

An Empirical Analysis of Unions and Monopsony Power in US Labor Markets



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Introduction

Unionized workers tend to have higher wages, and workers in concentrated labor markets tend to have lower wages. Which force wins out when the two interact?

Question + Hypothesis

How does union membership affect wages in concentrated urban American labor markets? Consistent with literature abroad, I predict that the interaction term will be positive, indicating that the union wage premium increases as labor market concentration increases.

Methodology + Data

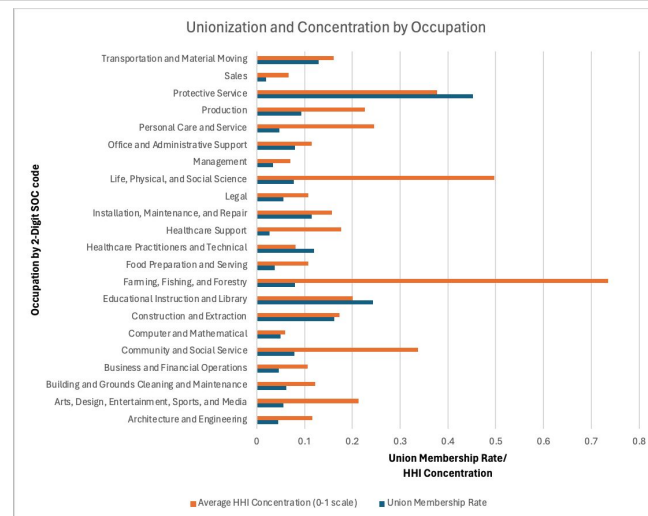
This paper uses a two-way fixed effects model, which regresses wages on an interaction term between unionization and labor market concentration.

Demographic controls, as well as fixed effects for metropolitan statistical area and occupation code, are included.

Data are at the individual level. Labor market concentration is calculated as an HHI index from data on the universe of online job postings from Burning Glass inc, and all other data is from the BLS's 2016 Current Population Survey.

VARIABLES	(1) Log Wage	(2) Log Wage	(3) Log Wage	(4) Log Wage	(5) Log Wage
Union Member	0.212*** (0.0166)	0.197*** (0.0144)	0.130*** (0.0141)	0.159*** (0.0133)	0.153*** (0.0136)
Labor Market Concentration	-0.248*** (0.0197)	-0.0333 (0.0288)	-0.157*** (0.0178)	-0.154*** (0.0223)	-0.0503* (0.0270)
Union-Concentration Interaction	0.348*** (0.0539)	0.0454 (0.0511)	0.154*** (0.0454)	0.0119 (0.0477)	0.00955 (0.0479)
Age			0.0894*** (0.00137)	0.0692*** (0.00131)	0.0688*** (0.00131)
Age Squared			-0.000920*** (1.50e-05)	-0.000714*** (1.43e-05)	-0.000710*** (1.43e-05)
Years of Education			0.112*** (0.00131)	0.0599*** (0.00149)	0.0601*** (0.00150)
Black			-0.138*** (0.0107)	-0.0631*** (0.00955)	-0.0726*** (0.0100)
Asian			-0.0651*** (0.0156)	0.0223* (0.0132)	-0.0311** (0.0146)
Other Race			-0.0532*** (0.0184)	-0.00242 (0.0164)	-0.0339** (0.0171)
Sex			-0.344*** (0.00618)	-0.227*** (0.00698)	-0.227*** (0.00698)
Constant	6.540*** (0.00451)	6.518*** (0.00486)	3.576*** (0.0311)	4.509*** (0.0315)	4.508*** (0.0317)
Observations	55,046	55,039	55,046	55,039	55,039
R-squared	0.010	0.332	0.312	0.408	0.414
Marital FE	NO	NO	YES	YES	YES
Geographical FE	NO	YES	YES	NO	YES
Occupational FE	NO	YES	NO	YES	YES

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1



Discussion

This paper found a positive effect of the interaction of unionization and concentration on wages in most model specifications, consistent with similar literature in other countries, but failed to produce significant results in the most granular model, likely due to attenuation bias exacerbated by large double fixed effects. However, notable results are 0.15 for the granular dataset without occupational FE, and 0.28 for both FE and aggregated occupational codes.