Washington Center *for* Equitable Growth
Evidence for a stronger economy

Labor

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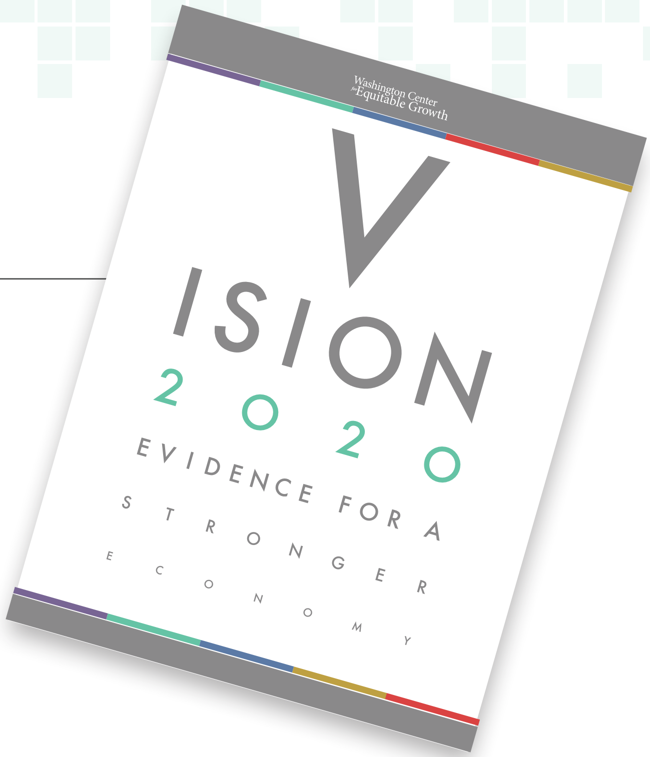
Most breadwinners in the United States support themselves and their families through their work in the labor market, so increasing income inequality is a pre-eminent concern for the economic well-being of all U.S. workers.

The political appetite for strengthening the power of workers and corralling the current market power of firms is growing. A number of 2020 presidential candidates are proposing comprehensive labor policy reforms, while states and municipalities continue to have enacted on bold policies that improve wages and the security of workers along the income spectrum. The U.S. economy is more than 10 years into the recovery from the Great Recession, unemployment rates are historically low, and there is evidence of a tight labor market. Yet too many workers still lack access to good jobs and, in the absence of bargaining power to ensure they are paid commensurate with the value they create in the economy, too many face lackluster wage growth.

These drags on U.S. workers' employment and career opportunities and long-term earnings potential are even more persistent because of racialized and gendered labor market barriers, which result in persistent intersectional wage gaps. These conditions call for bold policies that can alter how the labor market functions in a way that ensures growth is broadly shared. The essays in this section of the Washington Center for Equitable Growth's latest book *Vision 2020: Evidence for a stronger economy* demonstrate the breadth and strength of scholarship in this area and the possible solutions that can flow from that research.



Wage and employment implications of U.S. labor market monopsony and possible policy solutions

Sydnee Caldwell, **University of California, Berkeley** and Suresh Naidu, **Columbia University**

Monopsony power in the U.S. labor market—the power of firms to set wages below what a competitive market would deliver—hinders wage growth for workers, which slows consumer demand, reduces overall savings, and slows economic growth over the long term. Understanding the influence of monopsony power is important because when labor is scarce, it often leads employers to call for public policies that increase the supply of properly skilled workers, yet some of the perceived "skills gap" may simply be employers' inability to find skilled workers at a wage they are willing to pay.

Solutions

Policies that restrain firms' wage-setting power and strengthen workers' bargaining position will stimulate wage growth without costing jobs. And policies that encourage competition in the labor market—such as restricting the use of noncompete or nonsolicit agreements—are likely to help workers, help ameliorate U.S. income inequality, and generate more broad-based and sustained economic growth. Potential reforms include:

- Update antitrust regulation to more comprehensively and explicitly cover labor market monopsony.
- Consider potential labor market harms when evaluating mergers and acquisitions.
- Increase funding for the U.S. Department of Justice's Antitrust Division and the U.S. Federal Trade Commission to investigate anticompetitive practices, including wage fixing or no-poaching agreements.
- Restrict use of noncompete clauses and nonsolicit agreements.
- Increase the national minimum wage, thus restraining firms' wage-setting ability at the lower end of the U.S. labor market.
- Consider targeting policies to large individual employers, both private and public sector, and rely on labor market competition to transmit those increases to smaller employers.

Aligning U.S. labor law with worker preferences for labor representation

Alexander Hertel-Fernandez, **Columbia University**

Steeply declining U.S. union membership does not reflect a lack of worker demand for unions; nearly half of all nonunion workers express interest in joining a union. Based on research, U.S. workers value industrywide or statewide collective bargaining as well as union-administered portable health and retirement benefits, all of which are largely prohibited by current federal and state labor laws.

Solutions

U.S. labor law should incorporate these worker preferences, giving workers broader access to collective bargaining rights, new provisions for social benefits and training, and expanded collective bargaining, so that labor market outcomes powered by vibrant unions can boost broadly shared prosperity and economic growth. Specifically, federal law can be amended in the following ways:

- Make it easier for workers to form and join traditional unions. Expedite union elections, give union organizers greater rights to communicate with workers and share information about unions, ensure that employers have strong incentives not to violate existing worker protections, and strengthen workers' rights to strike, boycott, and picket employers. Ensure that employers bargain in good faith with newly recognized unions, rather than dragging out negotiations with the goal of ending union drives.
- Eliminate exclusions in the National Labor Relations Act for domestic workers, agricultural and public-sector employees, and workers who are low-level or intermediate supervisors or managers.
- Prevent employers from turning workers into independent contractors to avoid unionization. Permit independent contractors and other self-employed individuals who are working for businesses that exercise substantial control over their working conditions and their pay to organize and bargain with employers. Similarly, in businesses that have franchise or contracting relationships, permit bargaining between workers and their immediate employers.
- Permit unions to represent workers across entire sectors or regions.
- Consider requiring regular union elections across all workplaces or mandating that all employers permit some minimal level of worker representation and voice, perhaps through joint management-worker committees.
- Consider creating more venues for unions to provide training opportunities and social benefits, such as health

insurance and retirement plans, including portable health and retirement plans to workers across entire industries, to be managed independently of employers. Consider permitting states to run unemployment insurance benefits through unions.

- Consider expanding the ability of unions to help address workers' grievances in their day-to-day jobs. For example, allow combining sectoral or regional bargaining with mandatory worker committees that could deal with shop-floor grievances and firm-specific contract negotiations, while sectoral or regional labor representatives negotiate broader wage and benefit standards.

International trade policy that works for U.S. workers

Kimberly A. Clausing, **Reed College**

International trade lowers the cost and increases the variety of U.S. consumer purchases, benefits U.S. workers who make exports and those who rely on imports as key inputs, and helps fuel innovation, competition, and economic growth. At the same time, international trade poses risks to less-educated workers, since imports reduce demand for their labor. But these workers are also affected by other factors, including enormous technological changes, the increased market power of companies, and important economic policy changes, all of which have played key roles in the slow wage growth of many U.S. workers.

Solutions

A number of policy changes can support workers, including expansion of the Earned Income Tax Credit, implementation of broader wage insurance programs, combating global tax avoidance, and crafting improved trade agreements to better balance social goals. Specifically:

- Change federal tax policy to take more in tax payments from those who have benefited from trade, technological change, and other market changes, and give more in tax rebates to those who have lost out. For the latter, make the Earned Income Tax Credit more generous for workers with and without children and expand refundable child tax credits.

- Expand wage insurance beyond older trade-displaced workers to reach workers regardless of their age or the source of their job loss. To reduce the loss of income from moving to lower-paying employment, the government would make up 50 percent of the difference between the wage received at the old job and a new, lower-paying job. Benefits could be capped and time-limited, and some employment experience would be required in order to qualify.

- Modernize the tax system for the global economy to address profit shifting by multinational companies and improve collection of the corporate tax. Specifically, strengthen the minimum taxes that are part of the Tax Cuts and Jobs Act and raise the corporate tax rate. In the medium run, rethink our entire system of international taxation in a way that makes it less vulnerable to profit shifting. A system of formulary apportionment, in which taxation is more closely allotted to countries where businesses have their sales, profits, and payrolls, is promising in this regard, particularly within the context of international trade agreements.

- Restore our commitment to the World Trade Organization, continuing multilateral efforts to foster the free flow of trade while reforming domestic policies to ensure that the resulting prosperity is widely shared.

- Improve U.S. trade agreements by better balancing corporate and social interests. Eliminate or substantially rethink "investor state dispute settlement provisions" and intellectual property provisions.

Rebuilding U.S. labor market wage standards

Arindrajit Dube, **University of Massachusetts Amherst**

The United States is experiencing a sustained rise in wage and income inequality, reflecting disconnects between average wages and productivity and between wages at the top and bottom of the income ladder. The gaps between median compensation and average productivity and between the capital and labor shares of national income have grown to such an extent that between 1973 and 2014 net productivity grew by 72 percent, yet median real compensation grew by only 8 percent.

Solutions

Solutions include raising the federal minimum wage and establishing wage boards.

- Substantially raise the federal minimum wage. This would boost the incomes of workers at the bottom of the income distribution without any significant job losses for those workers.

- Establish a system of national wage boards with the authority to set minimum pay standards by industry and occupation, possibly based on laws in several states that allow for the establishment of such boards. National wage boards would raise wages for U.S. workers, particularly middle-income workers.