

Testimony prepared for the House Committee on Economic Disparity and Fairness in Growth
for a hearing on “(Im)Balance of Power: How Market Concentration
Affects Worker Compensation and Consumer Prices”

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Chair Himes, Ranking Member Steil, and members of the committee, thank you for the opportunity to testify today on the imbalance of power between employers and workers and its implications. My name is Heidi Shierholz and I am the president of the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals. I previously served as Chief Economist at the U.S. Department of Labor during the Obama administration.

Today I will discuss the imbalance of power in the labor market, what it means for workers, and what can be done to level the playing field, with a particular focus on the importance of unions and collective bargaining in counteracting the negative effects of labor market concentration and other forms of employer power.

Employer concentration is only one driver of employers' "monopsony" power

The mark of a competitive labor market is a labor market where any worker who is not paid or treated fairly can quickly and easily find another job where they *are* paid and treated fairly. When firms face robust competition for workers, employers will generally have strong incentives to offer fair pay and working conditions. Meanwhile, the mark of a labor market that is not competitive is the opposite: Workers cannot quickly and easily find acceptable alternatives to their current job. With limited options they are stuck, and unless they have a union, they will therefore have very little power relative to their employer. Not surprisingly, this power imbalance leads directly to wages, benefits, and working conditions that do not reflect workers' contribution to the firms where they work.¹

To say the least, for the last two years we have been living in a highly unusual labor market, with large swings in employment, unemployment, job creation, layoffs, and quits. For at least part of 2021, a combination of economic factors boosted the relative bargaining power of many workers relative to their employers. On the supply side, pandemic-related concerns about health and safety, together with

¹ For an overview of labor market monopsony, see among many others: Joan Robinson, *The Theory of Imperfect Competition*, 1933; Alan Manning, *Monopsony in Motion: Imperfect Competition in Labor Markets*, Princeton University Press, 2006; Mark Stelzner and Kate Bahn, "Discrimination and Monopsony Power," *The Review of Black Political Economy* (June 2021): <https://doi.org/10.1177/00346446211025646>; and three forthcoming papers that are part of the Economic Policy Institute's "[Unequal Power](#)" project: Suresh Naidu and Michael Carr, "If You Don't Like Your Job, Can You Always Quit? Pervasive Monopsony Power and Freedom in the Labor Market"; Kathryn Edwards, "Understanding the Vulnerability and Situation of Workers"; and Ben Zipperer, "Turnover, Prices, and Reallocation: Why Minimum Wages Raise the Incomes of Low-Wage Workers."

widespread school closings, created a temporary scarcity of workers. On the demand side, the significant federal income support for workers and their families in the form of stimulus checks, enhanced unemployment insurance, an expanded child tax credit, and other measures, generated an exceptionally rapid economic recovery, boosting demand for workers. The result of these supply and demand forces was a clear, if temporary, shift in the balance of power in favor of workers—at least relative to the pre-pandemic period. Since early in 2021, one of the most notable indicators of this power shift has been the historically high share of workers who have been quitting their jobs—overwhelmingly to start new jobs with new employers, who are presumably offering better terms of employment. In recent months, however, widespread vaccination against COVID-19, the easing of various public health restrictions that limited economic activity, and greatly reduced government support for out-of-work workers (the end of stimulus checks, enhanced unemployment insurance, and the expanded child tax credit, for example) are beginning to reverse the factors that gave a temporary boost to workers' bargaining position relative to their employers.²

The labor market dynamics in 2021 and into 2022, particularly the historically fast employment growth and rapid increases in nominal wages, especially for many low-wage workers, have a lot to teach us about what is economically possible. But, the dynamics that prevailed during the pandemic—good and bad—are certainly temporary. We are already headed back to an economy where employers wield outsized power in the labor market and that is where my remarks today will focus.

Over the last three decades, many economists have come to use the term monopsony to describe important portions of the U.S. labor market. The term monopsony is a close relative of the more common term, monopoly. A monopoly describes a market with only one *seller*. Monopsony describes a market with only one *buyer*. The classic example of a monopsony is a company town, where there is only one employer—stereotypically, the owner of the one local factory. Obviously, in that setting, the employer has a lot of bargaining power—there is literally nowhere else to work. Workers have no choice—short of moving away—but to settle for the wage that the factory owner is offering.

In the case of monopolies, economists have realized that monopolistic behavior by firms doesn't occur only in markets where there is exactly one firm. A concentrated market with only a small number of firms—three or four or even more firms that together make up a large share of an industry's market can often produce price outcomes that tend toward those we'd see in a pure monopoly. Recent research has demonstrated that something similar holds with monopsony. Local labor markets that have relatively few employers, that is, where employer concentration is higher, pay significantly lower wages, all else constant, than local labor markets where there are many employers relative to the workforce.³

This kind of high firm concentration is the classic case of an uncompetitive labor market with low worker power. But one of the most important insights of recent research on monopsony in labor markets is the

² For a recent discussion of these labor market dynamics, see Margaret Poydock, Ihna Mangundayao, Celine McNicholas, and John Schmitt, [Data Show Major Strike Activity Increased in 2021 but Remains Below Pre-Pandemic Levels: Many Worker Actions Were Not Captured in the Data](#), Economic Policy Institute, February 2022.

³ See José Azar, Ioana Marinescu, Marshall Steinbaum, and Bledi Taska, “Concentration in US Labor Markets: Evidence From Online Vacancy Data.” *Labour Economics* 66 (October 2020): <https://doi.org/10.1016/j.labeco.2020.101886>; José Azar, Ioana Marinescu and Marshall Steinbaum, “Labor Market Concentration,” *The Journal of Human Resources* (May 2020): <http://jhr.uwpress.org/content/early/2020/05/04/jhr.monopsony.1218-9914R1.full.pdf+html>.

understanding that many other features of the labor market can give rise to the same kinds of dynamics that we see when there are only a few employers in a given labor market.

Perhaps the most obvious of these other ways that labor markets can develop monopsonistic features is through the proliferation of noncompete agreements. Historically, noncompete agreements between employers were limited to high-wage employees in industries where firms had proprietary business practices or long-standing relationships with specific clients or suppliers. But, the practice of requiring employees to sign noncompete agreements as a condition of employment has proliferated well beyond these types of workers. Recent estimates suggest that more than one-in-four U.S. workers—many in low-wage jobs—are bound by noncompete agreements.⁴ Workers subject to noncompete agreements famously have included sandwich makers at Jimmy John's, where the company's motivation appeared to be to discourage low-wage workers from accepting better offers from competitors, rather than guarding any secret recipes.⁵

Another glaring example are the legal frameworks for U.S. temporary work visa programs. The migrant workers or “guestworkers” employed in those programs are almost always tied to one employer that owns and controls their visa status—which means that in most cases, guestworkers cannot easily change jobs or employers.⁶ Since that visa status is what determines the migrant worker's right to remain employed in the United States, if they lose their job, they also lose their visa and become deportable. From the workers' point of view, the situation is identical to the old-fashioned company town—there is only one employer where they can work. As a result, guestworkers have good reason to fear retaliation and deportation if they try to join a union or ask for better pay, or speak up about wage theft, workplace abuses, or other working conditions like substandard health and safety procedures on the job.⁷ In essence, temporary work visa programs create a labor market monopsony for employers—awarding employers greater leverage over their workers⁸—and growing research has shown that even modest amounts of employer monopsony power are utterly corrosive to workers' ability to bargain for better wages.⁹

Monopsonistic labor markets, however, can arise even where there are large numbers of employers and workers have the legal right to switch jobs. The key driver of monopsony is not the total number or the

⁴ For estimates of the shares of the U.S. workers required to sign noncompete agreements see Alexander J.S. Colvin and Heidi Shierholz. [“Noncompete Agreements: Ubiquitous, Harmful to Wages and to Competition, and Part of a Growing Trend of Employers Requiring Workers to Sign Away Their Rights”](#) Economic Policy Institute December 2019 and Evan Starr, J.J. Prescott and Norman D. Bishara, “Noncompetes in the U.S. Labor Force,” *The Journal of Law and Economics* 64 no. 1 (February 2021): <http://dx.doi.org/10.2139/ssrn.2625714>.

⁵ See Neil Irwin, [“When the Guy Making Your Sandwich Has a Noncompete Clause,”](#) *New York Times*, October 14, 2015.

⁶ For background on U.S. temporary work visa programs, see Daniel Costa, [“Temporary Work Visa Programs and the Need for Reform: A Briefing on Program Frameworks, Policy Issues and Fixes, and the Impact of COVID-19,”](#) Economic Policy Institute, February 2021.

⁷ See for example, Jessica Garrison, Ken Bensinger, and Jeremy Singer-Vine, [“The New American Slavery: Invited to the U.S., Foreign Workers Find a Nightmare,”](#) *BuzzFeed News*, July 24, 2015 and Mary Bauer and Meredith Stewart, [“Close to Slavery: Guestworker Programs in the United States,”](#) Southern Poverty Law Center, February 2013.

⁸ Bivens and Shierholz broadly define “monopsony power” as “the leverage enjoyed by employers to set their workers' pay.” See Josh Bivens and Heidi Shierholz, [“What Labor Market Changes Have Generated Inequality and Wage Suppression?”](#) Economic Policy Institute, December 2018.

⁹ See for example, Eric M. Gibbons et al., [“Monopsony Power and Guest Worker Programs,”](#) IZA Institute of Labor Economics, Discussion Paper no. 12096, January 2019.

concentration of employers. The principal determinant of monopsonistic labor markets is how hard it is for workers to find a new job. In some labor markets, employer concentration is the most important factor behind monopsony. In many others, features of workers' lives and environment can make it just as difficult for workers to change jobs—and employers have a strong incentive to exploit those difficulties when they can.

Many workers have care responsibilities at home (young children, school-age children, elder care, and others) that limit the number of hours or when during the week they can work. When workers with these kinds of responsibilities look for a new job, they can only choose from the job openings that offer schedules that are compatible with their care-giving responsibilities. For workers in this situation—disproportionately women—the labor market is, in practice, much more highly concentrated than the aggregate data would suggest. The relevant labor market for workers with these kinds of care responsibilities is limited to only the subset of employers that offer compatible schedules. Employers can use this reality to offer lower wages to workers who have scheduling constraints.

Transportation problems can also generate monopsony. Cities typically have a large number of employers, but poor public transportation can mean that workers in some neighborhoods face long or unreliable commutes to the parts of the city where jobs are concentrated. For workers in these neighborhoods, the labor market can be much smaller than the city-wide statistics would suggest, effectively creating a monopsonistic local labor market for these workers.

Racism and sexism can also give rise to monopsony.¹⁰ If a subset of employers believes, for example, that women or workers of color are less productive as employees than white men, those employers may make fewer job offers (or offer lower wages) to those workers. As in the previous examples, the effective size of the labor market is smaller for these workers facing discrimination, which allows employers, including those who do not themselves hold overtly sexist or racist views, to pay the workers they hire less.

Even employer benefits such as health insurance or paid sick days can contribute to monopsony. To be clear, this is not an inherent feature of these and similar benefits, but rather a feature of the way we have left the provision of these benefits up to individual employers to decide. If a worker has employer-provided insurance matched to their needs (in-network doctors and hospitals and an acceptable schedule of deductibles and copayments, for example), any decision to switch jobs must also factor in the specifics of the health insurance on offer.¹¹ Even if the market cost of the insurance is identical, particular features of the new insurance plan may mean that the job opening will make the offer unacceptable. Economists have estimated that this kind of "job lock" imposes significant costs on workers, especially older workers and workers with chronic health problems. Even more modest benefits such as paid sick days can give rise to monopsonistic "job lock." Workers who place a significant

¹⁰ See Mark Stelzner and Kate Bahn, "Discrimination and Monopsony Power," *The Review of Black Political Economy* (June 2021): <https://doi.org/10.1177%2F00346446211025646>; M. R. Ransom and D. P. Sims, "Estimating the Firm's Labor Supply Curve in A New Monopsony Framework: Schoolteachers in Missouri," *Journal of Labor Economics* 28, no. 2 (April 2010): 331-355, <https://www.journals.uchicago.edu/doi/10.1086/649904/>; and Douglas. A. Webber, "Firm-Level Monopsony and the Gender Pay Gap," *Industrial Relations: A Journal of Economy and Society* 55, no. 2 (March 2016): 323-345, <https://doi.org/10.1111/irel.12142>.

¹¹ For a recent discussion of "job lock" in the labor market, see Josh Bivens, [Fundamental Health Reform Like 'Medicare for All' Would Help the Labor Market](#), Economic Policy Institute, March 2020.

value on paid sick days because, for example, they have young children who are prone to regular but unpredictable illnesses, will have to limit their job search to just the subset of local employers who offer paid sick days.

Unions are an important counterbalance to employer power when competition is weak

Unions help counteract the negative effects of labor market concentration and other forms of employer power on wages. For example, a paper by Efraim Benmelech, Nittai Bergman, and Hyuunseob Kim shows that the wage-suppressing effect of labor market concentration is lower in counties where union coverage is strong.¹² By providing countervailing power to workers and as a result making it harder for employers to pay workers unfairly, unions can provide protection to workers from market concentration and other forms of uncompetitive labor markets, even though workers' outside options may be weak.

What unions do for union workers

The share of workers covered by a collective bargaining agreement dropped from 27.0% to 11.6% between 1979 and 2021, meaning the union coverage rate is now less than half where it was four decades ago.¹³ Importantly, this decline was not because workers are now less interested in being in a union. In the four decades between the late 1970s and the late 2010's, the share of nonunion workers who said they would vote to unionize if given the opportunity rose from one-third to nearly one-half.¹⁴

It's no surprise workers want unions. When workers are able to come together, form a union, and collectively bargain, their wages, benefits, and working conditions improve.¹⁵ On average, a worker covered by a union contract earns 10.2% more in wages than a peer with similar education, occupation, and experience in a nonunionized workplace in the same sector.¹⁶ Unions also provide workers with better benefits. For example, unions workers are far more likely to be covered by employer-provided health insurance: More than nine in 10 workers covered by a union contract (95%) have access to employer-sponsored health benefits, compared with just 69% of nonunion workers. Further, union employers contribute more to their employee's health care benefits.¹⁷ Union workers also have greater access to paid sick days: More than nine in 10 workers—92%—covered by a union contract have access to paid sick days, compared with 77% of nonunion workers.¹⁸ Union workers are also more likely to have paid vacation and holidays, more input into the number of hours they work, and more predictable

¹² Efraim Benmelech, Nittai K. Bergman and Hyuunseob Kim, "Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages?," *The Journal of Human Resources* (December 2020): <http://jhr.uwpress.org/content/early/2020/12/03/jhr.monopsony.0119-10007R1>.

¹³ Economic Policy Institute, "[Union Coverage](#)," *The State of Working America Data*, last updated February 2022.

¹⁴ Thomas A. Kochan et al., "[Worker Voice in America: Is There a Gap Between What Workers Expect and What They Experience?](#)" *ILR Review* 72, no. 1 (January 2019): Figure 3, <https://doi.org/10.1177/0019793918806250>.

¹⁵ Bivens et al., [How Today's Unions Help Working People: Giving Workers the Power to Improve Their Jobs and Unrig the Economy](#), Economic Policy Institute, August 2017.

¹⁶ Asha Banerjee et al., [Unions Are Not Only Good for Workers, They're Good for Communities and for Democracy](#), Economic Policy Institute, December 2021.

¹⁷ Bureau of Labor Statistics (BLS), "[Table 2. Medical Care Benefits: Access, Participation, and Take-Up Rates, March 2021](#)," *Employee Benefits in the United States*, last modified September 23, 2021.

¹⁸ Bureau of Labor Statistics (BLS), "[Table 6. Selected Paid Leave Benefits: Access, March 2021](#)," *Employee Benefits in the United States*, last modified September 23, 2021.

schedules. Further, union employers are more likely to offer retirement plans and to contribute more toward those plans than comparable nonunion employers.¹⁹

Unions also improve the health and safety practices of workplaces through their collective bargaining agreements by providing health insurance and requiring safety equipment.²⁰ Further, unions empower and allow workers to freely report unsafe working conditions without retaliation, which can lead to a reduction in work hazards.²¹ Research has found that so-called “right-to-work” legislation, which weakens unions, has been associated with a roughly 14% increase in the rate of occupational fatalities.²²

The important of unions to racial equity

The right to a union and collective bargaining is also directly relevant to our urgent national conversation around racial inequality in its various forms, including economic disparities by race. Unions and collective bargaining help shrink the Black–white wage gap, due to the fact that Black workers are more likely than white workers to be represented by a union and that Black workers who are in unions get a larger boost to wages from being in a union than white workers do (i.e. the “union wage premium” is larger for Black workers than for white workers). Further, research shows that this phenomenon isn’t new. Starting in the mid-1940s, Black workers began to be more likely to be in unions and to have a larger union premium than white workers.²³ While significant segments of organized labor—like nearly all institutions in U.S. society—exhibited racial bias well past the mid-1940s, the *net* effect of the mid-20th century spread of unionization made the institution of collective bargaining one of the most important institutions in the country for advancing racial economic justice. Consequently, one of the most devastating casualties of the erosion of collective bargaining in recent decades has been the weakening of this force for racial equity. The *decline* of unionization has played a significant role in the *expansion* of the Black–white wage gap over the last four decades. An increase in unionization could help halt and reverse those trends.²⁴

Unions and economic inequality

While union workers receive higher wages than nonunion workers, nonunion workers also benefit from the presence of unions. When union density is high, *nonunion* workers benefit, because unions effectively set broader standards—including higher wages—that nonunion employers must meet in order to attract and retain the workers they need (and to avoid facing a union organizing drive

¹⁹Economic Policy Institute, [Unions Help Reduce Disparities and Strengthen Our Democracy](#) (fact sheet), April 23, 2021.

²⁰ Michael Zoorob, “[Does ‘Right to Work’ Imperil the Right to Health? The Effect of Labour Unions on Workplace Fatalities](#),” *Occupational and Environmental Medicine*, 75, (June 2018): 736-738, <https://dx.doi.org/10.1136/oemed-2017-104747>.

²¹ Benjamin C. Amick et al., “[Protecting Construction Worker Health and Safety in Ontario, Canada: Identifying a Union Safety Effect](#),” *Journal of Occupational and Environmental Medicine*, 57, no. 12 (December 2015): 1337-1342, <https://doi.org/10.1097/JOM.0000000000000562>.

²² Michael Zoorob, “[Does ‘Right to Work’ Imperil the Right to Health? The Effect of Labour Unions on Workplace Fatalities](#),” *Occupational and Environmental Medicine*, 75, (June 2018): 736-738, <https://dx.doi.org/10.1136/oemed-2017-104747>.

²³ Henry S. Farber, “[Unions and Inequality over the Twentieth Century: New Evidence from Survey Data](#),” *Quarterly Journal of Economics*, 136, no. 3 (August 2021): 1325–1385, <https://doi.org/10.1093/qje/qjab012>.

²⁴ Valerie Wilson and William M. Rodgers III, [Black-White Wage Gaps Expand with Rising Wage Inequality](#), Economic Policy Institute, September 20, 2016.

themselves). The combination of the direct effect of unions on union members and this “spillover” effect to nonunion workers means unions are crucial in raising wages for working people and reducing income inequality.²⁵

Unsurprisingly, then, after decades of decline in the share of workers represented by a union, the U.S. economy in 2019 had the highest inequality ever in U.S. history, according to Census Bureau data.²⁶ Chief executive officer (CEO) compensation grew 1,322% between 1978 and 2020, while typical worker compensation had risen only 18.0% during that time.²⁷ From 1979 to 2020, the wages of the top 1% grew nearly 179.3%, whereas the wages of the bottom 90% combined grew just 28.2%.²⁸

Recent research examining the direct effect on wages of union workers and the spillover effect on wages of nonunion workers has demonstrated that the median worker’s wages would have been higher, and inequality between middle- and high-wage workers much lower, had there not been an erosion of collective bargaining. For instance, the “typical” or median worker economy-wide would have earned \$1.56 more per hour in 2017 had unionization not declined since 1979. This translates to an equivalent gain of \$3,250 for a full-time, full-year worker.²⁹ **Figure A** provides an instructive raw comparison, showing that as union membership has eroded, the share of total income in the economy that gets funneled to the rich has risen accordingly. More rigorous research shows that de-unionization accounts for one-third of the growth in inequality between typical workers and workers at the high end of the wage distribution in recent decades.³⁰

It is also important to mention that in the same way unions give workers a voice at work—with a direct impact on wages and working conditions—data suggest that unions also give workers a voice in shaping their communities. States where unionization is high have more equitable economic structures, social structures, and democracies; high unionization rates are consistently associated with a broad set of positive spillover effects across multiple dimensions. These positive outcomes include higher state and local minimum wages, better health benefits, easier access to unemployment insurance, access to paid sick leave, access to paid family and medical leave, and unrestricted voting opportunities.³¹

²⁵ Jake Rosenfeld, Patrick Denice, and Jennifer Laird, [Union Decline Lowers Wages of Nonunion Workers](#), Economic Policy Institute, August 2016.

²⁶ United States Census Bureau, [“American Community Survey Provides New State and Local Income, Poverty and Health Insurance Statistics”](#) (press release), September 26, 2019.

²⁷ Lawrence Mishel and Jori Kandra, [CEO Pay Has Skyrocketed 1,322% Since 1978](#), Economic Policy Institute, August 2021.

²⁸ Lawrence Mishel and Jori Kandra, [“Wages for the Top 1% Skyrocketed 160% since 1979 while the Share of Wages for the Bottom 90% Shrunk,” Working Economics](#) (Economic Policy Institute blog), December 2020.

²⁹ Lawrence Mishel, [The Enormous Impact of Eroded Collective Bargaining on Wages](#), Economic Policy Institute, April 2021.

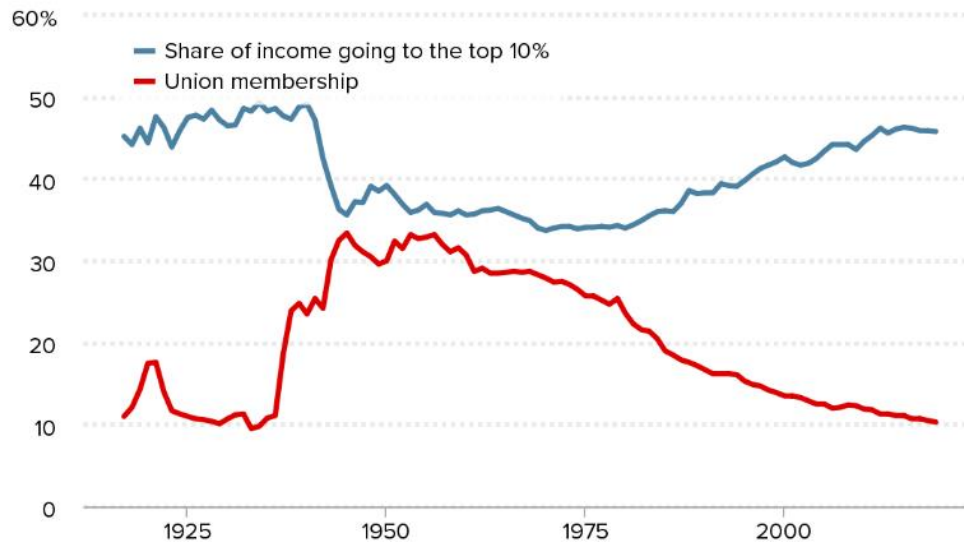
³⁰ Lawrence Mishel, [The Enormous Impact of Eroded Collective Bargaining on Wages](#), Economic Policy Institute, April 2021.

³¹ Asha Banerjee et al., [Unions Are Not Only Good for Workers, They’re Good for Communities and for Democracy](#), Economic Policy Institute, December 2021.

FIGURE A

As union membership declines, income inequality increases

Union membership and share of income going to the top 10%, 1917–2019



Source: Reproduced from Figure A in Heidi Shierholz, *Working People Have Been Thwarted in Their Efforts to Bargain for Better Wages by Attacks on Unions*, Economic Policy Institute, August 2019.

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The decline in unionization is the direct result of relentless attacks on unions

As mentioned above, the decline in collective bargaining in recent decades has not happened because workers don't want unions—a far higher share of nonunionized workers report wanting to be in a union today than did four decades ago. The decline in unionization has been the result of fierce corporate opposition that has suppressed workers' freedom to form unions and bargain collectively. Intense and aggressive anti-union campaigns—once confined to the most anti-union employers—have become widespread; it is now typical, when workers seek to organize, for their employers to hire union avoidance consultants to orchestrate fierce anti-union campaigns.

And though the National Labor Relations Act (NLRA) makes it illegal for employers to intimidate, coerce, or fire workers in retaliation for participating in union-organizing campaigns, the penalties are insufficient to provide a serious economic disincentive for such behavior (there are *no* punitive damages or criminal charges under the NLRA; penalties may consist of being required to post a notice or reinstate

illegally fired workers).³² This means that employers can engage in illegal tactics with almost no financial concern; for example, employers often threaten to close the worksite, cut union activists' hours or pay, or report workers to immigration enforcement authorities if employees unionize. One out of five union election campaigns involve a charge that a workers was illegally fired for union activity.³³

In the face of these attacks on collective bargaining, policymakers have egregiously failed to update labor laws to rebalance the system. In fact, in many cases policy is moving backward; 27 states have passed so-called right-to-work laws³⁴, which are intended to undermine union finances by making it illegal for unions to require nonunion members of a collective bargaining unit (who don't pay union dues) to pay "fair share fees"—fees that cover only the basic costs of representing employees in the workplace. And the Supreme Court decision in *Janus v. AFSCME*—a case financed by a small group of foundations with ties to the largest and most powerful corporate lobbies—made "right-to-work" the law of the land for all public-sector unions.³⁵

Conclusion: The U.S. needs fundamental labor law reform to create balance in the labor market

Unions improve job quality and provide protection to workers from the negative effects of market concentration and other forms of uncompetitive labor markets. When that fact is overlaid with the declines in unionization over recent decades, something very important is revealed. *Unions used to be vital for providing a counterbalance to weak competition and employer power.* But as union coverage has eroded in recent decades, that important check on employer power has greatly diminished.³⁶ Seen in this light, the rising inequality and stagnant wages for working people that has marked our economy for most of this period is not at all surprising.

This brings to mind public commentators who have in recent years said things that amount to "we didn't know we needed unions until they were gone."³⁷ To clarify, unions are far from gone—in 2021 there were 15.8 million workers represented by a union³⁸—but, as described above, unions are seriously weakened from decades of relentless attacks. As a result, we now know what an economy looks like when the employer power that results from things like market concentration or other forms of weak competition go largely unchecked—it's an economy that doesn't work for most of the workers in it, with rising inequality and slow or stagnant wage growth for working people. Policies that promote unions

³² Celine McNicholas et al., "[Civil Monetary Penalties for Labor Violations Are Woefully Insufficient to Protect Workers](#)," *Working Economics* (Economic Policy Institute blog), July 15, 2021.

³³ Celine McNicholas et al., "[Unlawful: U.S. Employers Are Charged with Violating Federal Law in 41.5% of All Union Election Campaigns](#)," Economic Policy Institute, December 2019.

³⁴ National Conference for State Legislatures, "[Right-To-Work Resources](#)" (fact sheet).

³⁵ Celine McNicholas, Zane Mokhiber, and Marni von Wilpert, "[Janus and Fair Share Fees: The Organizations Financing the Attack on Unions' Ability to Represent Workers](#)," Economic Policy Institute, February 2018.

³⁶ Ann Stansbury and Lawrence H. Summers, "[The Declining Worker Power Hypothesis: An Explanation for the Recent Evolution of the American Economy](#)," Brookings Paper on Economic Activity, March 2020.; Josh Bivens and Heidi Shierholz, "[What Labor Market Changes Have Generated Inequality and Wage Suppression?](#)," Economic Policy Institute, December 2018.

³⁷ Lawrence Summers, "[America Needs Its Unions More Than Ever](#)," *Financial Times*, September 3, 2017.

³⁸ Bureau of Labor Statistics (BLS), "[Table 1. Union Affiliation of Employed Wage and Salary Workers by Selected Characteristics](#)," *Union Membership*, last modified January 20, 2022.

and collective bargaining are crucial for counteracting the effects of market concentration and other forms of employer power in the labor market.³⁹

Some economists and policymakers might express unease at the view that the downsides of one deviation from “competitive” markets (either labor market frictions or market concentration or some other source of employer power) should be countered by introducing another market imperfection (e.g., unions or a binding minimum wage). But this unease is unwarranted. The “theory of the second best” clearly argues that once markets depart *at all* from perfect competition, efficiency may well be increased by further, corrective departures.⁴⁰ For example, the weight of the evidence shows that legislated minimum wage increases have increased wages for low-wage workers without causing meaningful job loss.⁴¹

In the expansion following the Great Recession, the unemployment rate ultimately got down to 3.5%. However, wage growth for working people was surprisingly slow given how tight the labor market was, racial wage gaps worsened, and the highest earners continued to see more than their fair share of economic gains. The years after the Great Recession were marked by a completely different story from the experience following the Great Depression, and there is no mystery to the difference—federal labor law policy following the Great Depression enabled workers to organize unions, while federal lawmakers failed to pass labor law reform following the Great Recession.

We can’t make that same mistake now. This is a critical moment and the policy decisions made now will have longstanding impacts on our economy. We know that unions are essential to a fair and equal economy. It is crucial that policymakers prioritize reforms that restore workers’ rights to organize and bargain collectively. The large gap between the share of workers who *want* a union and the share of workers who are *in* a union underscores that our system of labor laws is not working. Fundamental reform is required to rebuild an economy that guarantees all workers the right to come together and have a voice in their workplace and no longer leaves most workers behind. Policies such as the Protecting the Right to Organize (PRO) Act and the Public Service Freedom to Negotiate Act, which would address many of the major shortcomings with our current law, are crucial for restoring a fair balance of power between workers and employers. We cannot allow political impasse to shape our nation’s economy. As we build out of the pandemic, policymakers must institute policies that empower workers and promote unions. Failure to do so will result in an economy marked by even greater inequality and weaker opportunities for working people.

Thank you and I look forward to your questions.

³⁹ Doruk Cengiz et al., “The Effect of Minimum Wages on Low-Wage Jobs,” *The Quarterly Journal of Economics* 134, no. 3 (August 2019): 1405–1454, <https://doi.org/10.1093/qje/qjz014>.

⁴⁰ Josh Bivens and Heidi Shierholz, [*What Labor Market Changes Have Generated Inequality and Wage Suppression?*](#), Economic Policy Institute, December 2018.

⁴¹ Doruk Cengiz et al., “The Effect of Minimum Wages on Low-Wage Jobs,” *The Quarterly Journal of Economics* 134, no. 3 (August 2019): 1405–1454, <https://doi.org/10.1093/qje/qjz014>.