The Modern Company Town

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Introduction and summary

It is clear that employer power has been increasing dramatically over the past several decades, contributing to stagnating wages and a decline in the share of productivity gains going to workers. Chief among the factors driving the growth of employer power is the erosion of unions and collective bargaining, which have historically boosted worker wages through the exercise of countervailing power. The decline of unions, paired with the fracturing of the workplace through subcontracting, the misclassification of workers as independent contractors, and the use of “no-poaching” and noncompete agreements, among other factors, has driven income inequality across the country.

Recently, a growing body of literature has emerged examining the extent to which labor market concentration may also be increasing employer power and suppressing wages. Some economists have observed that many local labor markets are dominated by a few firms, giving rise to monopsonistic labor markets in which large employers have enough market power to push wages below a competitive level. This research rightly counters many economists’ assumption that modern labor markets are competitive by default and are not generally affected by mergers and acquisitions, providing a new perspective on policy solutions that use antitrust law to counter corporate power.

Many labor markets are indeed moderately to highly concentrated. However, the labor market concentration faced by the average worker is less pronounced and has, at least by some estimates, generally declined over time, making it an unlikely driver of the wage stagnation observed nationally. Still, some labor markets are, quite clearly, severely concentrated and are becoming more so over time. These tend to be in rural areas in the Great Plains and Appalachia, where increasing labor market concentration may be suppressing wages.

“Modern company towns” are characterized by a dominant employer that employs a large portion of the total local labor force. They present an extreme example of labor market monopsony, compared with commuting zones that may be concentrated in
one or more occupations—for example, nursing—but not others. This report uses two case studies to explore the nature of these modern-day company towns, where a variety of national and global forces allow dominant employers to depress wages and erode working conditions. Closer examination of what company towns look like in modern practice reveals that while labor market concentration does negatively affect workers in these areas, in order to address the abuse of labor market power, antitrust policy must be accompanied by labor policy that guarantees workers a safe workplace and livable wages.

This report finds the following:

• Company towns are often the result of intentional business decisions aimed to take advantage of lower labor costs and local inducements, rather than mergers and acquisitions.

• Dominant employers suppress working conditions in myriad ways, affecting wages, benefits, and workplace safety.

In addition to robust antitrust enforcement based on strong structural presumptions against mergers and acquisitions, the Center for American Progress recommends boosting worker power and working conditions broadly by:

• Imposing increased scrutiny on proposed mergers and acquisitions by firms with a history of labor law violations

• Promoting worker organizing, both through traditional labor unions and wage boards

• Setting high-road labor standards across state and international borders, including high wages and strong worker protections

While strong antitrust laws are critical to promoting vibrant and competitive markets and countering corporate power in the economy broadly, tilting the playing field back toward workers and families necessitates improving working conditions for all through robust labor law.
More than three-quarters of America’s industries have grown more concentrated over the past two decades. It is natural that as public attention to the problem of monopoly power grows, academics and policymakers turn their attention to its cousin: monopsony power. This term refers to the power of a buyer to suppress the price it pays for inputs—among them, labor. Labor market monopsony power, a concept pioneered by economist Joan Robinson nearly 90 years ago, refers to employers’ power to suppress job quality and wages below a competitive level. While monopsony power is related to concentration, it is also influenced by a number of other factors—including costs associated with the time and resources expended searching for jobs or hiring new employees, also known as search frictions; the incomplete information that employers and workers have about each other; and anticompetitive practices such as no-poaching agreements and noncompete contracts.

**Measures of concentration**

**Four-firm concentration ratio (CR4):** The sum of the market share of the four largest firms, expressed as a percent.

**Herfindahl-Hirschman Index (HHI):** The square of the market shares of all participants in a market expressed as a whole number.

The Federal Trade Commission (FTC) and the U.S. Department of Justice (DOJ) use HHI to inform their evaluation of a proposed merger or acquisition. They classify market concentration using the categories below:

- An HHI of less than 1,500 indicates an unconcentrated industry.
- An HHI of between 1,500 and 2,500 indicates moderate concentration.
- An HHI of more than 2,500 indicates high concentration.

Lax antitrust enforcement, the rise of digital business protected by strong network effects, and the increasing importance of patents and other intellectual property have led to a dramatic increase in market concentration, prompting academics to study trends in labor market concentration and its impact on wages. An exciting
body of literature shows that labor markets, typically defined as markets for workers of a particular profession or vocation within a local geographic area, are more concentrated than previously thought. Using data pulled from online job listings, economist José Azar of the IESE Business School estimated that the average labor market has an HHI of 3,157, which the DOJ and the FTC consider “highly concentrated.” And in a follow-up study in which the authors replicated their analysis with data from another job search website, they measured an average labor market HHI of nearly 4,000. Kevin Rinz, a labor economist at the U.S. Census Bureau, conducted a similar analysis on a set of government data unavailable to private researchers and found that the majority of commuting zones had an average labor market concentration of at least 1,500, which is considered “moderately concentrated” by the FTC and the DOJ. While these estimates differ in the degree of concentration, they all find evidence that labor markets are more concentrated than previously assumed.

There is a growing body of research that suggests that labor market concentration is associated with suppressed earnings for American workers. Azar and co-authors estimated that moving from the 25th to the 75th percentile of labor market concentration distribution reduces wages by 17 percent. Meanwhile, Rinz projected that wages in the 75th percentile of labor market concentration would be 10 percent lower than in the median labor market. Put in perspective, a worker might make $50,000 in a commuting zone with an unconcentrated labor market, while a similar worker in a moderately concentrated labor market makes just $45,000. Economists Yue Qiu and Aaron Sojourner find a negative correlation between labor market concentration and both wages and employer-provided health insurance, even after controlling for product market concentration and other possible confounding variables. Other estimates studying the manufacturing sector specifically observed that employer concentration was also negatively correlated with earnings.

Some researchers have concluded that the relatively high average market concentration and associated decrease in earnings demand a robust response from American antitrust policy. For example, some researchers proposed amending the Clayton Act—part of the U.S. antitrust law regime—to require regulators to routinely analyze labor market effects and block mergers or acquisitions that would result in concentrated labor markets. The discussion of labor market concentration is valuable because it further illustrates the ways in which labor markets depart from a functioning competitive market, which underscores the importance of regulation and institutions to promote an equitable society.
However, some evidence suggests that the scope of the problem of labor market concentration may yet be limited. When weighted for employment, average labor market HHI is much lower. In other words, most U.S. employment occurs in labor markets that are less concentrated than the average market. Indeed, only about 17 percent of employment occurs in highly concentrated labor markets, as defined by the DOJ and FTC merger guidelines. That is not to say that significant buyer power cannot be present at lower levels, as literature from leading antitrust scholars suggests. In fact, as discussed in previous CAP reports, market power is often present at lower levels of buyer concentration than seller concentration in product markets.

The Economic Policy Institute estimates that since 1979, employer power from concentration has accounted for just 3.5 percent of the productivity-pay gap—the difference between how much value workers add to the economy and how much they are paid. Meanwhile, about 10 percent of the gap is attributable to monopoly-related price increases eating into workers’ wages. This is in part because, when weighted for employment, average local industrial concentration has actually been decreasing since 1976. One recent study found that market concentration alone does not explain much of the labor supply elasticity—a measure of how likely workers are to leave a job in response to changes in wages. Another report noted that the relationship between labor market concentration and wages has actually been weakening over time. This analysis indicates that while labor market concentration may be prevalent in some geographic areas, other labor market factors likely better explain the poor state of wages in the United States.

Research on the scope and implications of concentration in labor markets is rapidly developing. While corporate power has broad impacts on the health of the economy on a national scale, income inequality and wage stagnation are driven by a multitude of factors. Making the economy work for everyone requires both tackling corporate concentration of economic and political power and putting in place strong labor standards and worker protections.
Without a doubt, the pain of labor market monopsony is felt acutely by some segments of the workforce. Namely, rural areas in the U.S. heartland—from Montana to Texas—have some of the most highly concentrated commuting zones in the country. Many of these areas are seeing increasing local labor market concentration, even as concentration decreases in other places.

In effect, many rural Americans live in modern-day company towns. Originally, company towns were designed by firms to support a large workforce and were characterized by planned housing and retail stores owned and operated by the firm itself. These company towns had painful histories of violence and abuse, as powerful employers were able to dominate local politics and mistreat workers, communities, and the environment.

Historically, strong antitrust laws that maintained decentralized economic power have been crucial to promoting regional equality. However, these company towns are shaped by much more than simple market concentration. The communities examined in this report are not necessarily the result of mergers and acquisitions that lead to the closure of operations or to one consolidated employer. Instead, these towns have been negatively affected by multiple market forces that drive regional inequality.

Uneven economic development as a result of globalization and network effects have hollowed out many smaller towns that previously enjoyed export-driven prosperity. Because of human capital spillovers and other cluster effects, the technology sector has largely grown in large cities with dense business activity. Past international trade deals have failed to secure basic labor standards as globalization transformed the economy, contributing to job displacement and depressed wages in regions exposed to increased global competition. Federal policy has failed to mitigate these economic stresses and, in some cases, has made matters worse.
Depressed communities often use economic development subsidies to entice large employers to locate in their town. However, these costly subsidies sometimes leave communities dependent on one employer, which can devolve quickly into a hostage situation in which the employer has the power to persuade local and state governments to make further payouts in order to retain jobs.

Other company towns result from the strategic relocation of companies from cities to areas that provide them the advantage of cutting labor costs and avoiding unionization. Firms often engage in domestic outsourcing, moving many of their jobs to “right-to-work” states, which have lower union density and wages on average. For example, in recent decades, meatpacking plants have moved out of Chicago and other major cities in order to weaken the unions based there.

The following case studies provide some insight into the exercise of employer power in some highly concentrated labor markets—that is, rural towns reliant on manufacturing industries. In many respects, these communities resemble the original company towns engineered by the robber baron industrialists and financiers of the first Gilded Age. The story now, as it was then, is much more complicated than simple market concentration and is not necessarily the result of mergers, but rather the strategic designs of corporations looking to cut labor costs and extract rents from workers as well as state and local governments. Emphasis on antitrust to combat labor market concentration does not address the economic factors driving employer power in these communities.

These employers exert power in a number of ways that are only compounded by their large share in the total local labor market. While some areas may have high labor market concentration for certain professions and low average concentration overall, these company towns offer extreme examples of how concentration affects workers. Furthermore, they illustrate the importance of applying a range of policy tools—including labor rights, antitrust law, and more—to those areas most directly affected by monopsony power.
Case study 1: Canton, Mississippi

Canton, Mississippi, a town of roughly 13,000 people located 30 minutes north of Jackson, celebrated when Nissan opened a plant there in 2003. Nissan located in Canton after accepting a bid from the state of Mississippi, which granted the manufacturing plant $1.3 billion in tax credits and other subsidies. The town, which now has a workforce of approximately 8,000 people, was radically transformed by the 6,400 jobs that Nissan claims to have brought to the area.

However, a decade after the plant’s opening, locals noticed that the quality of those Nissan jobs had deteriorated. When workers pushed to improve working conditions, they realized that Nissan’s grip on the town was too tight to shake; they were being held hostage by the corporation that had been hailed as their economic salvation.

Workers at the plant manufacture cars and trucks for anywhere from $12 to $26 an hour. Long-time Nissan employees with more than a decade of experience earn only about $25 an hour. Unfortunately, the high end of the pay scale at the Canton plant barely matches up with the national average pay for autoworkers, about $27 an hour. To make matters worse, more than 1,000 workers are estimated to be subcontracted temporary workers, making $14 to $17 an hour despite doing similar work. While these temps are promised a pathway to permanent employment status, the process is long and difficult. As a result, some workers remain temps for as many as eight years. This fissuring of the workplace through subcontracting to temp agencies is an increasingly common practice, suppressing wages for both contracted workers and Nissan employees.

Yet the decline in job quality at the Canton plant goes beyond wages. In interviews with reporters and conversations with union organizers, Nissan workers observed a stark increase in workplace injuries and degraded safety standards. According to some reports, at one point, there was an on-the-job injury nearly every day. When workers spoke out about their concerns, however, they were allegedly met with threats of retaliation. These factors, combined with deteriorating health benefits, became the impetus for a union drive. What happened next revealed the full extent of Nissan’s grip on the town of Canton.

The Canton plant, located in a right-to-work state, engaged in an anti-union campaign involving captive audience meetings, alleged intimidation, and pervasive anti-union propaganda. Workers described management’s information campaign as “Big Brother’ anti-union messaging” that was broadcast on screens throughout the
While statements from plant management acknowledged workers’ right to choose union membership, workers report that the plant implied it might offshore production if they voted to unionize. This deterrence tactic worked, and the union drive was defeated.

Rejecting the union, however, did not keep jobs in the area. In January 2019, the plant announced that it was dismissing 700 workers—all contract workers. In an area where Nissan is one of the largest employers, these workers may have no choice but to look for work in Jackson, some 30 minutes away. However, this might not be an option for all Nissan workers, as some already commute as many as 4 hours a day.

Case study 2: Greeley, Colorado

The meatpacking industry has made company towns part of its business model. Historically located in the packing towns of Chicago, Kansas City, and Omaha, starting in the 1950s, a new breed of packing companies made a bold move, closing their plants in these cities to move to more remote areas closer to where the cattle and hogs were raised. This served two purposes: (1) to reduce the cost of shipping livestock and (2) to cut labor costs. Plants in the cities were traditionally highly organized, and the packers saw the move as an opportunity to replace their unionized workforce with a workforce accustomed to low wages. In fact, the founders of Iowa Beef Packers are quoted as saying, “Why should meat companies remain wage-locked in heavily unionized cities when unorganized workers could be hired at far lower wages out in the country?” In some cases, rural towns enticed the packers with tax incentives to locate there. By relocating and pioneering new disassembly models, packers either drove their predecessors out of business or acquired them, giving rise to consolidated meatpacking corporations with large product market shares.

One such packing town is Greeley, Colorado, which boasts a population of slightly more than 100,000 people. While technically classified as “metropolitan,” its location near the Colorado-Wyoming border makes it relatively remote compared with many urban areas. In the 1980s, it became a manufacturing hub fueled by the tech boom, supplying key hardware components to companies such as Hewlett-Packard. However, the tech bust led to the closure of two plants in the late 1990s and early 2000s, leaving the region’s economy struggling.
In 2007, JBS’ acquisition of Swift & Company made it the largest employer in Greeley. Today, the Brazilian-owned packing company employs nearly 10 percent of the local labor force, almost 5,000 workers in total. Since the acquisition, the plant has expanded its workforce by 24 percent, and from 2008 to 2018, the percentage of the labor force employed by the top-four employers doubled from 12.94 percent to 24.46 percent. Aside from the packing plant, the city’s largest employers include the Banner Health system and the school district. While this level of concentration may not be a major concern in a product market, buyer power may be present at lower levels of concentration, as antitrust scholars such as Peter Carstensen have argued. Moreover, the concentration level for a given occupation in the Greeley area is likely higher than that of all workers in Greeley.

The increase in employer concentration in this area over the past decade appears to be driven by several factors. The first is an overall reduction in the employed workforce, perhaps implying that Greeley, like rural America broadly, has not recovered fully from the 2008 financial crisis. In addition, Greeley experienced a significant loss of government jobs at the state and local levels, while the two largest private employers expanded their workforce. The concentration was not driven by the acquisition of local operations by JBS, although the takeover of the Swift plant by the Brazilian packer may partially explain the expansion of the Greeley location. Overall, however, the increase in concentration resulted from several factors aside from corporate consolidation.

It appears that JBS can use its market power to suppress working conditions without losing workers. In 2013, the plant was cited for 20 safety and health violations, 11 of which were serious. Namely, the Occupational Safety and Health Administration (OSHA) cited JBS for a repeated violation, originally documented in 2009, that exposed workers to amputation risks. At the time of the citation, the regional OSHA director stated in a press release that, “Abating OSHA violations is a sign that an employer wants to keep its workers safe, but in this case, the employer allowed these hazards to reoccur and continued to expose workers to possible amputation hazards, among others.” The very next year, a worker was killed when his arm was caught in unguarded machinery. OSHA’s Denver Area Office cited JBS after the death, writing, “If JBS USA had followed simple, well-known safety practices, this tragic incident could have been prevented.”

As part of the settlement with OSHA, JBS was placed in the agency’s Severe Violator Enforcement Program, which subjects employers who have “demonstrated indifference” to worker safety to additional oversight. In the absence of monopsony power,
a plant with a record of serious safety violations would have to improve conditions in order to retain a workforce. The ability of JBS to get by without improving workplace safety suggests that it holds some monopsonistic power over the labor market.

Much like the Nissan plant in Canton, JBS has become an integral part of Greeley’s economy. The power of JBS was illustrated by the company’s proposed health care benefit cuts that would have shifted $4 million in costs onto workers. At the time, the editorial board of the *Greeley Tribune* published a piece urging against a strike, noting the cost to city revenue incurred by a 1980 strike. The profound impact of labor-management tension on the town illustrates just how integral the plant is to the local economy. It appears that the power of organized workers was able to resist these cuts to some extent, coming to an agreement on a contract after voting to certify a strike. Indeed, unionization—as discussed later—is an important tool to mitigate employer power and improve working conditions.
Almost all workers face some employer power due to factors such as search frictions, incomplete information, and job differentiation. And some face additional restrictions on their ability to find new jobs via no-poaching agreements or noncompete clauses—anti-competitive hiring practices that preclude workers from finding work at other firms. In the absence of such power, these workers would immediately leave for other jobs when employers cut benefits or ignored their safety concerns. In the case of workers in highly concentrated job markets such as those discussed above, the lack of alternative employers compounds the effect of declining labor power, the fracturing of the workplace, and the threat of globalization, allowing employers to suppress benefits, wages, and working conditions without fear of losing workers.

It is true that many labor markets today are highly concentrated, dominated by powerful corporations who have the power to suppress wages and working conditions. However, the ability of antitrust law to address employer power is limited in key ways.

Firstly, company towns are not always the result of mergers, but often reflect a conscious decision by corporations to locate in remote areas to exploit depressed communities. These communities buy in because of the lack of other opportunities, sometimes even offering incentives to attract large employers. Using the evergreen threat of relocation, these firms can extract rents from workers and local governments who find their economic viability—and tax base—dependent on one employer.

Moreover, there is evidence that suggests that local labor market monopsonists are generally not the large firms subject to the FTC and DOJ’s merger and acquisition review process. Researchers at the U.S. Census Bureau have found that only 625 out of 13,000 observed oligopsonists employ 10,000 or more people. In this regard, the case studies in this report, which spotlight large, multinational corporations, are not representative of the typical local labor market monopsonist. The prevalence of small and midsize employers among the ranks of labor monopsonists presents another possible limitation on the power of federal antitrust law to counter employer power.
Merger and acquisition activity may affect local labor market concentration in some cases, either by forcing the closure of redundant operations or by folding two previously separate workforces under one employer. For example, research from the Economic Policy Institute and the Roosevelt Institute predicts that the proposed Sprint-T-Mobile merger will result in substantial increases in the concentration of the labor market for cellular retail workers, as well as lower wages. Indeed, in the case of Greeley, JBS’ expansion of its local operations after acquiring Swift may have been part of its strategy to capitalize on new economies of scale resulting from the transaction.

However, proposals to block mergers and acquisitions based on effects on labor markets present many practical difficulties. Most of the product markets affected by mergers under review by the FTC are national, affecting buyers across the country, whereas labor markets are typically locally defined, and thus adverse impacts tend to be concentrated locally. Under existing law, the DOJ and the FTC already have the authority to block mergers in labor markets but have yet to do so, perhaps because of the difficulty of valuing small but concentrated effects of policy choices. Moreover, adding statutory mandates to weigh labor market outcomes would complicate an already complex, technocratic merger review process. This added complexity is likely to worsen underenforcement, when compared with more effective bright-line structural presumptions.

Antitrust law is essential to a competitive economy that works for everyone but is more effectively applied to product markets than labor markets. Maintaining strong structural presumptions against mergers and acquisitions based on product market concentration serves as a broad barrier to concentrated economic power that would benefit workers without worsening underenforcement. In fact, product markups, as a proxy for market power, track closely with the declining labor share.
In addition to robust antitrust enforcement based on strong structural presumptions against mergers and acquisitions, the Center for American Progress recommends boosting worker power and raising labor standards. While strong antitrust laws are critical for promoting vibrant and competitive markets and for countering corporate power in the economy broadly, tilting the playing field back toward workers and families necessitates raising working conditions for all through robust labor law.

The DOJ and the FTC must reverse the recent trend toward underenforcement of antitrust laws and stand by strong structural presumptions against mergers to ensure broadly distributed economic power. These measures—along with strict enforcement against illegal wage-fixing, noncompetes, and no-poaching agreements—must be combined with policies that raise working conditions by empowering workers and setting humane labor standards.

**Increase scrutiny on labor market effects**

Merging parties often claim efficiencies in production and delivery of service to justify the transaction to regulators. The DOJ and the FTC hold in their Horizontal Merger Guidelines that a merger or acquisition can be approved on the grounds that realized efficiencies outweigh the competitive harms of the transaction. In recent years, antitrust enforcers have been permissive to claims of efficiencies resulting from layoffs or other wage and employment reductions asserted by parties seeking to merge. Last year, however, Rep. Jerry Nadler (D-NY) introduced legislation that would ban the consideration of unverifiable and spurious efficiencies, which may include such layoffs. In the face of growing literature about the adverse impact of labor market concentration on wages, antitrust enforcers should evaluate these claimed efficiencies carefully. In fact, layoffs may indicate the exertion of market power, which, in the long term, incentivizes both underproduction of goods and underemployment.
As illustrated in the case studies presented in this report, powerful employers sometimes abuse their market power by eroding working conditions. Employers with such power and a record of abusing it should be subject to heightened scrutiny when they seek to merge, and additional labor-focused remedies should be required when such a track record exists. For example, corporate entities with a history of labor law violations might not be permitted to merge, just as banks with poor compliance with Community Reinvestment Act requirements to serve all communities see their merger applications subject to additional scrutiny, heightened requirements, and even rejection by bank regulators. In fact, willful and continual violation of labor standards may be one indicator of labor market power.

Increased scrutiny would not only prevent corporations with a track record of using their power to hurt workers from amassing more market influence, but it would also deter corporations from engaging in unscrupulous labor practices. For example, Nissan, facing pressure from the proposed merger between Renault and Fiat, may seek to merge with another competitor in response. In this case, Nissan would be incentivized to improve its labor practices to mitigate the risk that the FTC would deny a proposed merger or acquisition. The economic stakes of a planned merger or acquisition are much greater than current U.S. Department of Labor and National Labor Relations Board penalties, putting more weight behind U.S. labor protections. This additional safeguard is especially important in Southern states where state-level labor law enforcement is lacking.

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Build worker power

Building worker power is perhaps the most effective tool against labor monopsony. By exercising countervailing power, labor unions and other forms of collective bargaining can ensure that workers receive a fair share of the fruits of their labor. One recent study found that the presence of labor unions blunted the wage effects of concentration in the manufacturing sector. Another found that unionization similarly helped to mitigate the effect of mergers on hospital workers’ wages. Indeed, despite JBS’ considerable size and influence, workers in Greeley renewed their contract in December 2018, maintaining their benefits and winning modest raises. By organizing into unions, workers amass bargaining power, allowing them to negotiate for higher pay, benefits, and workplace protections.

Unfortunately, as corporate power has increased, worker power has been steadily eroded by administrative and judicial support for corporate attacks on workers’ abilities to organize and collectively bargain, offshoring and outsourcing underm-
From 1968 to 2016, union membership rates declined from 28.2 percent to less than 11 percent of American workers.\(^99\)

Congress has many avenues for strengthening collective bargaining nationwide, such as the Protecting the Right to Organize Act.\(^100\) Federal lawmakers can also expand the ability of workers to exercise countervailing power by removing barriers to organizing for workers—for instance, agricultural workers—who are not currently covered by the National Labor Relations Act (NLRA). For example, in 2019, New York state granted agricultural workers collective bargaining rights.\(^101\) Similarly, in 2018, Sen. Mazie Hirono (D-HI) introduced a bill that would guarantee state employees the right to unionize and collectively bargain.\(^102\) In addition to expanding the coverage of the NLRA, federal lawmakers should pass legislation that strongly protects workers who exercise their rights under the law and that ensures that workers are able to bargain in the modern economy.\(^103\)

Government can also help to ensure that far more workers are able to exercise their bargaining rights and negotiate with the corporations with the power to raise workplace standards by supporting the expansion of sectoral bargaining through the creation of wage boards and the enactment of strong prevailing wage laws.\(^104\) In addition, policymakers should demonstrate that they are on the side of strong unions and worker organizations by ensuring that unions have a key role in providing public benefits, including workforce training and the enforcement of workplace laws. Finally, policymakers should raise standards for workers whose jobs are funded through government spending, including contracts, grants, and loans.\(^105\)

### Set high-road labor standards across borders

In a highly concentrated labor market, dominant employers can extract rents from workers and local governments, in part due to the looming threat of offshoring or moving to another state with cheaper labor or lower regulatory standards. Federal policymakers can blunt the incentives to relocate by setting higher universal labor standards that stretch across state and international borders. Trade deals that set higher wage and labor standards would immediately benefit workers in the United States and abroad. In the case of the workers organizing in Canton, Nissan would not have as much power over them if it could not credibly threaten to move the operation to Mexico. Unfortunately, the United States-Mexico-Canada Agreement failed to incorporate sufficiently meaningful labor and environmental provisions, including swift and sure enforcement.\(^106\)
Passing a higher minimum wage—indexed to inflation—and strong overtime, joint-employer, and workplace safety standards at the federal level would instantly improve the standard of living for working families. Furthermore, strong federal wage protections mitigate the incentives for large companies to move across state lines in search of the cheapest labor. Setting robust wage floors helps counter the downward pressure of labor market power on wages; in fact, modern attention to labor market monopsony is in part motivated by the realization that minimum wage increases did not result in job losses at the rate originally predicted. Since in a monopsonistic labor market, workers are paid below their true value to the employer, raising the minimum wage in such markets can increase incomes without severe impacts on employment or economic efficiency. It would simply ensure that workers are paid an ethical wage.

While some may argue that a high federal minimum wage fails to reflect the differences in the cost of living across states and regions, evidence suggests that the current minimum wage is unlivable nearly everywhere. The perception that cost of living varies dramatically between different parts of the country does not reflect the fact that at the low end of the income distribution, many costs are similar. For example, in no place in the United States can a person making the prevailing minimum wage afford to rent a modest two-bedroom apartment. Indeed, 25 percent of renters in Greeley spent more than 50 percent of their income on housing in 2015. Moreover, low-income Americans face greater increases in consumer goods, eroding the buying power of the minimum wage at an alarming rate.
Conclusion

The concentration of economic power due to the weakening of antitrust law and the increase in merger and acquisition activity has serious implications for workers. While labor market power is present in some form or another in any labor market, concentration exacerbates this dynamic and can suppress wages.

However, the ability of antitrust policy to address the problem of growing employer power is limited. While countering corporate concentration is crucial to a fair and equitable economy, analysis of labor market concentration needlessly complicates the merger review process and will likely worsen underenforcement. In order to tilt the playing field toward workers and their families, policymakers should employ a wide range of policy solutions to curb corporate power and bolster worker power.

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95 Elena Prager and Matt Schmitt, “Employer Consolida-


99 Ibid.


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106 Jarzur, Green, and Zessoules, “Trump’s Trade Deal and the Road Not Taken.”


108 progress.org/issues/economy/reports/2017/10/13/440483/raising-pay-providing-benefits-workers-disruptive-econo-


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110.org/papers/w25719.pdf.

111 Ibid.


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The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

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As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.