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POLICY SPOTLIGHT

Modernizing Labor Law: Promoting Worker Voice Without Monopoly Costs

When unions behave like monopolies, collective gains can come at the expense of long-term prospects

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Labor Union Trends

While labor union density—the share of workers who are unionized relative to the total labor force—is at an all-time low, public support for labor unions is at a 57-year high. Bipartisan backing for pro-union policies, combined with this public support, has emboldened labor unions to bargain for unprecedented demands, often backed by major strikes or work stoppages. In response to this pressure, major companies have yielded to labor union demands and reached collective bargaining agreements with terms previously deemed unsustainable.¹

The question is, Will these extensive agreements lead to better outcomes for workers in the long term?

Monopoly-Style Unions Often Backfire

Based on our exhaustive analysis of 147 studies, the answer is, not necessarily. When unions use their legally protected monopoly power to represent all workers in a bargaining unit and deliver seemingly big wins, companies respond to wage pressure by cutting research and development, reducing capital investment, slowing company growth, and ultimately shrinking job opportunities for unionized workers. Our in-depth case study of the Rust Belt further illustrates this point: Unions wielding monopoly privileges and fueling strikes and labor conflicts were responsible for 55 percent of the region's decline in US manufacturing employment.

¹ See Liya Palagashvili and Revana Sharfuddin, “Do More Powerful Unions Generate Better Pro-Worker Outcomes?” (Mercatus Working Paper, Mercatus Center at George Mason University, May 7, 2025). Scan the QR code below for the full analysis, including sources.



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Key Findings

The following key points summarize the main findings of this paper:

- **Union power does not always benefit workers.** While powerful unions with monopolistic characteristics can achieve major wins, these victories often come with trade-offs that can negatively impact unionized workers and the economy.
- **Labor unions have historically secured higher wages for unionized workers.** However, since the 1980s, the wage gap between unionized and non-unionized workers has narrowed due to competition and technological changes.
- **Excessive union demands limit job growth and work opportunities.** Unions pushing unsustainable terms often backfires and results in slower employment growth and fewer job opportunities for unionized workers.
- **The economic rise and fall of the Rust Belt serves as a cautionary tale for unions.** Powerful and adversarial unions causing labor conflicts in the Rust Belt strangled productivity and investment in Rust Belt manufacturing, leaving workers worse off and communities struggling to recover.
- **US laws create monopolistic union structures.** Unlike more cooperative, competitive, and balanced unions in Germany and the United Kingdom, US labor laws and bargaining structures create more adversarial and monopolistic unions.
- **Moderate union power strikes a balance.** Unions that pursue balanced demands over time are more likely to sustain the long-term benefits for both workers and the companies.

Pluralistic Union Models Can Help Workers Flourish

Unions operating in pluralistic systems with flexible bargaining agreements and moderate demands tend to avoid the downsides of monopolistic unions. Our research shows that unions with more balanced and flexible structures allow for decentralized bargaining and pluralistic representation that help sustain employment and encourage investment. These models, prevalent in Germany and the United Kingdom, show that worker voice and representation can flourish in union systems that avoid rigid monopoly structures.

Two Ways to Promote Better Worker Outcomes

We propose **two main reforms that aim to preserve the benefits of workers' collective voice while reducing the economic harms associated with concentrated union power:**

1. Allow multiple forms of worker representation and voice within a single workplace.
2. Apply antitrust principles to limit monopolistic union practices such as a single union dominating an entire industry, which restricts labor market competition.