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# Labor unions and information asymmetry among investors

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## Highlights

- We investigate whether and how labor unions affect information asymmetry among investors.
- We account for the endogeneity of unionization using several empirical approaches.
- We find that both industry- and firm-level unionization rates are significantly and negatively related to measures of information asymmetry among investors.

## Abstract

We investigate whether and how labor unions affect information asymmetry among investors. To account for the endogeneity of unionization, we adopt an IV 2SLS model, a differences-in-differences technique, and Heckman's (1979) two-stage procedure. We also explore an exogenous proxy for employees' collective bargaining power. Using two samples, we find that after controlling for endogeneity, both industry- and firm-level unionization rates are significantly and negatively related to measures of information asymmetry among investors. The findings are consistent with the notion that labor unions or more broadly, employees with bargaining power, help reduce information asymmetry in capital markets.

*Keywords*: Information asymmetry; Labor unions; Information disclosure; Endogeneity

*JEL classifications*: G14, G30, J51