

# The Impact of Firm Consolidation on Workers' Compensation: Evidence from U.S. Poultry Processing

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## I. Introduction

For most of the history of U.S. antitrust enforcement, merger review has been framed primarily as a question of consumer welfare. The central inquiries have concerned whether a merged firm would raise prices, whether product or service quality would decline, and whether new entry would discipline post-merger conduct. Workers, on the other side of the firm's market, have received comparatively little attention. The 2023 Merger Guidelines, issued jointly by the FTC and the DOJ, formally incorporated labor-market effects as a component of merger review. This new requirement has created demand for rigorous empirical evidence on how mergers and consolidation affect labor markets.

In this article, we discuss the new requirement in the 2023 Merger Guidelines and highlight a recent study that examines how decades of rising firm concentration in the U.S. poultry processing industry have affected worker productivity and wages. This empirical study was conducted by six economists, Saitone, Schaefer, Scheitrum, Arita, Breneman, and Boehm, and it is forthcoming in *Food Policy*.<sup>[1]</sup>

## II. Why Labor Markets Are Now Part of Merger Review

On December 18, 2023, the FTC and DOJ jointly issued new Merger Guidelines that, for the first time at this level of formality, treat labor markets as a dimension of merger review. Guideline 11 states that “when a merger involves competing buyers, the agencies examine whether it may substantially lessen competition for workers or other sellers.” The Guidelines further note that “the level of concentration at which competition concerns arise may be lower in labor markets than in product markets, given the unique features of certain labor markets.” That is the textual hook for treating labor-market harm as a basis for blocking a merger.<sup>[2]</sup>

The proposed Kroger–Albertsons supermarket merger, announced in 2022, became an early test of whether a labor-market theory of harm could carry a merger challenge. In its challenge, the FTC argued, alongside its product-market case, that the combination would lessen competition for workers and deepen the merged firm's monopsony power over wages and benefits in local labor markets. In December 2024, the U.S. District Court for the District of Oregon blocked the merger and granted the FTC's preliminary injunction, but for reasons tied primarily to reduced competition in the supermarket retail product market. The court found that the FTC had presented insufficient evidence on labor-market impact, including on how wages, benefits, and other compensation might change as a result of changes in bargaining power. In particular, it found that the FTC's proposed labor market definition was narrowly focused on unionized grocery workers, and that the agency's expert analysis did not quantify how concentration in the relevant labor market would translate into changes in wages or working conditions post-merger.<sup>[3]</sup> The outcome

underscores that the persuasiveness of any labor-market challenge will depend on the rigor of the economic analysis, not on the availability of the legal framework alone.

That outcome did not slow the agencies' broader turn toward labor-market enforcement. The 2023 Guidelines have remained in effect and central to merger review, and the agencies have repeatedly reaffirmed their commitment to them. On February 18, 2025, FTC Chair Andrew Ferguson formally announced that the 2023 Merger Guidelines remain in effect under his chairmanship, citing institutional stability as the rationale.<sup>[4]</sup> Eight days later, he launched a Joint Labor Task Force whose directive explicitly identifies merger review as a priority, alongside no-poach, wage-fixing, and noncompete enforcement.<sup>[5]</sup> The DOJ has tracked the same line: AAG Gail Slater told the antitrust bar on April 28, 2025 that “[b]ecause the antitrust laws protect labor market competition, any conduct that harms competition for workers can violate not only the spirit but the letter of the antitrust laws.”<sup>[6]</sup>

### III. Increasing Firm Concentration in the Agricultural Sector Deserves Policymakers' Attention

Ownership concentration in the U.S. meat and poultry processing industries has risen steadily for decades, and the trend has continued through ongoing waves of plant and company acquisitions. Historically, the policy conversation about this consolidation has centered on the seller side of the firm's market: whether meat processors suppress prices paid to farmers, or whether processors charge supracompetitive prices to retailers and consumers.

The labor side, by contrast, has been comparatively under-studied. This is striking because meat and poultry processing is among the most labor-intensive segments of the agricultural supply chain. Its rural geography also creates textbook conditions for monopsony power: limited outside options, high job search costs, and substantial commuting distances. Taken together, these features make labor-market consolidation in this sector a question that deserves the attention of policymakers concerned with the competitive structure of essential supply chains and with the livelihoods of the workers who sustain them.

### IV. Evidence from the U.S. Poultry Processing Industry

Saitone et al.'s new study analyzed plant-level data for the entire U.S. broiler chicken processing industry and found that rising firm concentration from 1990 through 2019 had a positive impact on productivity but a negative impact on workers' compensation. The study also produced counterfactual estimates for the four largest poultry firms' annual revenues and aggregate wage bill had the consolidation not occurred. Such counterfactual analysis is especially valuable in merger review, where the central question is how a change in market structure would affect prices, wages, and competition.

#### A. A Quietly Consolidated Industry

In the U.S. broiler processing industry, ownership concentration has risen steadily over the post-war period — the four-firm concentration ratio (CR4) was 14% in 1963, climbed to 32% by 1980, to 51% by 2010, and stood at 52% in 2021. Most of that movement came in the 1980s and 1990s through a sustained sequence of plant and company acquisitions by leading integrators.

The locations are characteristic too: broiler complexes are concentrated in the rural Southeast, often with one large processing facility serving as the economic anchor for a small town within a 30-mile radius. The state-level CR4 in the authors' 18-state sample averages 0.98 — meaning

that at the state scale, nearly every poultry processing market is effectively dominated by four firms or fewer.

## **B. Positive Impact on Productivity**

One argument frequently advanced in support of mergers and acquisitions is that larger firms can operate more efficiently. Consolidation can generate meaningful operational efficiencies. Larger firms may be better positioned to invest in new technologies, reorganize production processes, coordinate logistics, and spread fixed costs across larger operations.

The poultry industry provides a useful setting to evaluate this claim because the sector experienced substantial consolidation over the last several decades and because detailed plant-level data allow researchers to observe ownership changes over time. Using annual data on every poultry processing plant in the United States from 1990 through 2019, the authors examined whether plants acquired by industry-leading firms became more productive after acquisition.

The results indicate that they did. Plants acquired by one of the industry's four largest firms experienced approximately an 18% increase in sales per employee in subsequent years relative to comparable plants that were not acquired. The effect emerged gradually over time and persisted for many years after the transaction. Importantly, the study found no evidence of differential pre-acquisition trends, strengthening the causal interpretation of the results.

Although the study does not isolate the precise mechanism responsible for the productivity gains, the evidence indicates that acquisitions by industry leaders are associated with substantial improvements in revenue generated per worker.

## **C. Negative Impact on Workers' Compensation**

The productivity gains associated with consolidation did not translate into higher compensation for workers. Instead, the study found that increasing ownership concentration was associated with lower poultry-processing wages relative to wages available in comparable occupations outside the industry.

Using state-level and national concentration measures, the authors found that increases in concentration consistently reduced poultry worker compensation relative to benchmark wages in other sectors. Across a wide range of model specifications, the estimated effects were negative and statistically significant. In the preferred specification, a one-percentage-point increase in state-level concentration reduced poultry processing wages by approximately 0.8 percent. National concentration measures produced similar results in many specifications.

The study does not claim that these effects arise solely from monopsony power. Consolidation may coincide with automation, restructuring, changes in workforce composition, or other operational changes that affect labor demand. Nevertheless, the findings demonstrate that the economic benefits of consolidation were not shared equally between firms and workers. As ownership concentration increased, worker compensation grew more slowly than would have been expected based on broader labor market trends.

## **D. Causal Interpretation and Counterfactual Simulation**

Finally, the study translates the estimated productivity and wage effects into an economically meaningful counterfactual estimate for how the industry would have evolved if the consolidation that occurred over the last twenty-five years had not taken place.

The simulation suggests that consolidation increased annual revenues for the four largest poultry firms by approximately \$493 million while reducing their aggregate wage bill by approximately \$170 million per year. Taken together, these changes increased the firms' gross labor margins by roughly 9%, with plausible estimates ranging from approximately 3% to 12%.

These results demonstrate why labor-market effects have become increasingly important in merger review. Consolidation appears to have generated real efficiencies, but it also appears to have shifted a portion of the economic gains away from workers and toward firms. For antitrust practitioners, the key lesson is not that every merger harms labor markets. Rather, it is that merger analysis should evaluate both sides of the ledger. Ignoring worker impacts risks overlooking a potentially important component of competitive effects.

## V. Conclusion

The legal landscape has shifted decisively. The agencies have committed to scrutinizing the labor-market effects of mergers, and the Joint Labor Task Force has named merger review as an explicit priority. The doctrinal question is largely settled: labor-market harm is a legitimate basis for challenging a merger. What remains contested is evidentiary — not whether labor-market impact counts, but whether a plaintiff can prove it with evidence rigorous and credible enough to persuade a court.

Kroger–Albertsons is the cautionary tale. There, the framework was available, but the challenge faltered because the court found the FTC's labor-market evidence too thin — an under-specified market definition and an expert analysis that never quantified how the proposed merger would move wages or working conditions. The lesson is unambiguous: future labor-market challenges will succeed or fail on the quality of their economics. A plaintiff will need a well-defined labor market, a credible identification strategy, and a clean counterfactual that translates concentration changes into concrete dollar effects on workers and firms.

The poultry study by Saitone et al. shows what that analysis looks like in practice and supplies the evidence whose absence sank the labor-market claim in Kroger–Albertsons. It pairs comprehensive plant-level data with a transparent research design that rules out pre-existing trends, isolating consolidation's effects on both sides of the ledger: a roughly 18% gain in sales per employee alongside measurably lower wages. Its counterfactual simulation then attaches dollar figures to that divergence, estimating that consolidation raised the leading firms' annual revenues by about \$493 million while trimming their aggregate wage bill by roughly \$170 million. As concentration continues to reshape agriculture and other essential supply chains, this approach provides a practical template that practitioners, agencies, and courts can apply well beyond the poultry industry.

## Sources

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