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## How Has a So-Called “Right-to-Work” Law Impacted Indiana’s Manufacturing Sector?

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This Midwest Economic Policy Institute memo evaluates whether Indiana’s so-called “right-to-work” (RTW) law has positively impacted the state’s manufacturing sector. Manufacturing employment, wages, output, and productivity are compared with two neighboring Midwest states that also adopted RTW laws last decade—Michigan and Wisconsin—and contrasted with two border states that continued to protect workers’ rights to bargain collectively—Illinois and Ohio. Note that Michigan repealed its RTW law in March of 2023, and the repeal will become effective in 2024.

### **Summary of Findings**

While Indiana experienced slight manufacturing employment growth over the period, its manufacturing output has not grown significantly faster than neighboring states that continued to protect workers’ rights. This is because manufacturing worker productivity growth has grown slower in Indiana than it has in Illinois and Ohio. As a result, manufacturing wages have also grown slower in Indiana than all four of the comparison states but especially slower than the border states that continued to protect workers’ rights.

It is objectively clear that numerous factors are more relevant to manufacturing investment decisions than Indiana’s RTW law. A substantial body of scholarly research and corporate executive survey data confirms that there is little correlation between RTW laws and growth in the manufacturing sector.

### **How Effective is RTW As an Economic Development Policy?**

RTW laws prohibit employers and unions from ensuring that each worker who accrues a return from collective bargaining must contribute a fair share in dues or fees. RTW laws permit and incentivize free riding among workers in bargaining units, who can receive all the services and benefits of collective bargaining—such as a higher wage, better health insurance benefits, and legal representation—without paying anything for them. Requiring unions to represent and provide services to free riders reduces the resources they have available to advocate for workers and organize new workers, which weakens worker bargaining power ([Hogler, Shulman, & Weiler, 2004](#), [Davis & Huston, 1993](#)). At present, 26 states have RTW laws on the books.

Those who advocate for RTW laws have long claimed they are a decisive factor in attracting new capital investments and job creation. However, this claim has been refuted by a large volume of research and a substantial body of survey data ([VanHeuvelen, 2020](#), [Collins, 2014](#)). For example, for 37 years, *Area Development* magazine has conducted a detailed annual survey of corporate executives’ attitudes regarding the importance of a range of factors in new and expanded business location decisions. The survey is closely monitored by the economic development community and the business media. Among 30

selected factors, RTW laws have never ranked in the top ten in the history of the survey. This year, RTW ranked 18<sup>th</sup> ([Gambale, 2023](#)). Business location decisions are primarily driven by other considerations, such as infrastructure accessibility, the availability of skilled labor, quality-of-life factors, and tax considerations.

Furthermore, a substantial body of research in the last decade by ILEPI, the Washington, D.C.-based Economic Policy Institute, and many other universities and organizations has found little to no correlation between RTW laws and employment growth, with numerous other local and national factors being more important to business decisions ([Manzo & Bruno, 2015](#), [Lafer, 2012](#)). Over the past decade, the economies of states that protect workers’ rights to bargain collectively have grown faster than the economies of RTW states, as has per capita personal income ([Bruno & Manzo, 2021](#)).

### **Manufacturing Employment in the Midwest**

Five states adopted so-called “right-to-work” laws between 2012 and 2017. These include three in the Midwest: Indiana in 2012, Michigan in 2013, and Wisconsin in 2015. These laws were often passed on promises of attracting businesses and creating jobs, particularly in manufacturing ([Guyett, 2012](#); [Lafer, 2012](#)).

Broadly speaking, none of the five states examined have experienced significant growth in manufacturing employment since 2012 (Table 1). Indiana added 60,600 manufacturing jobs, coming out slightly behind Michigan (72,500 manufacturing jobs) but ahead of the other three states. Over the decade, Indiana’s manufacturing employment grew at an annualized rate of 1.2 percent (Table 1).

**Table 1: Manufacturing Employment by State (in Thousands) and 2012-2022 Growth**

State	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Growth
Indiana	481.1	491.0	506.5	518.1	523.5	532.0	542.5	541.0	504.6	524.6	541.7	<b>+60.6</b>
Change %		2.1%	3.2%	2.3%	1.1%	1.6%	2.0%	-0.3%	-6.7%	4.0%	3.3%	<b>+1.2%</b>
Illinois	584.2	580.5	581.2	583.1	576.1	577.0	588.0	586.9	556.4	555.5	570.0	<b>-14.2</b>
Change %		-0.6%	0.1%	0.3%	-1.2%	0.2%	1.9%	-0.2%	-5.2%	-0.2%	2.6%	<b>-0.2%</b>
Michigan	530.5	548.8	574.8	591.8	605.8	616.1	628.6	626.3	556.8	583.9	603.0	<b>+72.5</b>
Change %		3.4%	4.8%	3.0%	2.4%	1.7%	2.0%	-0.4%	-11.1%	4.9%	3.3%	<b>+1.3%</b>
Ohio	657.1	663.7	675.6	687.5	686.5	687.4	698.9	700.8	653.1	665.6	683.1	<b>+26.0</b>
Change %		1.0%	1.8%	1.8%	-0.1%	0.1%	1.7%	0.3%	-6.8%	1.9%	2.6%	<b>+0.4%</b>
Wisconsin	458.3	460.2	467.4	470.0	467.7	470.5	479.6	483.4	459.1	467.5	481.2	<b>+22.9</b>
Change %		0.4%	1.6%	0.6%	-0.5%	0.6%	1.9%	0.8%	-5.0%	1.8%	2.9%	<b>+0.5%</b>

Source: Author’s analysis of *Current Employment Statistics* data on manufacturing employees (seasonally adjusted) from the Bureau of Labor Statistics (BLS) at the U.S. Department of Labor using the “Employment, Hours, and Earnings - State and Metro Area” tool ([BLS, 2023](#)).

### **Manufacturing Wages in the Midwest**

While the three Midwestern states that adopted so-called “right-to-work” laws did have marginally better manufacturing employment growth, they did not experience faster wage growth in the manufacturing sector (Table 2). Among the five states, wages grew by an average of 2.8 percent annually, and \$6.88 per hour by the end of the decade for manufacturing workers in Wisconsin, which was the last Midwest state to adopt a RTW law. Manufacturing workers in Ohio experienced annual gains of 2.6 percent, or \$6.78 per hour, and those in Illinois saw gains of 2.4 percent (\$6.35 per hour). Meanwhile, their counterparts in Indiana saw much smaller gains of 1.7 percent and just \$4.35 per hour. Michigan also experienced slower

manufacturing wage growth than Ohio and Illinois. Overall, RTW was generally associated with slower manufacturing wage growth.

Table 2 also shows that the greatest across-the-board wage growth came in 2022. The post-pandemic period has been widely recognized as the first time in decades when the United States saw broad, significant, upward pressure on wage rates across sectors. This was triggered by the strong continuous demand for labor combined with an unprecedented constraint on the labor supply, due in part to the various economic effects of the pandemic and the governmental responses to it.

**Table 2: Average Hourly Earnings of Manufacturing Employees by State and 2012-2022 Growth**

State	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Growth
Indiana	\$23.86	\$24.03	\$24.65	\$24.84	\$25.39	\$26.10	\$26.95	\$26.53	\$26.61	\$26.25	\$28.21	<b>+\$4.35</b>
Change %		0.7%	2.6%	0.8%	2.2%	2.8%	3.3%	-1.6%	0.3%	-1.4%	7.5%	<b>+1.7%</b>
Illinois	\$24.11	\$24.41	\$24.83	\$25.39	\$25.63	\$25.48	\$26.29	\$27.52	\$28.40	\$29.22	\$30.46	<b>+\$6.35</b>
Change %		1.2%	1.7%	2.3%	0.9%	-0.6%	3.2%	4.7%	3.2%	2.9%	4.2%	<b>+2.4%</b>
Michigan	\$24.63	\$24.50	\$24.68	\$24.99	\$24.49	\$25.26	\$25.77	\$26.60	\$27.72	\$29.40	\$30.86	<b>+\$6.23</b>
Change %		-0.5%	0.7%	1.3%	-2.0%	3.1%	2.0%	3.2%	4.2%	6.1%	5.0%	<b>+2.3%</b>
Ohio	\$23.32	\$23.82	\$24.29	\$24.29	\$25.51	\$26.32	\$27.00	\$27.34	\$27.45	\$28.15	\$30.10	<b>+\$6.78</b>
Change %		2.1%	2.0%	0.0%	5.0%	3.2%	2.6%	1.3%	0.4%	2.6%	6.9%	<b>+2.6%</b>
Wisconsin	\$21.96	\$22.53	\$23.33	\$23.82	\$24.31	\$25.29	\$26.22	\$26.98	\$27.50	\$27.81	\$28.84	<b>+\$6.88</b>
Change %		2.6%	3.6%	2.1%	2.1%	4.0%	3.7%	2.9%	1.9%	1.1%	3.7%	<b>+2.8%</b>

Source: Author's analysis of *Current Employment Statistics* data on average hourly earnings of all employees in manufacturing (not seasonally adjusted) from the Bureau of Labor Statistics (BLS) at the U.S. Department of Labor using the "Employment, Hours, and Earnings - State and Metro Area" tool ([BLS, 2023](#)).

## **Manufacturing Output in the Midwest**

Gross Domestic Product (GDP), also known as economic output, is a way to measure the monetary or market value of all finished goods produced within a geographic area. Manufacturing output growth was similar across the five states (Table 3). The largest overall growth came in 2021 and 2022 due to the strong pandemic recovery and the restoration of normal supply chains after the sharp COVID-19 disruption. While Indiana did see a brief growth spurt following the passage of its RTW law in 2012, it was short lived. Ultimately, Indiana's manufacturing output has increased by an annualized average of 3.5 percent, which is the exact same as Ohio—a state that has continued to protect workers' rights. There has been no discernible impact of RTW laws on manufacturing activity.

**Table 3: Manufacturing Gross Domestic Product (GDP) (in Millions) by State and 2012-2022 Growth**

State	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Growth
Indiana	\$82,808	\$88,196	\$93,384	\$90,316	\$91,451	\$93,844	\$100,336	\$99,540	\$92,081	\$104,734	\$117,149	<b>+\$34,341</b>
Change %		6.5%	5.9%	-3.3%	1.3%	2.6%	6.9%	-0.8%	-7.5%	13.7%	11.9%	<b>+3.5%</b>
Illinois	\$103,715	\$97,489	\$101,148	\$101,265	\$98,887	\$102,139	\$111,449	\$111,315	\$102,947	\$114,729	\$133,532	<b>+\$29,817</b>
Change %		-6.0%	3.8%	0.1%	-2.3%	3.3%	9.1%	-0.1%	-7.5%	11.4%	16.4%	<b>+2.6%</b>
Michigan	\$78,324	\$84,477	\$86,233	\$91,426	\$93,839	\$95,192	\$96,893	\$95,979	\$90,670	\$101,339	\$112,129	<b>+\$33,805</b>
Change %		7.9%	2.1%	6.0%	2.6%	1.4%	1.8%	-0.9%	-5.5%	11.8%	10.6%	<b>+3.7%</b>
Ohio	\$92,058	\$94,546	\$105,143	\$104,039	\$102,828	\$106,337	\$108,970	\$110,589	\$102,613	\$114,756	\$129,435	<b>+\$37,377</b>
Change %		2.7%	11.2%	-1.0%	-1.2%	3.4%	2.5%	1.5%	-7.2%	11.8%	12.8%	<b>+3.5%</b>
Wisconsin	\$54,123	\$56,013	\$56,986	\$58,755	\$58,782	\$57,536	\$59,094	\$62,951	\$60,109	\$66,316	\$71,666	<b>+\$17,543</b>
Change %		3.5%	1.7%	3.1%	0.0%	-2.1%	2.7%	6.5%	-4.5%	10.3%	8.1%	<b>+2.8%</b>

Source: Author's analysis of "Annual GDP by State and Industry" data from archived Regional Accounts released by the U.S. Bureau of Economic Analysis (BEA) that were initially published in March 2023 ([BEA, 2023](#)).

## Manufacturing Worker Productivity in the Midwest

Importantly, with available data, changes in manufacturing worker productivity can be measured. By simply dividing the industry’s gross domestic product by its total employment, a value of GDP per manufacturing worker is illustrated. In all five states, annual output greatly exceeded \$100,000 per manufacturing worker over the entire decade (Table 4).

Illinois started and finished the decade with the most productive manufacturing workers. By 2022, Illinois’ manufacturing workforce produced over \$234,000 in annual economic output. The annualized rate of manufacturing worker productivity in Illinois was 2.8 percent over the decade, second only to Ohio’s 3.1 percent. Accordingly, the two states that protected workers’ rights to bargain collectively experienced faster productivity growth than their counterparts in states that adopted RTW laws. Manufacturing worker productivity only increased by 2.3 percent annualized in each of Indiana, Michigan, and Wisconsin. This means that while manufacturing employment did grow slightly faster in Indiana, Michigan, and Wisconsin than it did in Ohio and Illinois, that may have simply been because manufacturers in Ohio and Illinois did not *need* to hire additional workers due to the higher—and rising—productivity of their respective workforces.

**Table 4: Productivity, or Annual GDP Per Manufacturing Worker, by State and 2012-2022 Growth**

State	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Growth
Indiana	\$172,122	\$179,615	\$184,368	\$174,333	\$174,680	\$176,412	\$184,968	\$183,996	\$182,495	\$199,665	\$216,262	<b>+\$44,140</b>
Change %		4.4%	2.6%	-5.4%	0.2%	1.0%	4.8%	-0.5%	-0.8%	9.4%	8.3%	<b>+2.3%</b>
Illinois	\$177,539	\$167,928	\$174,021	\$173,664	\$171,644	\$177,020	\$189,541	\$189,664	\$185,035	\$206,545	\$234,283	<b>+\$56,745</b>
Change %		-5.4%	3.6%	-0.2%	-1.2%	3.1%	7.1%	0.1%	-2.4%	11.6%	13.4%	<b>+2.8%</b>
Michigan	\$147,632	\$153,940	\$150,013	\$154,488	\$154,912	\$154,505	\$154,142	\$153,253	\$162,853	\$173,551	\$185,938	<b>+\$38,306</b>
Change %		4.3%	-2.6%	3.0%	0.3%	-0.3%	-0.2%	-0.6%	6.3%	6.6%	7.1%	<b>+2.3%</b>
Ohio	\$140,104	\$142,461	\$155,626	\$151,322	\$149,782	\$154,696	\$155,928	\$157,811	\$157,125	\$172,419	\$189,486	<b>+\$49,382</b>
Change %		1.7%	9.2%	-2.8%	-1.0%	3.3%	0.8%	1.2%	-0.4%	9.7%	9.9%	<b>+3.1%</b>
Wisconsin	\$118,093	\$121,726	\$121,932	\$125,002	\$125,681	\$122,288	\$123,229	\$130,238	\$130,923	\$141,864	\$148,939	<b>+\$30,846</b>
Change %		3.1%	0.2%	2.5%	0.5%	-2.7%	0.8%	5.7%	0.5%	8.4%	5.0%	<b>+2.3%</b>

Source: Author’s analysis of “Annual GDP by State and Industry” data from archived Regional Accounts released by the U.S. Bureau of Economic Analysis (BEA) that were initially published in March 2023 ([BEA, 2023](#)) and *Current Employment Statistics* data on manufacturing employees (seasonally adjusted) from the Bureau of Labor Statistics (BLS) at the U.S. Department of Labor using the “Employment, Hours, and Earnings - State and Metro Area” tool ([BLS, 2023](#)).

## Conclusion

Those who advocate for RTW laws claim they are a key factor in attracting new private investment and more jobs, but the amassed knowledge base refutes that claim. In addition, decades of surveys of corporate executives further confirms that RTW has never been a significant factor in business location decisions. The data on the manufacturing sectors of Indiana and other Midwest states that adopted RTW laws shows that wages have generally grown slower and worker productivity has fallen behind, leading to no discernible impact of RTW on overall manufacturing output. The evidence shows that the only effects of passing a state RTW law that can be empirically proven are lower wages, less health insurance, less retirement security, and more workplace injuries for all workers—not just union members ([Manzo & Bruno, 2021](#)).

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