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"RIGHT TO WORK" IS THE WRONG ANSWER FOR WISCONSIN'S ECONOMY

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Introduction and executive summary

Four years after Wisconsin severely restricted public employees' right to collective bargaining, state legislators may soon consider whether to make Wisconsin a so-called right-to-work (RTW) state.

RTW laws have nothing to do with anyone being forced to be a member of a union, or forced to pay even a penny to political causes they do not support; that's already illegal under federal law. What RTW laws do is to make it illegal for a group of unionized workers to negotiate a contract that requires each employee who enjoys the benefit of the contract to pay his or her share of the costs of negotiating and policing it. By making it harder for workers' organizations to sustain themselves financially, RTW laws aim to restrict the share of employees who are able to represent themselves through collective bargaining, and to limit the effectiveness of unions in negotiating higher wages and benefits for their members.

A range of national evidence shows why Wisconsin lawmakers should reject RTW:

- RTW is associated with lower wages and benefits for both union and nonunion workers. In a RTW state, the average worker makes 3.2 percent less than a similar worker in a non-RTW state.

- Through weakening unions, RTW hurts the middle class. As union membership has declined in recent decades, the share of overall income received by the middle class is essentially at a 45-year low.

Additional evidence further demonstrates why RTW is the wrong answer for Wisconsin's economy:

- The strong performance of Wisconsin's manufacturing industry indicates that the state's manufacturers do not need RTW.
- Through cutting wages, RTW may undermine Wisconsin's small businesses, which depend on the state's residents having wages to spend. Additionally, through reducing the number of people with health insurance, RTW may endanger the state's health care industry.
- According to multiple quality-of-life measures, Wisconsin significantly outperforms the states with RTW laws. Thus, it appears RTW states should be trying to become more like Wisconsin, instead of Wisconsin becoming more like RTW states.

In short, Wisconsin lawmakers considering a RTW law should weigh the consequences, specifically the impact on wages, against the unsubstantiated claims that RTW laws would boost the state's economy and attract new businesses to locate in the state.

What does the national research tell us about RTW?

Hundreds of things affect a state's economic growth—including warm or cold weather, the urban or rural nature of its economy, possessing natural resources such as oil, and a wide variety of state laws. RTW is just one of these hundreds of things, and it is not the main or only factor controlling states' economies.

That's why there's no consistent pattern of RTW states growing faster or slower—or having better or worse unemployment rates—than other states. For instance, both the highest unemployment rate in the country (Mississippi) and the lowest (North Dakota) are in states with RTW laws.[1]

While it is far from determinative as far as a state's economic performance is concerned, a wide range of national evidence shows why RTW would be detrimental to Wisconsin.

RTW lowers wages and benefits for both union and nonunion workers

The mark of serious economic research is that it uses statistics to hold "all else equal," in order to specifically measure what impact an RTW law would have on Wisconsin's economy. Dr. Heidi Shierholz, now chief economist of the U.S. Department of Labor, and Dr. Elise Gould at the Economic Policy Institute conducted a study controlling for a wide array of variables showing that:

- Wages in RTW states are 3.2 percent lower than those in non-RTW states.
- The incidence of employer-sponsored health insurance is 2.6 percentage points lower in RTW states.
- The incidence of employer-sponsored pensions is 4.8 percentage points lower in RTW states.[2]

Why nonunion workers are hurt by RTW

RTW lowers wages and benefits for nonunion workers as well as union workers. In places where unions are strong, they create pressure for nonunion employers to raise their own wages and benefits—or to see the best employees go work for a union employer.[3] If RTW laws weaken unions and cut union wages and benefits, nonunion employers no longer have to compete with such high standards in order to get the best workers, so there is a negative spillover effect in which they lower their own wages and benefits.

RTW is intended to lower wages

The goal of RTW—according to its supporters—is to cut wages and benefits in the hopes of encouraging out-of-state manufacturers to move in. If it didn't lower wages, there would be no incentive for companies to move into the state. As the Indiana Chamber of Commerce explained, "Unionization increases labor costs … [and thus] makes a given location a less attractive place to invest."[4] RTW is supposed to solve this problem. Similarly, a Missouri state representative championed RTW by projecting it would cut wages by "2 to 3 dollars an hour" as part of the process of attracting more companies to hire cheaper labor.[5]

Weakening unions hurts the middle class

Unions are a critical part of what makes it possible for normal working people to earn a decent living. As unions have shrunk—due in part to antiunion policies such as RTW laws—the middle class has suffered. Companies may still be profitable, and executive salaries may soar ever higher, but the share of income that goes to the middle 60 percent of the country is essentially at a 45-year low, as shown in **Figure A**.[6]

RTW does not create jobs

In the 1970s or 1980s, companies may have left the Upper Midwest for cheaper labor in the South or Southwest. But globalization has fundamentally changed our economy. Today, a company that's primarily interested in cheap labor is going to China or Mexico, not to South Carolina or Arizona.

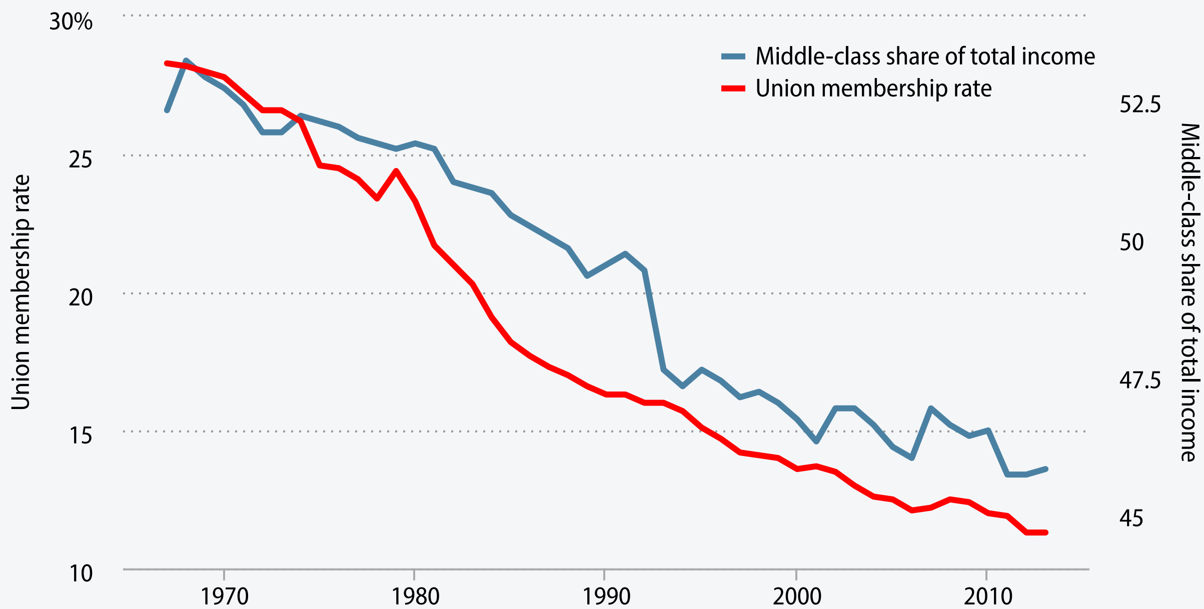
Oklahoma is the only state to adopt RTW since NAFTA and where enough time has passed to measure its impact.[7] Oklahoma lawmakers were told that if they passed a RTW law, there would be an eight- to 10-fold increase in the number of new companies coming into the state—especially in manufacturing.[8] Instead, manufacturing employment in the 10 years after RTW fell by one-third (as shown in **Figure B**), as did the total number of new jobs created by companies coming into the state.[9]

In fact, employers themselves say RTW is not important. *Area Development* magazine conducts an annual survey asking small manufacturers to list the most important factors in their location decisions. RTW has never ranked in the top 10. In 2013, it ranked 12th; the top two factors were availability of skilled labor, and access to a major highway.[10]

This is even truer for higher-tech, higher-wage employers—the kinds of jobs that every state is focused on recruiting. The *State New Economy Index* is a nonpartisan survey that ranks states according to their suitability for high-tech companies. In 2014, the top five states were all fair-share (i.e., non-RTW) states. Wisconsin ranked higher than a majority of the RTW states.[11]

FIGURE A VIEW INTERACTIVE *on epi.org*

Union membership rate versus the middle class's share of aggregate income, 1967–2013



Note: The middle class is defined here as the middle 60 percent of U.S. households.

Source: Adapted from Keith Miller and David Madland, "New Census Data Once Again Illustrate Importance of Unions to the Middle Class," Center for American Progress, September 18, 2014

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Wisconsin manufacturers do not need RTW

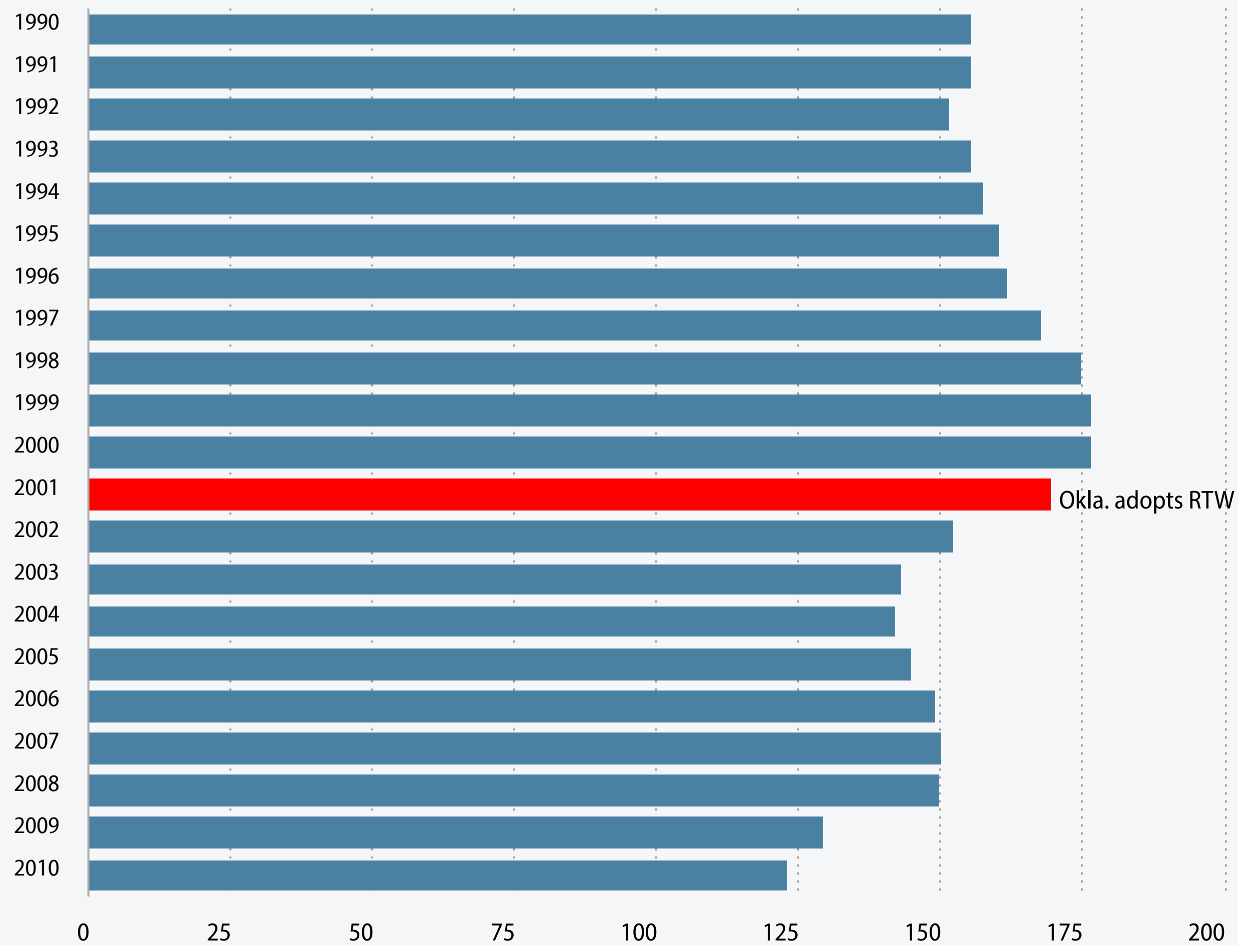
Wisconsin Manufacturers and Commerce (WMC) President Kurt Bauer has voiced the same claims that proved false in Oklahoma, saying that "businesses … shun closed shop states like Wisconsin in favor of Right to Work states."[12] But the facts do not support this claim.

Wisconsin is ranked fifth in the nation in manufacturing job growth.[13] In 2013–2014, employers created 10,000 new manufacturing jobs in Wisconsin—more than in 21 out of 24 RTW states, and 25 times more jobs than employers created in RTW Iowa.[14] Even among WMC members, when asked to name one thing the state could do to improve business, only 15 percent mentioned RTW. Over 70 percent of WMC members project that they will add new jobs even without RTW.[15]

Explaining "why manufacturers choose Wisconsin," the Wisconsin Economic Development Corporation (WEDC) points to the state's "access to 23 ports and three international airports – all connected by a reliable interstate highway system" and, above all, "one of the highest quality manufacturing workforces in the nation." Indeed, Wisconsin's high school graduation rate is second in the country, and the number of Wisconsin workers with technical-college degrees in key manufacturing fields is four times the national average.[16]

FIGURE B VIEW INTERACTIVE *on epi.org*

Oklahoma manufacturing employment (thousands), 1990–2010



Source: Bureau of Labor Statistics (U.S. Department of Labor) Current Employment Statistics program, various years, *Employment, Hours and Earnings—National* [database]

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Moreover, numerous manufacturers are already choosing Wisconsin over RTW locations. For example, in 2011, Mercury Marine moved its MerCruiser assembly lines—and 200 jobs—from RTW Oklahoma to Fond du Lac, Wisconsin.[17] More recently, the WEDC profiled the "success story" of United Natural Foods, Inc., the nation's largest organic food distributor, which chose Wisconsin over potential locations in RTW Indiana and Iowa.[18]

RTW may undermine key sectors of Wisconsin's economy, particularly health care and small business

Over the next 10 years, the industry that will add the most jobs in Wisconsin is health care—accounting for 25 percent of all new jobs.[19] If RTW reduces the number of people with health insurance, this industry's growth may be endangered.

Similarly, through reducing workers' wages, RTW may hurt Wisconsin's small businesses, which are not in the position of deliberating whether they want to be in Green Bay or Phoenix, but are rooted in their local communities and depend on local residents having wages to spend. On average, for every $1 million in wage cuts, in addition to the impact on the people whose wages are cut, an additional six jobs are lost through people spending less on groceries, rent, clothing, and other family needs.[20]

It may be unsurprising, then, that in discussing Wisconsin, the National Right to Work Committee admitted that "we're not purporting to prove that right-to-work produces superior economic performance."[21]

Wisconsin already outperforms RTW states

By multiple quality-of-life measures, Wisconsin significantly outperforms the states with "right to work" laws, as shown in **Table 1**.[22] It thus appears that RTW states should be trying to figure out how to become more like Wisconsin, rather than Wisconsin trying to figure out how to become more like RTW states.

TABLE 1

Quality of life is lower in RTW states

Income and other quality-of-life measures, Wisconsin versus RTW states

	Wisconsin	RTW states
Household income	$55,285	$49,220
Median hourly wage	$18.31	$16.95
Jobs with health insurance	64%	54%
Jobs with pensions	53%	44%
Poverty rate	11%	15%
Child poverty rate	16%	20%
High school graduation rate	91%	77%
Infant mortality (per 1,000 live births)	5.99	6.9
Births to teenage girls (per 1,000 aged 15–19)	26.2	39.5
Physicians (per 10,000 people)	26.5	22.6
Child abuse (per 1,000 children)	3.6	8.4
Violent crime (per 100,000 people)	237	370.5

Source: U.S. Census Bureau, Current Population Survey, Kaiser Family Foundation, National Assessment of Educational Progress, National Vital Statistics Reports, Centers for Disease Control and Prevention, U.S. Department of Health and Human Services, Federal Bureau of Investigation

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Is "right to work" about freedom?

Corporate lobbies advocate RTW with the goal of restricting unions. There are many organizations that, like unions, require membership dues. For instance, an attorney who wants to appear in court must be a dues-paying member of the bar association. One may dislike the bar association, but must still pay dues if he or she wants to appear in court.

Condominium or homeowners associations similarly require dues of their members. A homebuyer can't choose to live in a condominium development without paying the association fees.

Yet the national corporate lobbies supporting RTW are not proposing a “right to practice law” or a “right to live where you want.” They are focused solely on restricting employees’ organizations.

By federal law, unions are required to provide all their benefits to every employee covered by a union contract. In “RTW” states, if a non-dues-paying employee has a problem at work, the union is required to represent her—including providing an attorney at no charge if one is needed—the exact same as it would a dues-paying member.

Unions in RTW states are the only organizations in the country forced to provide all benefits for free, and banned from requiring those who enjoy the benefits to pay their fair share of the costs of creating them.

Indeed, employer associations themselves refuse to live by the same rules they seek to impose on unions.

In Owensboro, Kentucky, the local Building Trades Council decided to withdraw its membership in the local Chamber of Commerce, but asked if it could still receive full member benefits even though it would no longer be paying dues. Absolutely not, answered the Chamber. “It would be against Chamber by-laws and policy to consider any organization or business a member without dues being paid. The vast majority of the Chamber’s annual revenues come from member dues, and it would be unfair to the other 850+ members to allow an organization not paying dues to be included in member benefits.”[23]

The Chamber’s logic is simple: If it had to provide all its services for free, and dues were strictly voluntary, it might go out of business. This, then, appears to be the true aim of RTW, and may explain why some corporate lobbies continue advocating for it even though it doesn’t add up as economic policy. It appears that the main goal of RTW may be not to create jobs or give workers more freedom, but instead to make it harder for workers to have an effective voice in negotiating with their employer.

About the author

Gordon Lafer is a political economist and an associate professor at the University of Oregon’s Labor Education and Research Center. A research associate at the Economic Policy Institute, he has written widely on issues of labor and employment policy, and is author of *The Job Training Charade* (Cornell University Press, 2002). Lafer has served as an economic policy analyst for the Office of the Mayor in New York City and has testified as an expert witness before the U.S. Senate, House of Representatives, and state legislatures. In 2009–2010, Lafer took leave from his faculty position to serve as senior labor policy advisor for the U.S. House of Representatives Committee on Education and Labor. He holds a Ph.D. in political science from Yale.

Endnotes

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