

RESEARCH SUMMARY

Monopolistic Unions Undermine Worker Welfare

Powerful labor unions have historically secured short-term wage gains, but these victories may have come at a steep cost to workers. To investigate this dynamic, Liya Palagashvili and Revana Sharfuddin conduct a comprehensive analysis of 147 studies on union power published over the past 30 years. In their paper “Do More Powerful Unions Generate Better Pro-Worker Outcomes?” they conclude that when unions operate like monopolies, collective gains can come at the expense of long-term worker welfare.

Monopoly-Style Unions Often Backfire

US labor law grants certified unions exclusive bargaining rights, which limit competition, representation, and worker choice. The authors refer to this structure as the unions’ “monopoly face.” Monopolistic power enables unions to make aggressive demands, but the resulting wage premiums are unsustainable and trigger a chain reaction: lower investment, reduced R&D, layoffs, and slower company growth. These effects ultimately reduce future job opportunities. Monopolistic unions also frequently promote rigid job security clauses and seniority rules, which can disadvantage younger and new workers by restricting hiring and mobility.

Union Monopolies Contributed to the Rust Belt’s Decline

The decline of the Rust Belt offers a compelling case study. The authors highlight empirical research showing that labor conflict—well before trade or automation took center stage—accounts for over half of the region’s share of manufacturing job losses from 1950 to 2000. Frequent strikes and adversarial bargaining raised costs and stifled investment, leading firms to downsize and relocate to other US regions. The Rust Belt’s decline, they argue, was not inevitable—it was driven in part by the institutional structure of union power.

Pluralistic Union Models Can Help Workers Flourish

Unions operating in pluralistic systems with flexible bargaining agreements and moderate demands tend to avoid these downsides. The paper contrasts US unions with more balanced and flexible union structures in Germany and the United Kingdom where decentralized bargaining and pluralistic representation help sustain employment and encourage investment. These models show that worker voice and representation can flourish in union systems that avoid rigid monopoly structures.

Two Ways to Promote Better Worker Outcomes

The authors propose two main reforms: (1) allow multiple forms of worker representation and voice within a single workplace, and (2) apply antitrust principles to limit monopolistic union practices such as a single union dominating an entire industry, which restricts labor market competition. These reforms aim to preserve the benefits of workers’ collective voice while reducing the economic harms associated with concentrated union power.