

POWERLESS:

How Lax Antitrust and Concentrated Market Power Diminish Pay and Destroy Jobs

The American economy no longer functions to the benefit of American workers. Despite record corporate profits and increased productivity, wages are stagnant. In fact, despite being 75 percent more productive in 2016 than in 1973,¹ the average worker earned just 12 percent more, and the typical male worker actually *earned* less in 2014 than he would have 40 years earlier.²

Starting in the 1970s, America's antitrust and competition policies began ignoring the impact of corporate power and consolidation on workers. In fact, exposing workers to market "competition" was viewed as economically beneficial. The new logic held that fewer, larger companies would reduce consumer prices through efficiencies of scale, justifying any negative impact to workers or smaller businesses. Now, in addition to the realization that corporate consolidation failed to produce the predicted consumer benefits, emerging evidence supports what many Americans have known for decades: Powerful companies leverage their influence to lower wages, destroy jobs, and make work less stable.

FEWER, MORE POWERFUL COMPANIES MEAN FEWER, LOWER PAYING JOBS.

As companies accrue market power through consolidation, they tend to lower production and raise prices, thus reducing their need for labor and destroying jobs.

To justify potential mergers to regulators, workforce reduction is often offered as evidence of the increased efficiency that is expected to result. The Federal Trade Commission (FTC) approved the 2009 merger of pharmaceutical companies Pfizer and Wyeth, after which Pfizer announced it would cut 20,000 jobs worldwide.³

Since companies in consolidated industries hold a larger share of existing jobs, they are able to exercise enormous power over the wages and conditions of their workers. This wage-setting power, referred to as "monopsony," is analogous to the price-setting power of monopolies. Recent research shows that over half of all local job markets are highly concentrated, and that increased concentration of job markets lowers wages by 17 percent.⁴



COMPANIES ARE USING THEIR POWER TO DOMINATE WORKERS AND CIRCUMVENT LABOR PROTECTIONS, LOCKING WORKERS INTO UNDERPAID JOBS, LOWERING WAGES, AND MAKING JOBS LESS STABLE.

In addition to increased leverage over workers gained from consolidation, employers use other anti-competitive tactics to increase their labor market power.

Non-compete clauses and no-poaching agreements, for example, prevent workers from moving between companies—a key method by which workers increase their income. Both have grown more common as firms have become more powerful and sought new ways to entrench their power permanently.

Powerful companies have obtained a structural advantage over workers by making them independent contractors, where they can still be told what to do, while earning less and without access to company-provided benefits like health insurance and statutory protections under civil rights and labor law. In his landmark book, *The Fissured Workplace*, David Weil shows how corporations have shifted workers out of formal employment and into alternate arrangements, such as subcontracting and franchising.⁵ This is due to the erosion of enforcement of both labor and antitrust law, which made such arrangements illegal in the past. Disturbingly, these unstable positions account for all jobs created between 2005 and 2015.⁶

CONCENTRATED LABOR MARKETS HIT VULNERABLE COMMUNITIES THE HARDEST.

With all of these trends, the impact on vulnerable communities, and communities of color in particular, are especially pronounced. Historically, black unemployment is twice as high as that of whites, and studies suggest that people of color are more likely to fall victim to wage discrimination⁷—the practice of offering a worker a lower wage based on the assumption that he or she has fewer employment alternatives. This means that weak labor markets resulting from consolidation and powerful employers hit vulnerable populations the hardest.

By allowing widespread consolidation and unfair practices, lax antitrust enforcement resulted in the loss of many black-owned businesses that could not compete with the unimpeded resources of powerful national chains; of 60 black-owned banks operating in 1985, for instance, only 23 remain.⁸ Consolidation not only



destroyed black-owned businesses, but the jobs and sense of community that they offered. Today, many cities and towns are now dependent on the very same corporate giants that destroyed their jobs and eroded their communities in the first place.

A return to robust antitrust and competition policies will help level the playing field for American workers. This includes **regulating market structure** in order to prevent the aggregation of private power, primarily by blocking mergers and breaking up or restructuring overly powerful companies, and **curtailing anti-competitive behavior** by prohibiting and punishing behaviors that are extractive—like non-compete clauses and no-poaching agreements. A renewed focus on antitrust will by no means ensure a just and equitable society on its own—rebuilding worker power, through union organizing or other forms of collective bargaining, will also be essential—but it is an important step in putting American workers back on even footing with the companies that employ them.

For additional information on market power, see <http://rooseveltinstitute.org/powerless>.

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 - ² Wessel, David. 2015. “The Typical Male U.S. Worker Earned Less in 2014 than in 1973.” Washington, DC: The Brookings Institution. Retrieved December 3, 2017 (<https://www.brookings.edu/opinions/the-typical-male-u-s-worker-earned-less-in-2014-than-in-1973/>).
 - ³ Associated Press. 2009. “Pfizer to Buy Wyeth for \$68B; Cut 8,000 Jobs.” January 26, *New York Post*. Retrieved June 4, 2017 (<http://nypost.com/2009/01/26/pfizer-to-buy-wyeth-for-68b-cut-8000-jobs/>).
 - ⁴ Azar, José, Ioana Marinescu, and Marshall Steinbaum. 2017. “Labor Market Concentration.” National Bureau of Economic Research. Retrieved March 19, 2018. (<http://www.marinescu.eu/AzarMarinescuSteinbaum.pdf>).
 - ⁵ Weil, David. 2014. *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It*. United States of America: Harvard University.
 - ⁶ Katz, Lawrence and Alan Krueger. 2016. “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015.” National Bureau of Economic Research. Retrieved March 19, 2018. (<http://www.nber.org/papers/w22667.pdf>).
 - ⁷ Folbre, Nancy and Kristin Smith. 2017. “The Wages of Care: Bargaining Power, Earnings, and Inequality.” Washington, DC: Washington Center for Equitable Growth. Retrieved June 4, 2017 (<http://cdn.equitablegrowth.org/wp-content/uploads/2017/02/13154616/021417-WP-the-wages-of-care.pdf>).
 - ⁸ Feldman, Brian S. 2017. “The Decline of Black Businesses,” March/April/May, *Washington Monthly*. Retrieved August 8, 2017 (<http://washingtonmonthly.com/magazine/marchaprilmay-2017/the-decline-of-black-business/>).



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