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Right to Work Increases Jobs and Choices

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Union contracts frequently require employees to pay union dues or lose their jobs. This forces workers to support the union financially even if the union contract harms them or they oppose the union's agenda. Several states, including New Hampshire and Indiana, are considering right-to-work laws, which protect workers from being fired for not paying union dues. Unions oppose these laws because they reduce union membership and income. However, the rest of the economy benefits from right-to-work laws.

Right-to-work laws reduce the financial benefit from organizing workplaces where unions have limited support. This makes unions less aggressive and encourages business investment, creating jobs. States can and should reduce unemployment by becoming right-to-work states.

Right-to-Work. Unions often negotiate contracts requiring all workers to pay union dues or lose their jobs. Workers must pay 1 percent to 2 percent of their wages in dues, whether or not they support the union. But many workers reject unions. Some do so because union contracts reduce their pay. Others oppose unions' political agendas: Unions almost exclusively support Democrats, despite 37 percent of their members voting Republican in the last election.[1]

To prevent workers from being forced to support unions financially, 22 states have passed right-to-work laws. Such laws prevent companies from firing workers who do not pay union dues. Workers may still pay voluntarily, but unions cannot threaten their jobs if they do not join. Lawmakers in several states, including New Hampshire, Indiana, and Michigan, are considering right-to-work bills.

Unions Lose Money When Workers Opt Out. The union movement strongly opposes right-to-work laws. It has self-interested motives in doing so: Union membership fell 15 percent after Idaho and Oklahoma passed right-to-work laws.[2]

Most of the union-represented workers who choose not to pay dues when given the option are those who do not benefit from union contracts. Disproportionate numbers of highly educated workers, for example, choose not to pay dues—the very workers held back by union seniority systems.[3] Without the threat of losing their jobs, the union movement will not persuade these workers to pay dues.

Making union membership voluntary would save workers—and cost unions—a lot of money. Losing 15 percent of their dues-paying members would cost private-sector New Hampshire unions $1.9 million a year. Right-to-work would similarly save private-sector workers in Indiana $18.4 million a year. In Michigan, right-to-work would save

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workers $46.4 million a year. [4] Giving workers a choice means less money for unions.

Less Aggressive Union Organizers. For the same reason, right-to-work reduces the aggressiveness of union organizers. Making union membership voluntary reduces the financial incentives for unions to target workplaces where they have lukewarm support. Even if they win, unions cannot force reluctant workers to pay dues. Research shows that union organizing falls 50 percent within five years of a state passing a right-to-work law.[5]

Workers who feel mistreated have the right to unionize. Right-to-work laws encourage union organizers to restrict their attention to such workers.

Increased Investment in Right-to-Work States. Right-to-work states are much more attractive for businesses investment. Unionized firms earn lower profits, invest less, and create fewer jobs than comparable nonunion firms.[6]

Boeing's decision to build a new plant in South Carolina—a right-to-work state—illustrates a larger trend. Businesses consider the presence (or absence)

1. Dalia Sussman, "Fewer Voters from Union Households in 2010," *The New York Times* Caucus Blog, February 28, 2011, at *http://thecaucus.blogs.nytimes.com/2011/02/28/fewer-voters-from-union-households-in-2010/* (November 9, 2011), and *Labor: PAC Contributions to Federal Candidates*, Opensecrets.org, 2010, at *http://www.opensecrets.org/pacs/sector.php?cycle=2010&txt=P01* (November 9, 2011).
2. Ozkan Eren and I. Serkan Ozbeklik, "Right-to-Work Laws and State-Level Economic Outcomes: Evidence from the Case Studies of Idaho and Oklahoma Using Synthetic Control Method," Working Paper, February 2011, at *http://econweb.umd.edu/~davis/eventpapers/OzbeklikRight.pdf* (November 9, 2011).
3. Richard Sobel, "Empirical Evidence on the Union Free-Rider Problem: Do Right-to-Work Laws Matter?" *Journal of Labor Research*, No. 16 (1995), pp. 347–365, found that 70 percent of workers covered by collective bargaining agreements but not paying union dues value union coverage less than the amount of union dues.
4. Heritage Foundation calculations using 2010 union financial reports data from the Department of Labor, Office of Labor–Management Standards. Figures assume a 14.5 percent reduction in union income from members' dues and exclude dues paid to government unions representing state or local workers that do not file financial disclosure forms under the Labor–Management Reporting and Disclosure Act.
5. David Ellwood and Glenn Fine, "The Impact of Right-to-Work Laws on Union Organizing," *Journal of Political Economy*, No. 95 (April 1987), pp. 250–273.
6. David G. Blanchflower, Neil Millward, and Andrew J. Oswald, "Unionization and Employment Behavior," *Economic Journal*, Vol. 101, No. 407 (July 1991), pp. 815–834; Jonathan S. Leonard, "Unions and Employment Growth," *Industrial Relations*, Vol. 31, No. 1 (Winter 1992), pp. 80–94; Richard J. Long, "The Effect of Unionization on Employment Growth of Canadian Companies," *Industrial and Labor Relations Review*, Vol. 46, No. 4 (July 1993), pp. 691–703; Robert Connolly, Barry T. Hirsch, and Mark Hirschey, "Union Rent Seeking, Intangible Capital, and Market Value of the Firm," *Review of Economics and Statistics*, Vol. 68, No. 4 (November 1986), pp. 567–577; Stephen G. Bronars and Donald R. Deere, "Unionization, Incomplete Contracting, and Capital Investment," *Journal of Business*, Vol. 66, No. 1 (January 1993), pp. 117–132; Barry T. Hirsch, "Firm Investment Behavior and Collective Bargaining Strategy," *Industrial Relations*, Vol. 31, No. 1 (Winter 1992), pp. 95–121; Barry T. Hirsch, "Union Coverage and Profitability Among U.S. Firms," *The Review of Economics and Statistics*, Vol. 73, No. 1 (February 1991), pp. 69–77; Stephen G. Bronars, Donald R. Deere, and Joseph S. Tracy, "The Effects of Unions on Firm Behavior: An Empirical Analysis Using Firm-Level Data," *Industrial Relations*, Vol. 33, No. 4 (October 1994), pp. 426–451.

of a right-to-work law a major factor when deciding where to locate.[7] It was no accident that foreign automobile brands located their U.S. plants primarily in right-to-work states like Alabama, Mississippi, and Tennessee.

Research suggests that foreign direct investment in Oklahoma and Idaho increased after these states passed right-to-work laws.[8]

More Jobs. States that attract more investment should create more jobs. In fact, right-to-work states have lower unemployment rates (9.2 percent) than states without right-to-work laws (9.9 percent).[9] However, right-to-work states exist predominantly in the South and West. Their lower unemployment rates could simply reflect regional differences.

To get around this problem, researchers have studied neighboring counties on state borders with and without right-to-work laws. Such counties share the same geography and economic environment, but their main difference is the presence of a right-to-work law on one side of the border. The share of manufacturing jobs in counties in right-to-work states is one-third higher than in adjacent counties in non–right-to-work states.[10] Right-to-work laws attract jobs.

Wage Effects Small. Economic theory does not predict how right-to-work laws affect wages. Unions restrict the supply of jobs in unionized companies. This reduces the pay of nonunion workers—they do not have as many good job opportunities—while raising the wages of union members. The additional business investment a right-to-work law attracts usually raises the demand for labor, increasing wages. Yet unions argue that businesses will cut wages if the risk of union organizing falls.

These factors largely cancel each other. Most studies show that right-to-work laws have little effect on wages in either direction.[11] Right-to-work states do have lower average wages than non–right-to-work states, but this is because they are located primarily in the South, which was once much less developed than the North and still has a lower cost of living. Research controlling for this shows that workers in right-to-work states have, if anything, slightly higher wages.[12]

Members-Only Contracts Permissible. In a free society, workers should not have to financially support organizations they oppose. Unions justify forced dues by arguing that the law requires them to represent non-members. They argue that right-

7. F. J. Calzonetti and Robert T. Walker, "Factors Affecting Industrial Location Decisions: A Survey Approach," *Industry Location and Public Policy*, ed. Henry W. Herzog, Jr., and Alan M. Schlottman (Knoxville: University of Tennessee Press, 1991), pp. 221–240; Roger W. Schmenner, Joel C. Huber, and Randall L. Cook, "Geographic Differences and the Location of New Manufacturing Facilities," *Journal of Urban Economics*, No. 21 (1987), pp. 83–104.
8. Eren and Ozbeklik, "Right-to-Work Laws and State-Level Economic Outcomes: Evidence from the Case Studies of Idaho and Oklahoma Using Synthetic Control Method." The study found a 24 percent increase in foreign direct investment after the passage of a right-to-work law in Oklahoma but could not rule out the possibility that this reflected chance.
9. Heritage Foundation calculations using data from the Department of Labor, Bureau of Labor Statistics, "Regional and State Unemployment." Figures are the average unemployment rate in 2010 for right-to-work states and non–right-to-work states, weighted by total employment in each state that year. Data and calculations available from the author upon request.
10. Thomas Holmes, "The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders," *Journal of Political Economy*, No. 106 (August 1998), pp. 667–705.
11. William J. Moore, "The Determinants and Effects of Right-To-Work Laws: A Review of the Recent Literature," *Journal of Labor Research*, No. 19 (Summer 1998), pp. 445–469; Eren and Ozbeklik, "Right-to-Work Laws and State-Level Economic Outcomes: Evidence from the Case Studies of Idaho and Oklahoma Using Synthetic Control Method."
12. W. Robert Reed, "How Right-To-Work Laws Affect Wages," *Journal of Labor Research*, Vol. 24, No. 4 (October 2003), pp. 713–730.

to-work laws allow workers to free-ride off of union contracts—enjoying the benefits without paying the costs.

This interprets the law selectively. Unions do not have to represent workers who do not pay dues. They can negotiate contracts that apply only to their members. The law requires unions to represent nonmembers only if they negotiate as "exclusive bargaining representatives."[13] That status lets them negotiate on behalf of all workers, union and non-union alike. If they do so, the law requires unions to bargain fairly. They cannot selectively negotiate the minimum wage for nonmembers. But unions do not have to claim exclusive representative status; they could negotiate contracts covering only dues-paying members.

Unions almost never do this. They prefer exclusive representative status because it enables them to get a better contract for their supporters. Consider seniority systems: They ensure that everyone gets raises and promotions at the same rate, irrespective of individual performance. If a union negotiated a members-only contract with a seniority system, high-performing workers would refuse to join. Those workers would negotiate a separate contract with performance pay. The best workers would get ahead faster, leaving less money and fewer positions available for those on the seniority scale. The union wants everyone in the seniority system—especially those it holds back.

In non–right-to-work states, the law allows unions to force nonmembers to accept the union contract. The law should not force workers who are disadvantaged by these contracts to pay union dues. Unions could choose to represent only their members.

Forced Unionization Is Not an American Value. The government should not force workers to pay for unwanted union representation. In a free society, workers alone should make that choice. Right-to-work laws also make good economic sense. They reduce the incentive for union organizers to target companies that treat their workers well. Since unions hurt businesses, less aggressive union organizing attracts investment—and jobs. However, right-to-work laws appear to have little effect on wages.

Lawmakers considering right-to-work proposals should ignore the union movement's self-interested opposition. Unions could negotiate contracts that apply only to their members—they simply prefer not to. Unions should not be able to force workers to choose between financially supporting them and losing their jobs.

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13. Stan Greer, "Union 'Representation' Is Foisted on Workers—Not Vice-Versa," National Institute for Labor Relations Research, February 2004, at *http://www.nilrr.org/files/SKMBT_60009080411230.pdf* (November 9, 2011).