Monopsony in the UK

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We study the evolution and effects of monopsony power in the UK private sector labour market from 1998 to 2017. Using linked employee-firm micro-data, we find that: (1) Measures of monopsony have been relatively stable across the time period examined - rising prior to the crisis, before subsequently falling again. (2) There is substantial cross-sectional variation in monopsony at the industry level. (3) Higher levels of labour market concentration are associated with lower pay amongst workers not covered by a collective bargaining agreement. (4) For workers covered by a collective bargaining agreement, the association between labour market concentration and pay is greatly reduced and in most cases disappears. (5) The link between productivity and wage levels is weaker when labour markets are more concentrated.