Other Revenue	30,079,148
Total Revenues	Membership Revenue + Other Revenue	252,844,122
Net Surplus	Total Revenues - Operating Expenses	35,172,943

Figure 3 is a modified cash flow statement using the categories excluded from the income statement plus data from the balance sheet (figure 4). The modified cash flow statement in Figure 3 shows how the net surplus from the income statemen in Figure 2, plus the net investing and financing activities, explain the change in cash on the balance sheet from the beginning of the fiscal year to the end. The fact that these modified financial statements balance out provides some assurance that the methodology is sound.

Figure 3: UFCW Modified Cash Flow Statement 2020

Category	Amount
Net Surplus	35,172,943
Income (loss) from Investment/Asset Sales	(47,948,043)
Income (loss) from Loans	(30,099)
Income (loss) from affiliate transfers	36,491
Income (loss) from member transmittals	-
Total Financing Activities	(47,941,651)
Total Cash Flow (net surplus + total financing)	(12,768,708)
Beginning Cash	100,769,179
Ending Cash	88,000,471
Change in Cash on Balance Sheet	(12,768,708)

Figure 4 shows the balance sheet from the LM-2 form, and no adjustments were made for purposes of the report. Unlike standard financial statements, "investments" in the LM-2's are not listed at market value, but at cost or "book" value, likely undervaluing the amount of organized labor's assets. In addition, the LM-2 balance sheet data generally *do not* include the assets of collectively-bargained pension and health funds.

Figure 4: UFCW LM-2 Statement Assets and Liabilities 2020

ASSETS	Schedule Number	Start of Reporting Period (A)	End of Reporting Period (B)
22. Cash		$100,769,179	$88,000,471
23. Accounts Receivable	1	$1,827,669	$3,059,748
24. Loans Receivable	2	$650,847	$866,360
25. U.S. Treasury Securities		$49,149,564	$27,577,830
26. Investments	5	$233,275,833	$299,022,769
27. Fixed Assets	6	$11,739,751	$16,411,214
28. Other Assets	7	$1,410,915	$1,536,744
29. TOTAL ASSETS		$398,823,758	$436,475,136

LIABILITIES	Schedule Number	Start of Reporting Period (A)	End of Reporting Period (B)
30. Accounts Payable	8	$5,578,357	$4,610,667
31. Loans Payable	9	$0	$0
32. Mortgages Payable		$0	$0
33. Other Liabilities	10	$589,786	$598,987
34. TOTAL LIABILITIES		$6,168,143	$5,209,654

35. NET ASSETS		$392,655,615	$431,265,482

A.2. Aggregating the Data into One Big Union

After the LM-2 data is reorganized into a modified cash basis income statement for each reporting union, it is then consolidated to give a macro-level view of union finances. One of the problems with this approach is that there are multiple intra-union transactions between headquarters and local and intermediate bodies that are very difficult to disentangle. For example, while local affiliates typically book dues revenue on the income side, they also typically pass up revenue to the headquarters and intermediate bodies through a per-capita tax, which is reflected as a local affiliate expense but as income for the headquarters or intermediate bodies. Not all unions function this way (for example, the National Education Association receives dues directly), but most do. Similarly for the balance sheet, a national headquarters asset may be a local affiliate liability like a loan (and vice versa). Theoretically, the debits and credits cancel each other out when consolidated, but it could have the effect of overstating revenues and expenses, and potentially double-counting. Unfortunately, the LM-2 data do not provide enough information to track per-capita payments and other intra-union transactions in detail, so this is a limitation to the analysis.

A.3. Cross-Checking the Data

To check the validity of the cash basis income statement methodology, the LM-2 data from the top 10 union headquarters ranked by membership were compared to filings with the Internal Revenue Service (Form 990), which non-profits like unions are required to file. One problem is that while the LM-2 data is cash-based, the Form 990 allows unions to choose accrual or cash accounting methods, making apple to apple comparisons difficult. Another problem is Form 990 does typically include non-cash expenses like depreciation and the net unrealized gains (or losses) on investments, while the LM-2 forms do not. With these major limitations in mind, it is reassuring that the LM-2 and Form 990 data are roughly in the same ballpark. The 990 data show higher net assets and net surpluses, but lower (between 3-6%) revenues and expenses.

Figure 5: Top 10 Union Headquarter 990 vs LM-2 2018

Category	990	LM-2	990 v LM-2 ($)	990 v LM-2 (%)
Total Revenue	2,090,447,509	2,150,145,228	(59,697,719)	-2.8%
Total Expenses	1,775,442,344	1,880,398,336	(104,955,992)	-5.6%
Net Surplus	315,005,165	269,746,892	45,258,273	16.8%
Net Assets	2,758,913,761	2,687,813,904	71,099,857	2.6%

Another method to cross-check the data is the Census Bureau's Statistics of U.S. Businesses (SUSB), which provides receipts data by NAICS classification, but are only available for Economic Census years 2012 and 2017. In theory, the SUBS receipts should be higher than the LM-2 revenue because of the exclusion of unions solely representing state, county, or municipal employees from reporting. As Figure 6 shows, the total revenues from the LM-2 data trail the SUBS receipt data between 9-11% (as expected) and are broadly consistent with the revenue increases discussed in the report.

Figure 6: Census SUBS vs LM-2 Data ($m)

Category	2012	2017	% Growth 2012-2017
SUBS Receipts	16,681	19,003	13.9%
LM-2 Total Revenues	14,998	17,435	16.3%
Difference (SUBS-LM2)	1,683	1,567	-2.3%
% Difference	11.2%	9.0%	

Finally, to address the potential problem that the methodology may overstate revenues, expenses, and assets due to the multiple intra-union transactions between headquarters and local and intermediate bodies, the data on national headquarters (NHQ) were examined on a stand-alone basis. National headquarters, which represent a little over a quarter of all union revenues, are not plagued by the intra-union issue because they are a single reporting entity. If the percentage increase in revenues, expenses, net surplus and net assets at the national headquarters level were significantly different than the consolidated data for all unions, it would be a cause of methodological concern. However, as Figure 7 show, the same general trends prevail at the headquarters and consolidated union level: rising revenues outpacing spending, coupled with increased net surpluses and net assets.

Figure 7: NHQ vs All Unions 2010-2020

Category	Total Revenues	Total Expenses	Net Surplus	Net Assets
NHQ	21.2%	10.1%	440.0%	107.0%
All	28.4%	16.5%	208.1%	91.1%