eBook

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HR & PAYROLL BUILT FOR UNIONS:

Union Jobs Pay a $230 Premium. Payroll Pays One Too.



INTRODUCTION

Union jobs often pay more. So does the payroll behind them.

Union jobs often pay more. The payroll behind those jobs can also require substantially more data collection, processing rules, detailed history and audit capture, and reconciliation.

MEDIAN WEEKLY EARNINGS, FULL-TIME WAGE AND SALARY WORKERS, 2025

$1,404
Union members

$1,174
Non-Union workers

$230
per week difference

= $11,960 annualized

According to the U.S. Bureau of Labor Statistics, in 2025 the median weekly earnings of full-time wage and salary workers who were union members were $1,404, compared with $1,174 for workers who were not union members—a difference of $230 per week, or about $11,960 annualized.

> That pay gap, by itself, does not show that union membership causes higher pay. Union and nonunion workers differ in their distribution across occupations, industries, geographic areas, and other characteristics. BLS's published earnings figures describe these differences but are not adjusted estimates of the effect of union membership on wages.





First, the number you're probably using is the wrong one

There are two different statistics that matter when you're thinking about union membership.

UNION MEMBERS

14.7M

10%
of wage and salary workers

REPRESENTED BY A UNION

16.5M

11.2%
of wage and salary workers

1.8M workers reported that they were not union members, but their jobs were covered by a union contract.

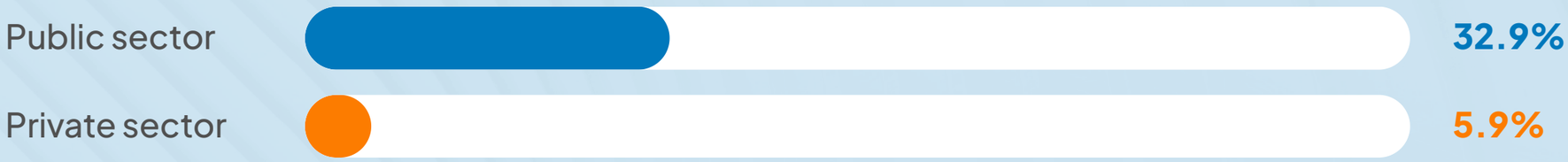
In 2025, BLS reported approximately 14.7 million union members, representing 10.0% of wage and salary workers. But approximately 16.5 million workers—11.2%—were represented by a union. That difference matters.

For payroll professionals, representation can matter even when individual membership does not. Under Section 9(a) of the National Labor Relations Act, a union selected as the representative of an appropriate bargaining unit generally serves as **the exclusive bargaining representative for employees in that unit.**

PUBLIC VERSUS PRIVATE & GEOGRAPHY MATTERS TOO

Unionization is highly concentrated in the public sector.

UNION MEMBERSHIP RATE BY SECTOR, 2025



WITHIN GOVERNMENT

37.8%
Local Government

29.6%
State Government

27.2%
Federal Government

MEMBERSHIP RATE BY STATE, 2025

21.3%
New York

14.7%
New Jersey

21.3%
North Carolina

26
states with right-to-work laws

Union density should not be treated as a simple cause-and-effect result of right-to-work status; labor-market composition, industry mix, public-sector employment, and other factors also matter. BLS also cautioned that its 2025 state estimates are based on an 11–month average because October 2025 Current Population Survey data were not collected during the federal government shutdown.

WHAT A COVERED EMPLOYEE CAN ADD TO PAYROLL WORKLOAD

Each provision is another rule to configure, calculate, and explain.

A collective-bargaining agreement does not automatically impose every item below. The point is that each can become a payroll requirement depending on the contract, employer, industry, or applicable law.

POTENTIAL REQUIREMENT	WHAT PAYROLL MAY NEED TO HANDLE
Union dues deductions	Eligibility, authorization, deduction rules, and remittance.
Fringe/fund contributions	Multiple funds with different rates, eligibility rules, caps, and remittance schedules.
Hours by classification	Hours may need to be separated by job, classification, location, contract, or work type.
Overtime Rules	Contractual overtime may differ from—and coexist with—FLSA overtime.
Seniority and work rules	Contract provisions can affect rates, assignments, premiums, progression, and eligibility.
Prevailing-wage work	Applicable projects may require detailed weekly certified payroll and supporting records.
Retroactive adjustments	A new wage rate may require historical recalculation of overtime and other amounts.
Reporting and remittance	Payroll may need to produce union reports, fund reports, and supporting employee-level detail.

For union employees, these provisions offer **meaningful protections.**

For HR and payroll professionals, each provision is another rule to **configure, calculate, document, remit, reconcile and, eventually, explain.**

That's the administrative premium of a unionized workforce.

Federal wage law can create a second overtime calculation

1.5×

the regular rate for hours over 40 in a workweek

The Fair Labor Standards Act generally requires overtime at one-and-one-half times the regular rate for hours worked over 40 in a workweek. But the FLSA also contains specialized partial overtime exemptions for certain employees covered by qualifying collective-bargaining agreements under Section 7(b)(1) or 7(b)(2).

Those provisions are technical.

They require a qualifying agreement and a bargaining representative meeting the statutory certification requirements, and they impose overtime obligations for specified daily and weekly thresholds.

7–28

consecutive days

Public-safety employers can face another specialized framework under Section 7(k), which permits a fixed work period of 7 to 28 consecutive days and uses different overtime thresholds for qualifying fire-protection and law-enforcement employees.

THE PRACTICAL LESSON

The practical lesson is not simply "use the contract rule" or "use the FLSA rule." A contract can be more generous than the statute; it can never be less. So payroll has to determine which rules apply, how they interact, and whether the employee receives at least the greater of what law and contract require — **per person, per week.**

And Then There's Retro Pay



The most underestimated payroll problem in collective bargaining.

Under 29 CFR §778.303, a retroactive wage increase can change the regular rate for the period covered by the increase. If the employee worked overtime during that period, the employer may have to calculate additional overtime compensation resulting from the higher regular rate.

A SIMPLE ILLUSTRATION FROM THE REGULATION

10¢

retroactive increase per hour

↓

15¢

additional, for each overtime hour affected

A lump-sum retroactive increase can also require allocation over the period to which it relates, rather than being treated as a simple one-time payment.

The real-world settlements can make that problem enormous

Recent labor agreements show why retroactive calculations become high-profile, complex, and difficult payroll projects.

LONG ISLAND RAIL ROAD (MTA, APRIL 2026)

3% June 2023

3% June 2024

3.5% June 2025

Retroactive general wage increases, with additional negotiations covering 2026.

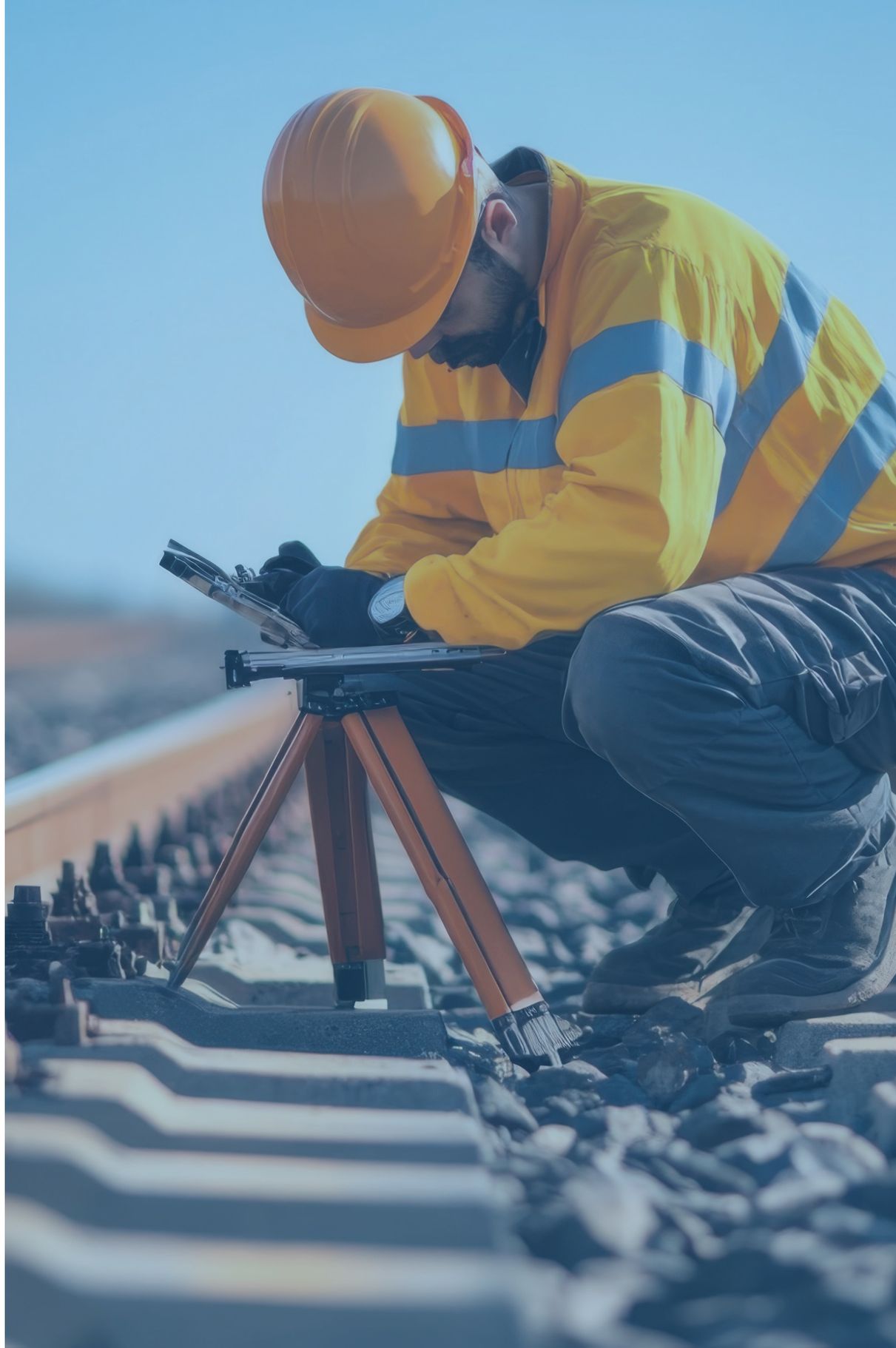
USPS / NALC AGREEMENT

200,000+

back-pay calculations, including adjustments affecting retirees

Retroactive wage increases and a full back-pay calculation for letter carriers covering paid hours dating back to the expiration of the prior agreement.

Not every union contract creates a chaotic retroactive calculation. But contracts are often settled long after the rates they set were supposed to take effect, and the payroll professional then carries the burden of reconstructing payroll history rather than simply calculating the next paycheck.



RETROACTIVE PAY DOESN'T STOP AT WAGES

A union contract can change more than an employee's hourly rate.

If a retroactive wage change affects overtime, it can affect more than the straight-time wage line.

Depending on the facts, the payroll calculation may also need to revisit:

- Premiums
- Benefit or fund contributions
- Deductions tied to earnings
- Reporting or remittance obligations

Other union contract changes affect PTO accrual rates, vacation eligibility, service-based accrual tiers, caps, carryover rules, or the treatment of unused leave. **And those changes can be retroactive.**

IF PTO ACCRUAL INCREASES FROM JANUARY 1, PAYROLL MUST APPLY

- the employee's service date
- accrual tier
- existing PTO balance
- contractual caps
- bargaining unit
- hours or pay periods worked
- usage

The result isn't simply a new PTO balance. It's a historical recalculation of the employee's leave entitlement.

The system has to know not only what the rule is today, but what the rule was, when it changed, who it applied to, and what should have happened in every prior pay period.

That is why historical payroll data matters. A system that can only change today's rate is not enough when a union contract changes yesterday's pay rates.

DON'T FORGET THE TAX CALCULATION

Federal rules treat back pay as supplemental wages. For very large cumulative supplemental wage payments, special withholding rules apply; for example, the current federal rule requires the applicable highest rate on cumulative supplemental wages above $1 million paid by the employer during the calendar year. That does not mean all retroactive pay is automatically withheld at the highest rate — the withholding method depends on the circumstances and the applicable supplemental-wage rules

The union can also be entitled to payroll information



Collective bargaining creates information obligations in addition to payment obligations

NLRB v. Acme Industrial co., 385 uS. 432 (1967)

The Supreme Court recognized the union's right to information that is relevant and necessary to its representational duties, including grievance processing. The Court described the relevance inquiry in practical terms rather than requiring the union to prove the ultimate merits of a grievance before obtaining information.

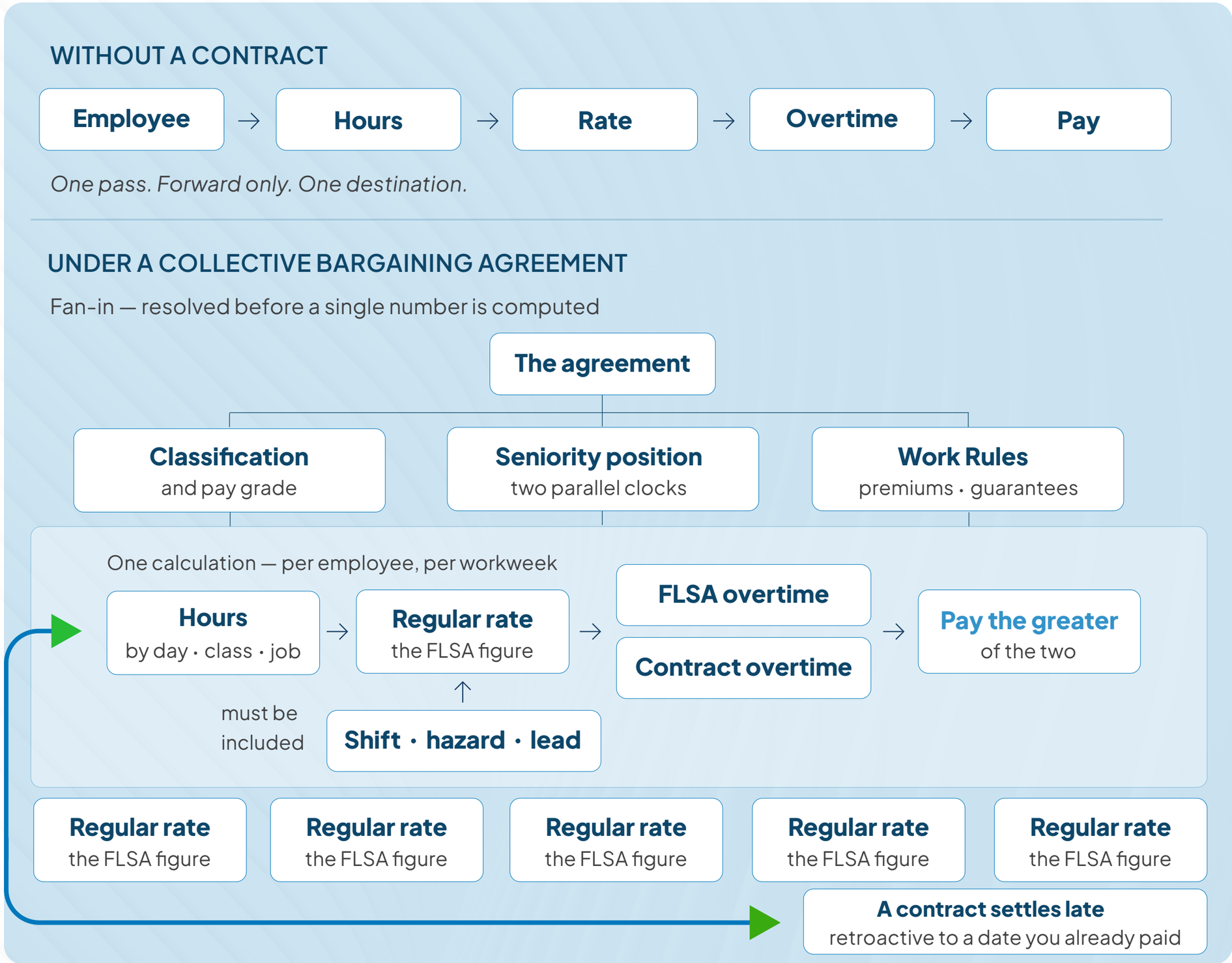
NLRB v. curtiss-wright corp., 347 F.2d 61 (3d Cir. 1965)

Courts and the NLRB have also treated wage and related information concerning bargaining-unit employees as presumptively relevant in appropriate circumstances. This case addressed that presumption for wage-related information.

So, payroll data may have to serve another customer besides the employee, manager, and finance department: the bargaining representative.

This is where system fragmentation becomes expensive

A non-union pay run and a union pay run are not the same. They are substantially more components and rules to process in the union scenario.



The problem isn't necessarily that any individual system is bad. The problem is that the systems may not share one authoritative version of the employee's history.

If HR has the employee's classification, one system has the rate, another has hours, another has deductions, and payroll has the final check, reconstructing a historical calculation becomes a data-integration exercise.

IF YOU'RE NOT UNIONIZED

This still matters.

The underlying lesson is broader than collective bargaining.

Non-union employers still have to manage wage-and-hour rules, regular-rate calculations, overtime, retroactive corrections, supplemental wages, state requirements, and historical payroll corrections. The difference is that a CBA can add another layer of enforceable rules on top of those statutory requirements.

U.S. DEPT. OF LABOR, FY2025 ENFORCEMENT

$259M+

recovered in back wages

-177,000

employees affected

Overtime violations were the single largest category.

The DOL'S enforcement data underscores why historical payroll accuracy matters even outside a union environment.





THE TAKEAWAY

Union payroll is not simply a matter of applying a different pay rate.

The difficult question is not:

What should this employee be paid today?

It is:

Can we explain — and reproduce — why every employee was paid what they were paid, under every rule that applied, for as far back as someone may reasonably ask?

ASK YOUR TEAM THREE THINGS

1. If a contract settled next month, retroactive eighteen months, how long would the recalculation take — and would it happen in the system, or in a spreadsheet?
2. Can you produce one employee's classification, rate, and hours history by pay period without assembling it from different sources?
3. When a fund audit or a union information request arrives, is the answer a report, or a project?

If any of those made someone wince, the problem usually isn't the payroll team. It's that the history lives in too many systems or sources for anyone to reconstruct quickly.

Complex payroll, made easy.

PeopleGuru™ connects the employee record, job and organizational structure, time, pay rules, payroll calculations, deductions, and historical data in one database — so when the rules change, the organization can understand not only what should happen next, but what needs to be recalculated from the past.

We can help.

Talk to us about your union contract rules.

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