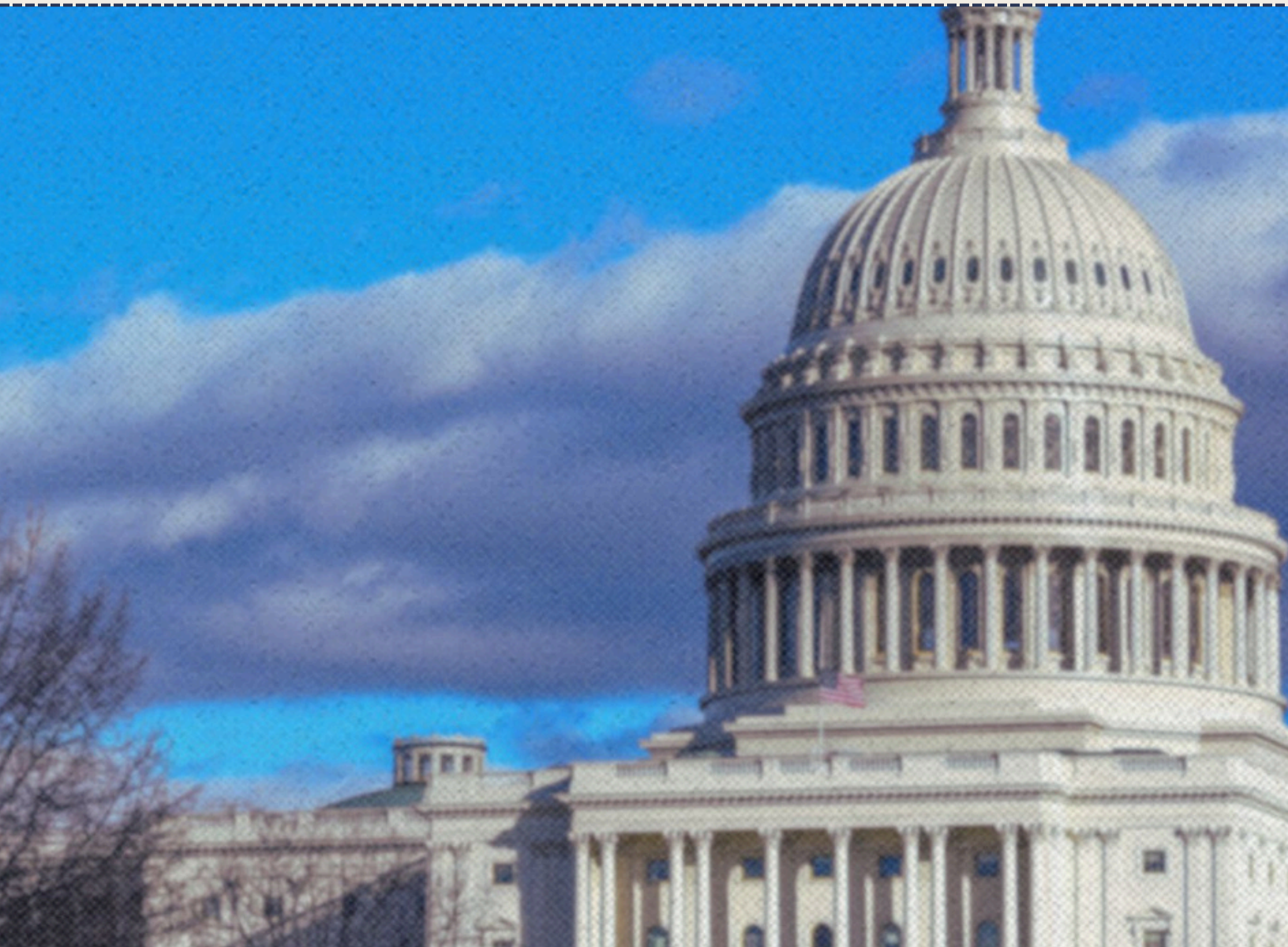


REPORT | OCTOBER 2025



Neither Pro-Worker Nor Pro-Consumer: How American Labor Unions Hurt Everyone

By Logan Kolas



Executive Summary

Since the 1980s, American labor unions have increasingly harmed workers and consumers. Union collective bargaining arrangements and lobbying efforts raise prices, degrade product and service quality, distort markets, and undermine business decisions and long-term commercial viability. The economic returns to workers are increasingly modest, non-universal, and sometimes nonexistent when unions undermine market responses.

As economist Barry Hirsch concludes, when unions do raise wages, businesses must bear those costs as a union tax.¹ As business expenses grow, industry passes along the cost to consumers in two key ways: 1) directly to consumers through price increases, quality reductions, or access limitations; and 2) indirectly to consumers as augmented business frameworks change employment and investment decisions over time. The latter option still indirectly impacts consumers by disrupting resource allocation, impairing investment decisions, and by decreasing product and service availability. Unions also indirectly harm consumers by lobbying for government favoritism at consumer expense.

How businesses pass along the union tax varies by market structure. In less competitive markets, businesses pass along the “union tax” to consumers directly through price increases and degraded product and service quality.² In highly competitive and globalized markets, where consumers have options, businesses tend to bear the tax themselves, cutting back on investments and trimming research & development, thus harming consumer access to innovation and variety in products and service markets.³

As globalization and technological change further augment labor markets, policymakers should consider two key legal applications and reforms: 1) state policymakers must expand right-to-work laws; and 2) federal policymakers must avoid policies like those in the PRO Act that would undermine state labor market reforms and placate unions. By enacting these reforms, policymakers can align worker and consumer interests in a manner that helps everyone.

¹ Barry T. Hirsch, "Sluggish Institutions in a Dynamic World: Can Unions and Industrial Competition Coexist?" *Journal of Economic Perspectives*, Vol. 22, No. 1 (Winter 2008), pp. 153–176.

² Liya Palagashvili and Revana Sharfuddin, "Do More Powerful Unions Generate Better Pro-Worker Outcomes?" *Mercatus Working Papers*, May 7, 2025, https://www.mercatus.org/research/working-papers/do-more-powerful-unions-generate-better-pro-worker-outcomes#_ftnref27.

³ *Ibid.*

Introduction

Declining private sector union membership rates have led economists to conclude that worker bargaining power is declining. By membership standards, private sector labor unions today are a shell of their former self: private labor union density peaked at 36 percent in 1953 and 1954 before bottoming out at 5.9 percent in 2024.⁴ As economist Dan Griswold explained in his 2010 Cato Journal article, the reasons for falling private sector union participation are legion: increased product market competition from globalization and technology (labor elasticity), greater capital market flexibility (outward investment), and before the rise of American populism, a general pro-market disposition (at least by politicians) that naturally extended into the realm of labor market policy.⁵ In layman's terms, private sector labor unions are dying because labor markets are changing in a manner that impairs the ability of unions to deliver long-run worker benefits in a way that does not undermine foundational economic sustainability.

The decline in private sector union membership reflects deep policy shifts within labor markets, driven by changes in technology, globalization, and economic policy. It is no longer the case that pro-worker policy must come at the expense of the consumer. Workers and consumers can both benefit from worker freedom, but outmoded labor policies have struggled to keep up with changing economic patterns. If the United States continues to struggle to adapt public policy to fit changing economic conditions—especially in highly competitive labor markets—workers will slip behind economically and consumer wellbeing will deteriorate.

A more successful pro-worker agenda would promote competition in labor markets, increase workforce flexibility, and prioritize American international competitiveness. Over the course of the last half-century, labor unions have delivered, at best, mixed results for American workers. Increasing worker freedom and choice would help workers. It would also drive immense pro-consumer benefits: lower prices, more choice, and more consistent access to high quality goods and services. Despite existing narratives that consumer and worker interests must be perpetually in conflict, reform offers the opportunity to reset union relationships in a manner that improves the economic circumstances of everyone involved.

⁴ Barry T. Hirsch, "Sluggish Institutions in a Dynamic World: Can Unions and Industrial Competition Coexist?" *Journal of Economic Perspectives*, Vol. 22, No. 1 (Winter 2008), pp. 153–176. <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.22.1.153>; and United States Bureau of Labor Statistics, "Union Membership (Annual) News Release, January 28, 2025, <https://www.bls.gov/news.release/union2.htm>.

⁵ Daniel Griswold, "Unions, Protectionism, and U.S. Competitiveness," *Cato Journal*, Volume 30, No. 1 (Winter 2010), https://ciaotest.cc.columbia.edu/journals/cato/v30i1/f_0018367_15733.pdf.

Consumer Effects of Union Membership

The consumer costs of unions can be split into direct and indirect consumer harms. Union use of strikes as a strategy in negotiations most obviously harms consumers directly by disrupting access to goods and services. Unions also directly harm consumers by raising prices, typically in markets with inelastic demand or little international competition, and by harming product and service quality. Since the 1980s, unions have delivered only modest wage increases, at best, which suggests that price increases are limited by declining union membership and power. Still, unions will pass along prices to consumers where possible. Unions also harm consumers indirectly. When businesses cannot pass labor costs onto consumers through higher prices, many will compromise by lowering product or service quality, or by pulling back on investments that harm innovation and product discovery. Worse, unions also lobby for direct anti-consumer public policy, such as trade restrictions and technology disruptions.

Direct Consumer Harms

Higher Prices for Consumers

In the United States, the National Labor Relations Board (NLRB) requires employers to negotiate wages, hours of work, furloughs, layoffs, and other employment terms with the sole authorized “exclusive bargaining representative.”⁶ This means individual workers cannot negotiate their own work arrangements and must accept the union contract terms, effectively forcing some workers to pay to keep their jobs.⁷ Many states have pushed back with right-to-work laws designed to protect a worker’s decision to opt-out of union dues without the threat of job loss. Citing free speech concerns, the 2018 *Janus v. AFSCME* decision applied this principle to public employees nationwide.

Critics fear these kinds of state and federal policies will erode collective bargaining market power and hurt workers—but they are wrong to assume that strong unions always mean better jobs at higher pay. Since the 1980s, short-term union salary wins have often undermined business formation and investment, causing short-term salary wins to give way to long-term job loss and declining labor union participation rates.

⁶ Daniel Pasternak, NLRB General Counsel Issues Memorandum Summarizing Bargaining Obligations During Emergency Situations (US), Employment Law Worldview, March 29, 2020, [https://www.downsizinggovernment.org/labor/reforming-labor-union-laws](https://www.employmentlawworldview.com/nlrb-general-counsel-issues-memorandum-summarizing-bargaining-obligations-during-emergency-situations-us/#:~:text=Under%20the%20National%20Labor%20Relations,work%2C%20furloughs%2C%20and%20layoffs; and Charles W. Baird, “Freeing Labor Markets by Reforming Union Laws,” Downsizing the Federal Government, June 1, 2011, <a href=).

⁷ James Sherk, “How Unions and Right-to-Work Laws Affect the Economy,” Testimony before Committee on Labor and Government Reform, Wisconsin Senate, The Heritage Foundation, February 24, 2015, <https://www.heritage.org/testimony/how-unions-and-right-work-laws-affect-the-economy>.

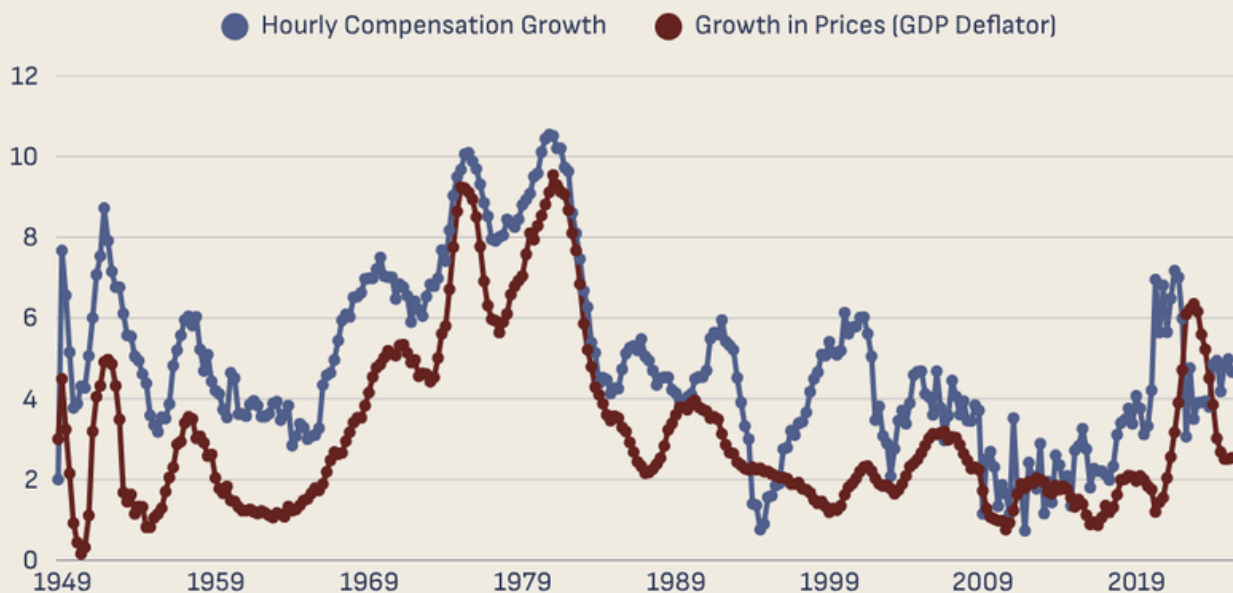
When unions do win long-term salary raises, those wins often come at consumer expense. Increasing wages causes business costs to rise, which are then “pushed” down the supply chain and onto consumers. Economists call this “cost-push inflation,” where higher wages lead to higher prices in the general economy.⁸ Not all prices can easily be passed down the supply chain—but the overall relationship is clear: labor compensation and consumer prices are highly correlated variables that tend to rise and fall together over decades (Figure 1). University of Dayton economist, Tony Caporale, finds that a “1-standard-deviation increase in the percentage of public and private employees who were members of unions was associated with an 8.5 [percent] higher inflation rate at the peak before monetary adjustment.”⁹ Simply put, the price of goods and services rise faster where unionization is more common.

Figure 1

Labor Compensation and Prices are Correlated

8-Quarter Percent Change, Annual Rate

2025Q1



Source: Original chart created by Jason Furman and Wilson Powell III, “Will Slower Wage Growth Dampen Inflation?” Peterson Institute for International Economics, November 3, 2022, <https://www.piie.com/blogs/realtime-economics/2022/will-slower-wage-growth-dampen-inflation>; and Bureau of Labor Statistics, authors’ calculations. Recent years updated by author.



⁸ Will Kenton, “Cost-Push Inflation: When It Occurs, Definition, and Causes,” Investopedia, June 25, 2025, <https://www.investopedia.com/terms/c/costpushinflation.asp>.

⁹ The Unionization-Inflation Connection, Harvard Business Review, Last visited August 25, 2025, <https://hbr.org/2013/12/the-unionization-inflation-connection>; and Tony Caporale, “Explaining Peak Inflation Rates Prior to Disinflationary Policy Adjustments or What Got Us into this Mess?” Applied Economics, Volume 36, Issue 4 (2014), <https://www.tandfonline.com/doi/abs/10.1080/00036846.2013.848032>.

The relationship between union strength and higher prices also appears across states. Data from the 2024 Cost-of-Living Index shows that none of the fourteen most expensive states live in are right-to-work states (Figure 2); meanwhile, sixteen of the eighteen least expensive states are right-to-work. Michigan and Missouri are among the most affordable compulsory dues states, but Michigan is a unique case. Michigan became a right-to-work state in 2012, which lasted until it reversed its decision in 2024.

Right to Work States are More Affordable

Figure 2

Compulsory Dues State	Cost of Living Index	Rank	Right-to-Work State
Hawaii	186.9	1	
Massachusetts	145.9	2	
California	144.8	3	
Alaska	123.8	4	
New York	123.3	5	
Maryland	115.3	6	
New Jersey	114.6	7	
Vermont	114.4	8	
Washington	114.2	9	
New Hampshire	112.6	10	
Connecticut	112.3	11	
Rhode Island	112.2	12	
Maine	112.1	13	
Oregon	112	14	
	111.5	15	Arizona
	104.9	16	Utah
	102.8	17	Florida
Colorado	102	19	
	102	18	Idaho
	101.3	20	Nevada
Delaware	100.8	21	
	100.7	22	Virginia
	97.8	23	North Carolina
	97	24	Wisconsin
	95.9	25	South Carolina

Compulsory Dues State	Cost of Living Index	Rank	Right-to-Work State
	95.5	26	Wyoming
Minnesota	95.1	27	
Pennsylvania	95.1	28	
Montana	94.9	29	
Illinois	94.4	30	
Ohio	94.2	31	
New Mexico	93.3	32	
	93.1	33	Nebraska
	93	34	Kentucky
	92.7	35	Texas
	92.2	37	Louisiana
	92.2	36	South Dakota
	91.9	38	North Dakota
	91.3	39	Georgia
	90.5	41	Indiana
	90.5	40	Tennessee
Michigan	90.4	42	
	89.7	43	Iowa
	88.7	45	Arkansas
Missouri	88.7	44	
	88	46	Alabama
	87.9	47	Mississippi
	87	48	Kansas
	85.7	49	Oklahoma
	84.1	50	West Virginia

Note: The average for all U.S. is 100. Data shown is from 2024. Michigan passed right-to-work in 2012 before reversing its decision in 2024.

Source: Updated data from original chart by James Sherk, How Unions and Right-to-Work Laws Affect the Economy, Testimony before Committee on Labor and Government Reform, Wisconsin Senate on February 24, 2015, Published, March 3, 2015, <https://www.heritage.org/testimony/how-unions-and-right-work-laws-affect-the-economy>; World Population Review, Cost of Living Index 2024, Last visited, August 25, 2025, <https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state/>; and National Right to Work Legal Defense Foundation, Right to Work States, Last visited August 25, 2025, <https://www.nrtw.org/right-to-work-states/>.



To understand how this plays out in real time, consider how the United Auto Workers (UAW) union's influence on the Michigan auto industry increased both employee wages and consumer prices. Before becoming a right-to-work state in 2012, the UAW union exerted market power over General Motors, Ford, and Chrysler, all of which once produced automobiles in Detroit.¹⁰ Before the financial crash in 2008, Detroit automakers were some of the most well-compensated workers in the United States, successfully bargaining for as much as \$70 per hour in wages plus additional benefits.¹¹ As former Heritage Foundation economist James Sherk notes, the combination of union "premium pay and inefficient work rules added about \$800 to the cost of every Detroit vehicle" in 2006.¹²

Of course, labor costs are not the sole cause of increasing consumer prices. State per capita income, regional geographic disparities, state fiscal policies, and housing costs all contribute to the state price level. Still, from pricier cars in union strongholds to more affordable living standards in less union-dominant states, unions play a role in increasing consumer prices that policies like right-to-work can help balance.

Disrupted Services and Reduced Quality

On top of raising prices, unions also impact consumers by disrupting consumer access to goods and services through labor market strikes. By withholding labor, strikes hold both businesses and consumers hostage by imposing economic costs on industry and separating consumers from their demanded products and services. As business costs accumulate over time, firms are historically more likely to cave to union demands to restore consumer access to goods and services.¹³ As union power has waned, strikes have become less effective over time.

Economic research finds strikes have not increased wages, hours, or benefits to workers since the early 1980s, causing work stoppages to fall 92 percent from their 1974 peak.¹⁴ Although worker strikes have become more infrequent as their effectiveness has waned, they still play an important role in the labor market.

¹⁰ James Sherk, "How Unions and Right-to-Work Laws Affect the Economy," Testimony before Committee on Labor and Government Reform, Wisconsin Senate, The Heritage Foundation, February 24, 2015, <https://www.heritage.org/testimony/how-unions-and-right-work-laws-affect-the-economy>.

¹¹ James Sherk, "UAW Workers Actually Cost the Big Three Automakers \$70 an Hour," The Heritage Foundation policy report, December 8, 2008, <https://www.heritage.org/jobs-and-labor/report/uaw-workers-actually-cost-the-big-three-automakers-70-hour#:~:text=Many%20analysts%20have%20objected%20that,the%20affluence%20of%20a%20few>.

¹² James Sherk, "How Unions and Right-to-Work Laws Affect the Economy," Testimony before Committee on Labor and Government Reform, Wisconsin Senate, The Heritage Foundation, February 24, 2015, <https://www.heritage.org/testimony/how-unions-and-right-work-laws-affect-the-economy>.

¹³ Martin B. Schmidt and David J. Berri, "The Impact of Labor Strikes on Consumer Demand: An Application to Professional Sports," The American Economic Review, Volume 94, Number 1 (March 2004), pp. 344-357, <https://www.jstor.org/stable/3592783>.

¹⁴ Maxim Massenkoff and Nathan Wilmer, "Economic Outcomes of Strikes in an Era of Weak Unions," Journal of Labor Economics, Volume 42, Number 1 (January 2024),

More than 18 major yearly work stoppages in the United States each year drive consumer harm. However, this statistic underrepresents the true harm as the Bureau of Labor Statistics undercounts total strike activity by excluding work stoppages with less than 1,000 striking workers or those that do not strike a full shift,¹⁵ which is the majority of strikes. Meanwhile, an uptick in union activity from teachers, graduate students, hotel workers, actors, and autoworkers has led some economists to conclude that organized labor in the United States is experiencing a resurgence.¹⁶

Academic research also suggests that unions degrade product and service quality—a phenomenon increasingly prevalent in states without right-to-work laws.¹⁷ When transit workers went on strike in Los Angeles in 2003, highway delays increased by 47 percent,¹⁸ likely degrading consumer transit safety, increasing environmental pollution, and causing foregone economic activity. Mid-1990s strikes at the Bridgestone/Firestone plant in Decatur, Illinois contributed to the production of defective tires.¹⁹ Recent public employee strikes in Philadelphia led trash to pile up across the city as union strikes halted trash pickup, effectively using consumer dissatisfaction to pressure employers to cave to union demands.²⁰

Now consider the most extreme case: healthcare—a union-dense economic sector. Roughly 17.5 percent of nurses report union affiliation. When nursing unions leverage their significant market power to strike, patients are left in the care of replacement nurses unfamiliar with immediate patient needs.

Economists Jonathan Gruber and Samuel A. Kleiner found nursing strikes in New York State, “increase in-hospital mortality by 18.3 percent and 30-day readmission by 5.7 percent for patients admitted during a strike.”²¹ Some economists have downplayed these findings because strike days account for only a small percentage of total yearly work days.²²

¹⁵ Cornell University School of Industrial and Labor Relations, Labor Action Tracker, Last visited August 25, 2025, https://www.ilr.cornell.edu/sites/default/files-d8/2025-03/labor_action_tracker_2024_final-rev.pdf.

¹⁶ Melissa Arnold Lyon, Matthew A. Kraft, and Matthew P. Steinberg, “The Causes and Consequences of U.S. Teacher Strikes,” National Bureau of Economic Research Working Paper 32862, August 2024, https://www.nber.org/system/files/working_papers/w32862/w32862.pdf.

¹⁷ Omeshi Kini, Mo Shen, Jaideep Shenoy, and Venkat Subramaniam, “Labor Unions and Product Quality Failures,” *Management Science*, Volume 68, Number 7 (August 27, 2021), <https://pubsonline.informs.org/doi/10.1287/mnsc.2021.4082>.

¹⁸ Michael L. Anderson, “Subways, Strikes, and Slowdowns: The Impacts of Public Transit on Traffic Congestion,” *American Economic Review*, Volume 104, Number 9 (September 2014), pp. 2763–96, <https://www.aeaweb.org/articles?id=10.1257/aer.104.9.2763>.

¹⁹ Alan B. Krueger and Alexandre Mas, “Strikes, Scabs, and Tread Separations: Labor Strife and the Production of Defective Bridgestone/Firestone Tires,” *Journal of Political Economy*, Volume 112, Number 2 (April 2004), <https://www.journals.uchicago.edu/doi/abs/10.1086/381479?journalCode=jpe>.

²⁰ Joel Shannon and Phaedra Trethan, “Philadelphia Trash Strike Ends After Garbage Piles Up for Days on City Streets,” *USA Today*, July 9, 2025, <https://www.usatoday.com/story/news/nation/2025/07/09/philadelphia-trash-strike-ends/84516293007/>.

²¹ Jonathan Gruber and Samuel A. Kleiner, “Do Strikes Kill? Evidence from New York State,” *American Economic Review: Economic Policy*, Volume 4, Number 1, February 2012, <https://www.aeaweb.org/articles?id=10.1257/pol.4.1.127>.

²² Arindrajit Dube, Ethan Kaplan, and Owen Thompson, “Nurse Unions and Patient Outcomes,” *ILR Review*, Volume 69, Number 4 (2016), pp. 803–833, <https://econweb.umd.edu/~kaplan/NurseUnions.pdf>.

In their view, limited strike frequency means patient outcomes are better understood by the overall effect of unions on nurse quality and patient outcomes. Unfortunately, the frequency of nurse strikes more than tripled between 2020 and 2023—and the effect of unions on patient quality and access is mixed.²³

As the healthcare sector shows, unionization can indirectly harm product and service access. In the short run, unions only modestly increase wages in the nursing field, unlike many other sectors that have not realized union-pushed wage gains at all.²⁴ On the flipside, unionized hospitals were also more likely to restrict patient access to care during nursing shortages.²⁵ In the long run, limited research finds that unions lower the risk of heart attack mortality and slightly improve care quality in some limited circumstances—but at the high cost of higher healthcare prices and more limited healthcare availability over time.²⁶ Nursing unions can even backfire on nurses. In nursing homes, for example, unionization has been linked to “reduced nurse aid and RN hours per patient day, more low-wage workers, and fewer higher-wage employees.”²⁷ As the healthcare sector shows, even when unions are successful in achieving desired wage increases, it can backfire on both workers and consumers in unexpected ways.

Indirect Consumer Harms

Unions Backfire on American Workers and Indirectly Harm Consumers

Outside of raising prices and directly disrupting consumer services, private sector labor unions also indirectly harm both consumers and workers by stunting investment and harming general economic dynamism.

²³ Complete List of Nurse Strikes (2020–2025), NurseTogether, May 5, 2025, <https://www.nursetogether.com/nurse-strikes/#:-:text=This%20article%20covers%20more%20than,awareness%20about%20these%20concerning%20trends.>

²⁴ “Are NLRA–Unionized Workers Better Off?” Elevated Insights Group and National Association of Wholesaler–Distributor, August 2025, <https://www.naw.org/wp-content/uploads/2025/08/NAW-Union-Outcomes-Report-Final-with-Infographic-and-Summary-August-2025.pdf>.

²⁵ Andrew M. Dierkes, Kristein H. Gigli, Branden Dutchess, and Grant Martsolf, “Nursing Unions: A Scoping Review of Outcomes for Employees, Patients, and Administrators,” *Nursing Outlook*, Volume 72, Issue 6 (December 2024), <https://www.sciencedirect.com/science/article/pii/S0029655424001854>.

²⁶ Erica Carbajal and Jakob Emerson, “Will Rising Nurse Pay Mean Higher Healthcare Costs? It’s Complicated,” *Becker’s Clinical Leadership*, December 15, 2023, <https://www.beckershospitalreview.com/quality/nursing/will-rising-nurse-pay-mean-higher-healthcare-costs-its-complicated/>; Catherine Burger, “Do Unions Benefit or Harm Healthcare & Nursing Industries?” *Registered Nursing*, July 10, 2025, <https://www.registerednursing.org/articles/do-unions-benefit-harm-healthcare-nursing/>; Arindrajit Dube, Ethan Kaplan, and Owen Thompson, “Nurse Unions and Patient Outcomes,” *ILR Review*, Volume 69, Number 4 (2016), pp. 803–833, <https://econweb.umd.edu/~kaplan/NurseUnions.pdf>; Andrew M. Dierkes, Kristein H. Gigli, Branden Dutchess, and Grant Martsolf, “Nursing Unions: A Scoping Review of Outcomes for Employees, Patients, and Administrators,” *Nursing Outlook*, Volume 72, Issue 6 (December 2024), <https://www.sciencedirect.com/science/article/pii/S0029655424001854>.

²⁷ Andrew M. Dierkes, Kristein H. Gigli, Branden Dutchess, and Grant Martsolf, “Nursing Unions: A Scoping Review of Outcomes for Employees, Patients, and Administrators,” *Nursing Outlook*, Volume 72, Issue 6 (December 2024), <https://www.sciencedirect.com/science/article/pii/S0029655424001854>.

A recent Mercatus Center meta-analysis of 147 studies on the impacts of labor unions found overwhelmingly negative effects on employment, investment, productivity, firm survival, profit, research & development, resource allocation, and output.²⁸ As powerful unions win significant labor market negotiations to increase worker pay, profits fall and businesses cut back on investments, which harms firm and worker productivity. As long-term firm economic prospects decline, the probability of firm failure increases, while work opportunities and consumer access to goods and services decline.²⁹

An emerging body of research finds that union shared governance structures do “not lead firms to pay measurably higher wages.”³⁰ In more limited instances, unions can modestly improve worker pay by increasing worker productivity³¹—but the worker costs outpace the productivity gains.³² As economist Barry Hirsch put it in 2008: “Unions have, at most, small positive (but variable) effects on productivity insufficient to offset the substantial compensation gains, thus leading to lower profitability. Unionization is associated with lower investment in physical and intangible capital and slower growth.”³³

Unions also indirectly harm consumers and workers by harming long-term business prospects. For example, research shows that union demands in competitive markets cause industry to cut back on intangible capital investment like research and development (R&D).³⁴ Investments into R&D allow companies to discover and develop new technologies, materials, and production processes that improve efficiency and contribute to new consumer products. It enables them to become more competitive and profitable by lowering prices, expanding employment, and improving productivity.

²⁸ Liya Palagashvili and Revana Sharfuddin, “Do More Powerful Unions Generate Better Pro-Worker Outcomes?” Mercatus Working Papers, May 7, 2025, https://www.mercatus.org/research/working-papers/do-more-powerful-unions-generate-better-pro-worker-outcomes#_ftnref27.

²⁹ Ibid.

³⁰ “Are NLRA-Unionized Workers Better Off?” Elevated Insights Group and National Association of Wholesaler-Distributor, August 2025, <https://www.naw.org/wp-content/uploads/2025/08/NAW-Union-Outcomes-Report-Final-with-Infographic-and-Summary-August-2025.pdf>; and Simon Jäger and Benjamin Schoefer, “Labor in the Boardroom,” Research Briefs in Economic Policy No. 262, Cato Institute, August 18, 2021, <https://www.cato.org/research-briefs-economic-policy/labor-boardroom>.

³¹ Liya Palagashvili and Revana Sharfuddin, “Do More Powerful Unions Generate Better Pro-Worker Outcomes?” Mercatus Working Papers, May 7, 2025, https://www.mercatus.org/research/working-papers/do-more-powerful-unions-generate-better-pro-worker-outcomes#_ftnref27.

³² Daniel Griswold, “Unions, Protectionism, and U.S. Competitiveness,” Cato Journal, Volume 30, No. 1 (Winter 2010), https://ciaotest.cc.columbia.edu/journals/cato/v30i1/f_0018367_15733.pdf.

³³ Ibid.

³⁴ See, for example, table A2 in the appendix and the literature summary in John T. Addison, “The Consequences of Trade Union Power Erosion,” IZA World of Labor, February 2020, <https://wol.iza.org/uploads/articles/525/pdfs/consequences-of-trade-union-power-erosion.pdf>.

Even a 1 percent increase in R&D increases productivity by .05 to 0.25 percent and can improve employment by 0.8 to 0.9 percent. Since wages are tied to productivity, falling worker productivity can cause stagnant wage growth and job loss while hurting competitiveness abroad.³⁵ As productivity and international competitiveness weaken, worker and product markets shrink, pay declines, and access to goods and services is harmed.

Unions Lobby for Anti-consumer Protectionism

Labor unions, while advocating for policies perceived to be in the interest of workers, often harm consumers by lobbying against technological progress. Once supporters of free and open international markets,³⁶ private labor unions have emerged as chief critics of free trade, globalization, and automation over the past half-century. Manufacturing unions often resist technological advances such as automation, robotics, and AI production systems. As technology integrates into manufacturing operations over union objections, industry employment has declined globally.³⁷ This creates a lose-lose proposition for unions that must contend with significant international competition. Union-backed wage increases must either impose a “union tax” on future investments—impairing company vitality, lowering employment, and harming global competitiveness. Alternatively, unions can let technological advancement run its course—augmenting some worker tasks and automating others. In both cases, union influence declines as unions remain critical of globalization and technological progress.

Consider the effect of labor union lobbying on international trade agreements and manufacturing competitiveness. Private labor unions, especially the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), are among the most vigorous critics of free trade agreements, like the North American Free Trade Agreements (NAFTA) and the Trans-Pacific Partnership (TPP). A notable exception is the United States-Mexico-Canada Agreement (USMCA), which restricts international trade and includes many pro-labor protectionist provisions at consumer expense.³⁸ When free trade agreements overcome union objections, foreign exporters must contend with union-supported protectionism already in U.S. ports, such as the Jones Act and Foreign Dredge Act. These laws restrict exporter access to the American economic market and drive up the cost of transporting the 70 percent (by weight) of American consumer goods that move by waterway.³⁹

³⁵ J. John Wu, “Why U.S. Business R&D Is Not as Strong as it Appears,” Information Technology & Innovation Foundation (ITIF), June 2018, <https://www2.itif.org/2018-us-business-rd.pdf>.

³⁶ Daniel Griswold, “Unions, Protectionism, and U.S. Competitiveness,” Cato Journal, Volume 30, No. 1 (Winter 2010), https://ciaotest.cc.columbia.edu/journals/cato/v30i1/f_0018367_15733.pdf.

³⁷ Organization for Economic Cooperation and Development, OECD Data Explorer, Last visited August 25, 2022, [https://data-explorer.oecd.org/vis?df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD_TUD_CBC%40DF_TUD&df\[ag\]=OECD.ELS.SAE&dq=..&pd=%2C&to\[TIME_PERIOD\]=false&vw=tb](https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_TUD_CBC%40DF_TUD&df[ag]=OECD.ELS.SAE&dq=..&pd=%2C&to[TIME_PERIOD]=false&vw=tb).

³⁸ AFL-CIO Endorses USMCA After Successfully Negotiating Improvements, AFL-CIO Press Release, December 10, 2019, <https://aflcio.org/press/releases/afl-cio-endorses-usmca-after-successfully-negotiating-improvements>.

³⁹ Colin Grabow, “Dredging Protectionism,” Regulation, Summer 2022, <https://www.cato.org/regulation/summer-2022/dredging-protectionism>.

When unions deem these existing laws insufficient, they push for strikes that cause economic disruption and raise consumer prices. In 2024, union strikes by members of the International Longshoremen’s Association opposed port automation of cranes, gates, and container-moving trucks that the union feared would undermine American port jobs.⁴⁰ The strikes ultimately disrupted 36 ports—harming consumer access to international consumer products—at an estimated economic cost of \$1 to \$5 billion each day.⁴¹

In domestic markets, unions lobby against mergers and acquisitions that would increase economies of scale and promote U.S. competitiveness abroad. In an interview with Bloomberg News, Cleveland Cliffs CEO Lourenco Goncalves explained “how he leveraged relationships with worker unions and the Biden administration to try and stop the U.S. Steel merger and force through a low-balled offer of \$30 per share, which is lower than the initial bid.”⁴²

Additionally, other union-backed policies raise prices, restrict employment, and harm international competitiveness in both the public and private sectors: prevailing wage laws (Davis-Bacon requirements), inflexible trucking rules, Buy American provisions, and outright support of tariffs, to name only a few.⁴³

Policy Implications

To better align collective bargaining and union incentives with pro-worker and pro-consumer policy goals, policymakers should consider two key reforms. First, state policymakers should pursue right-to-work laws—allowing workers to decide whether unions are the right fit for them. More than half of states have already enacted right-to-work laws, and unionization rates in those states tend to be lower than their compulsory dues peers,⁴⁴ suggesting that many workers prefer flexibility in their employment arrangements to increased union bargaining power.

⁴⁰ Rom Krisher, “Longshoremen at Key U.S. Ports Threatening to Strike Over Automation and Pay,” AP News, September 18, 2024, <https://apnews.com/article/longshoremen-strike-pay-automation-ports-jobs-consumers-3aa66e0a05db25a49645fad404a5f000>.

⁴¹ MichAuto: Economic Impact of the International Longshoremen Association Strike, October 1, 2024, <http://michauto.org/michauto-economic-impact-of-the-international-longshoremen-association-strike/>.

⁴² Tirzah Duren and Logan Kolas, “Steeling American Competitiveness: Protecting Consumers Against Bad Competition & Industrial Policy,” American Consumer Institute, September 2024, <https://www.theamericanconsumer.org/wp-content/uploads/2024/09/Steel-Merger-2.pdf>.

⁴³ Scott Lincicome and Llana Blumsack, “Shining Some Much-Needed Light on America’s Real Infrastructure Problems,” Cato at Liberty blog, December 7, 2021, <https://www.cato.org/blog/shining-some-much-needed-light-americas-real-infrastructure-problems>.

⁴⁴ Alex Kehayias, “Right-to-Work States 2024: What Are They and How it Works,” Mosey, October 20, 2024, <https://mosey.com/blog/right-to-work-states/>; and United States Bureau of Labor Statistics, “Union Membership (Annual) News Release, January 28, 2025, <https://www.bls.gov/news.release/union2.htm>.

Right-to-work laws rightly force unions to compete for worker support, lowering union monopolization risks. A full accounting of the economic evidence—adjusting for state-level fixed effects and properly clustering standard errors—makes clear that right-to-work states have modestly higher, not lower, wages than compulsory dues states.⁴⁵ Right-to-work states also enjoy higher employment rates, labor force participation, and lower disability receipts.⁴⁶

Second, federal policymakers should respect state decisions on right-to-work laws. That must mean avoiding policies like the Protecting the Right to Organize (PRO) Act, which would effectively ban right-to-work laws by deputizing labor unions to collect dues from all workers regardless of union membership, mandate card-check organizing, require forced arbitration, increase liability risk, and reclassify many independent contractors.⁴⁷ Economic analysis from the American Action Forum (AAF) estimates that the PRO Act could increase weekly employment costs by \$21.5 billion to \$71.6 billion, raising the union tax and forcing businesses to raise prices, cut jobs, or trim investment, harming both consumers and workers.⁴⁸ Instead, federal policymakers should prioritize merit, preserve secret ballot protections, and promote voluntary union incentives.

Conclusion: A Realignment of Worker and Consumer Interests

An increasingly nuanced economic literature reveals that dominant labor unions—especially unions with government-backed monopoly privileges—frequently harm employers, harm workers, harm consumers, and harm the broader United States economy. Unions have historically increased compensation—but have increasingly struggled to do so since the 1980s. The benefits are increasingly modest, non-universal, and can even vanish in the long-run when unions undermine business formation and investment. When unions do secure long-term wage increases, typically in less competitive sectors, the union tax on employers is either passed to consumers or borne by businesses that retract investment expenditures.

In the end, an economic environment that pits worker interests against employer vitality and consumer well-being is becoming rarer—but not completely nonexistent. That's worth celebrating insofar as employer-worker relationships reflect mutually beneficial work relationships instead of adversarial, zero-sum negotiations.

⁴⁵ Holly Wetzell, "Right-to-Work States Do Not Have Lower Wages," Mackinac Center, December 20, 2024, <https://www.mackinac.org/pressroom/2024/right-to-work-states-do-not-have-lower-wages>.

⁴⁶ Benjamin Austin and Matthew Lilley, "The Long-Run Effects of Right to Work Laws," Harvard University, November 16, 2021, <https://scholar.harvard.edu/files/matthew-lilley/files/long-run-effects-right-to-work.pdf>

⁴⁷ <https://www.employmentlawwatch.com/2021/03/articles/employment-us/labor-law-under-the-biden-administration-a-preview-of-the-pro-act/>.

⁴⁸ Isabella Hindley and Emmet Bowling, "Economic Costs of the PRO Act: Update," American Action Forum, February 11, 2025, <https://www.americanactionforum.org/insight/economic-costs-of-the-pro-act-update/>.

As the United States explores opportunities to dominate technologically integrated and increasingly competitive world product and service markets, it should consider policies most likely to benefit workers in the long run, which are increasingly the ones that will improve consumer well-being.⁴⁹

To fully embrace this new normal, policymakers should consider pro-worker reforms that are pro-competitive and pro-consumer. That means resisting poorly conceived policy ideas like the PRO Act and revisiting right-to-work laws in the states. In the end, worker and consumer interests in labor relations are becoming increasingly aligned—despite union bargaining positions that frequently undermine the interests of everyone involved. The economy is changing. To protect consumers and empower workers, government policy should change with it.

⁴⁹ Ryan Bourne and Brad Subramaniam, “Private Sector Labor Regulation,” Cato Institute, December 15, 2022, <https://www.cato.org/publications/facilitating-personal-improvement-private-sector-labor-regulation>.

