Labor Union and Firm-level Environmental Disclosure: Theory Meets Evidence[*]

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Abstract

How do labor unions influence corporate environmental disclosure? We develop a theoretical model showing that firms face higher marginal costs when disclosing environmental versus social information, prompting managers to reduce environmental disclosures under union pressure. Utilizing a regression discontinuity design with union election data and novel AI-generated disclosure measures, we find a significant negative effect of unionization on environmental disclosure. This effect is stronger when unions have greater bargaining power or firms face fewer financial constraints but weakens under heightened public scrutiny. Our findings contribute to a deeper understanding of the bargaining process in corporate information disclosure under stakeholder pressures.