# Fact Sheet: Ensuring Competition in the Labor Market Is Critical for Workers and Economic Growth

In a well-functioning labor market, strong demand for workers gives all workers more power to bargain for higher wages, which ensures workers benefit from stronger economic growth. However, despite near record-low unemployment and strong demand for workers—resulting in multiple job openings for each job seeker—many workers have not seen their wages keep up with inflation. Instead, higher prices have led to record-breaking profits for the largest corporations and bigger payouts for CEOs and wealthy shareholders.

Employers competing for workers is essential to a healthy labor market. But today, many employers have few local competitors in their industry. Inadequate competition takes power away from workers and gives it to employers, which distorts markets. Not only are workers worse off—with lower wages and poorer quality jobs—but the lack of competition causes economy-wide losses and limits economic growth.

### *Labor markets are becoming less competitive, and workers' employment options are dwindling*

- In the United States, 60% of local labor markets are considered highly concentrated, and 20% of workers are employed in labor markets where there are only a few employers providing jobs in the local community.
- One-in-five U.S. workers are bound by non-compete agreements. These agreements require workers to sign away their right to work for a direct competitor as a condition of employment, limiting job mobility and suppressing wages.
- Non-competes are most prevalent in higher-paying jobs, but more than 14% of workers holding less than a bachelor's degree and 25% of workers with a bachelor's degree are currently subject to a non-compete agreement as a condition of employment. These types of agreements can keep workers stuck in poor quality jobs that suppress wages and limit their mobility in the labor market.

### *Anti-competitive practices push down earnings, lead to worse working conditions and harm the overall economy*

- Lack of competition in labor markets is stifling wages. According to the Department of the Treasury, overall wages would be 20% higher if workers had more flexibility to search for, and move to, better job options.
- While wage gains for the average worker have been limited in recent decades, top CEOs on Wall Street have seen their compensation increase by 1,460% since 1978. In 2021, the average top CEO was paid almost 400 times more than the average worker.
- Evidence suggests that a country's long-run economic growth is associated with an economic climate in which wages make up a greater share of national output than profits.

Anticompetitive practices that reduce workers' earnings, and thus reduce wages as a share of national output, harm the U.S. economy in the long term by sacrificing growth potential.

### *Insufficient labor market opportunities magnify existing economic disparities faced by women and people of color*

- The racial and gender wealth gaps in the United States allow employers to exploit under-represented and women workers who cannot afford a long or costly search for higher-quality jobs due to economic insecurity.
- Women often have more unpaid caregiving responsibilities in the household. These caregiving responsibilities raise the cost of a job search, while fewer accessible job opportunities limit the mobility of women in the labor market and can leave them exposed to sexual harassment in the workplace. The lack of labor market mobility that women can face is also likely to impact their compensation; barriers to women's employment reduce their earnings by 3.3%.

### *Competition is essential to generating employment opportunities and broad-based economic growth*

- Experts on competition point out that antitrust enforcement agencies, like the Department of Justice (DOJ) and the Federal Trade Commission (FTC), need additional resources to restore competition in the U.S. economy and labor market. As the number and complexity of mergers have increased over the years, the filing fees that companies must pay before a review by the DOJ and the FTC have failed to keep pace. Updating filing fees for mergers, for the first time in two decades, would ensure that antitrust agencies have the resources they need to more aggressively enforce antitrust laws.
- Some of the mergers and acquisitions that present significant risks to competition are complex and costly for the government to challenge in court. Shifting the legal burden from the government to merging companies to prove that their mergers do not create an appreciable risk of reducing competition in the labor market, or the broader economy, would help enforce antitrust regulations and protect workers and consumers.
- Prohibiting the use of employment non-compete agreements for low-wage workers would strengthen bargaining power by guaranteeing workers' rights to participate freely in the labor market.