



## New Research Counters Arguments for “Right-To-Work” Laws

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The 1947 passage of the Taft-Hartley amendments to the National Labor Relations Act allowed states to make it illegal for employers and unions to bargain agreements stipulating that all employees represented by a union had to pay dues. Without these agreements, unions are required to represent and negotiate on behalf of all the employees they represent, regardless of whether they choose to pay dues or decide to be “free riders.” Since 1947, twenty-two states have passed RTW laws.

### **RTW laws don’t generate jobs, economic growth**

Proponents of RTW laws claim that they enable a more business-friendly environment and lead to economic growth for states and their residents.<sup>1</sup> Yet recent studies rebut claims of economic growth and instead find that laws suppress wages. Lonnie Stevans, Professor of Information Technology and Quantitative Methods at Hofstra University, tested this claim by comparing the business formation and economic growth of RTW states with non-RTW states using recent data from the U.S. Small Business Administration.<sup>2</sup> Stevans controlled for variables like education levels, population changes, and type of employment in the states to accurately measure the relationship between right-to-work laws and economic growth.

Stevans found that a state’s RTW law:

- Has no impact on economic growth
- Has no influence on employment
- Has no influence on business capital formation (the ratio of firm ‘births’ to the number of firms)
- Is correlated with a decrease in wages

Stevans also found that the average real state GDP growth rate of RTW states is not significantly different than non-RTW states. Based on his analysis, he observed, “From a state’s economic standpoint, **being right-to-work yields little or no gain in employment and real economic growth.**”

### **Prior research on RTW employment growth was inaccurate**

Charlene Kalenkoski and Donald Lacombe, professors in the Department of Economics at Ohio University, recently examined previous research claiming that RTW laws attract manufacturing employment to a state.<sup>3</sup> Though prior studies have tried to measure the impact of RTW on employment, they failed to account for geographic characteristics such as natural or labor

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<sup>1</sup> Right to Work Frequently-Asked Questions. (2010). Retrieved August 25, 2010, from National Right to Work Legal Defense Foundation, Inc. website, [http://www.nrtw.org/en/b/rtw\\_faq.htm](http://www.nrtw.org/en/b/rtw_faq.htm).

Frequently Asked Questions. (n.d.) Retrieved August 25, 2010, from National Right to Work Committee website, <http://www.nrtwc.org/about/frequently-asked-questions/>.

Johnson, R. et al. (2008). *Is unionization the ticket to the middle class? The real economic effects of labor unions*. Washington, DC: U.S. Chamber of Commerce.

<sup>2</sup> Stevans, L.K. (2009). The effect of endogenous right-to-work laws on business and economic conditions in the United States: A multivariate approach. *Review of Law & Economics*, 5(1), 595-612.

<sup>3</sup> Kalenkoski, Charlene and Donald Lacombe. “Right-to-Work Laws and Manufacturing Employment: The Importance of Spatial Dependence,” *Southern Economic Journal*, Vol. 73, No. 2 (Oct., 2006), pp. 402-418.

resources that also impact employment. When Kalenkoski and Lacombe measured the impact of RTW laws **without accounting for a multitude of geographic factors, their estimates “dramatically overstate the positive relationship between RTW legislation and manufacturing employment.”** When they did control for geographic factors, they found RTW legislation is associated with only a slight increase in manufacturing employment, along with a decrease in employment in agriculture, fishing, mining and some service industries. They concluded that “improperly controlling for geographic factors can lead to incorrect inferences and misinform policy.”

### **RTW laws lead to declines in workplace representation and wages**

From the above studies, it’s clear that passing a RTW law is not a path to saving your state’s economy. Yet we know from many studies that RTW laws do lead to declines in union representation.<sup>4</sup> According to one study, one-third of the difference in union representation rates between RTW and non-RTW states is attributable to RTW laws.<sup>5</sup>

With reduced collective power in the workplace, it’s no surprise that RTW legislation leads to lower wages. Lonnie Stevans, as noted above, found that RTW laws are correlated with lower wages. Henry Farber, Professor of Economics at Princeton University, found that **after Idaho passed a RTW law in 1985, there was a statistically-significant drop in nonunion wages relative to other states.**<sup>6</sup>

Lawrence Mishel, President of the Economic Policy Institute, also measured the impact of RTW laws on wages.<sup>7</sup> He found that **workers living in RTW states earn 6.5% less than comparable workers living in non-RTW states.** Even after controlling for regional costs of living, Mishel found that workers in RTW states earned less. He also found that for workers living in a RTW state on the border of a non-RTW state, being near a non-RTW state raises their wages.

### **If more states enact RTW laws, economic recovery is at risk**

Our economy is dependent on consumer spending, and when workers don’t have money in their pockets to spend, our economy suffers. According to recent remarks by Federal Reserve Chairmen Ben Bernanke, rising wages spur consumer spending and would “help sustain growth” in the economy.<sup>8</sup> Yet if more states enact RTW legislation, research indicates that rather than generating more jobs, legislators risk depressing wages and impeding this economic recovery.

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<sup>4</sup> Hogler, Raymond, Steven Shulman and Stephan Weiler. 2004. “Right-to-Work Laws and Business Environments: An Analysis of State Labor Policy,” *Journal of Managerial Issues* 16, No. 3: 289-304; Davis, Joe C., and John W. Huston. 1995. “Right-to-work laws and union density: New evidence from micro data,” *Journal of Labor Research* 16:223-9; Garofalo, Gasper A., and Devinder M. Malhotra. 1992. “An integrated model of the economic effects of right-to-work laws,” *Journal of Labor Research* 13:293-305; Hirsch, Barry T. 1980. “The determinants of unionization: An analysis of inter-area differences,” *Industrial and Labor Relations Review* 33:147-61; Carroll, Thomas M. 1983. “Right-to-work laws do matter,” *Southern Economic Journal* 50:494-509.

<sup>5</sup> Garofalo, 1992.

<sup>6</sup> Farber, H.S. 2005. “Nonunion Wage Rates and the Threat of Unionization,” *Industrial and Labor Relations Review* 58(3): 335-352.

<sup>7</sup> Mishel, Lawrence. 2001. “The Wage Penalty of Right-to-Work Laws,” Economic Policy Institute <[http://www.epinet.org/content.cfm/datazone\\_rtw\\_index](http://www.epinet.org/content.cfm/datazone_rtw_index)>

<sup>8</sup> “Bernanke Says Rising Wages Will Lift Spending,” *New York Times*, 2 Aug 2010.