The Negative Impacts of “Right-to-Work” Laws

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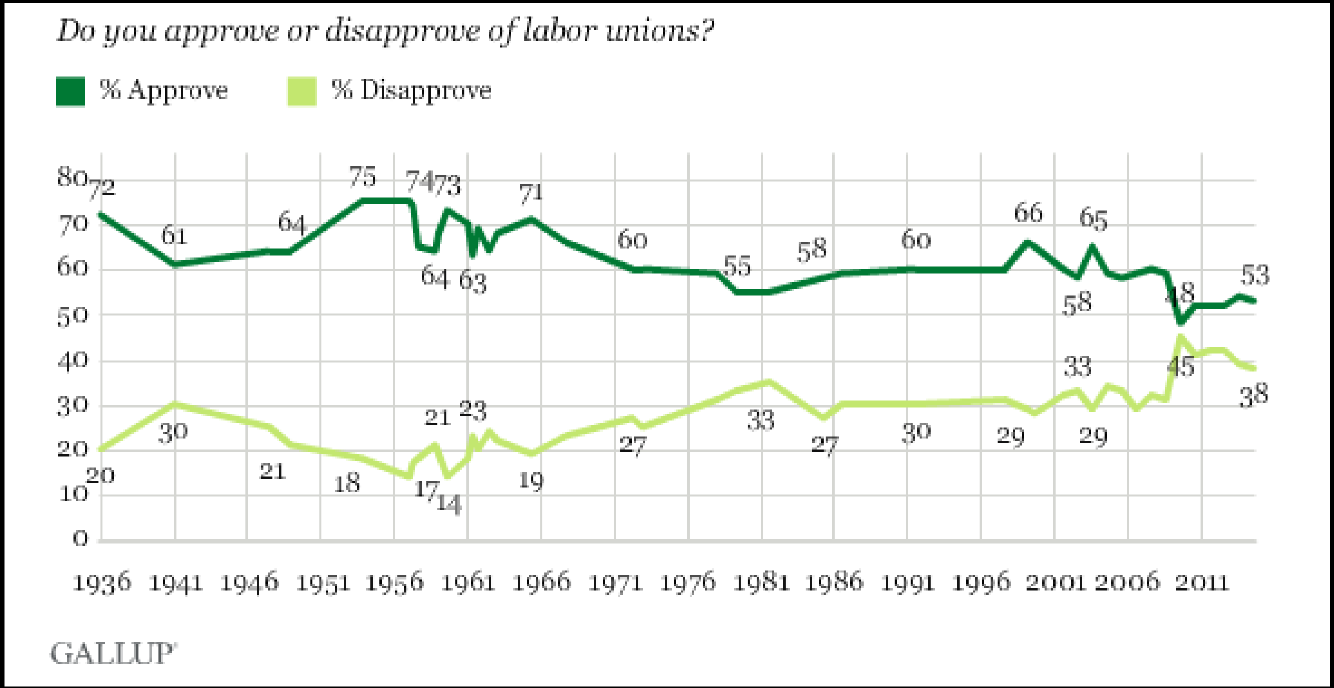
Itinerary

1. Brief Background
2. Key Points
3. Predicted Impact on Illinois if Adopted
4. Conclusion

Brief Background Information

- In 1947, Congress passed the Labor Management Relations Act (a.k.a., Taft-Hartley) which permitted state “right-to-work” laws, among other changes that weakened unions.
- Right-to-work laws are a misnomer. It is actually a government *regulation* forbidding private parties from entering into a specific kind of contract: one with “fair share” language.
- Workers can already opt out of paying political and other nonbargaining dues or fees to their unions, if they object.
- Right-to-work laws create a “free rider” problem.
- Today, 25 states have “right-to-work” laws.

National Polling Data



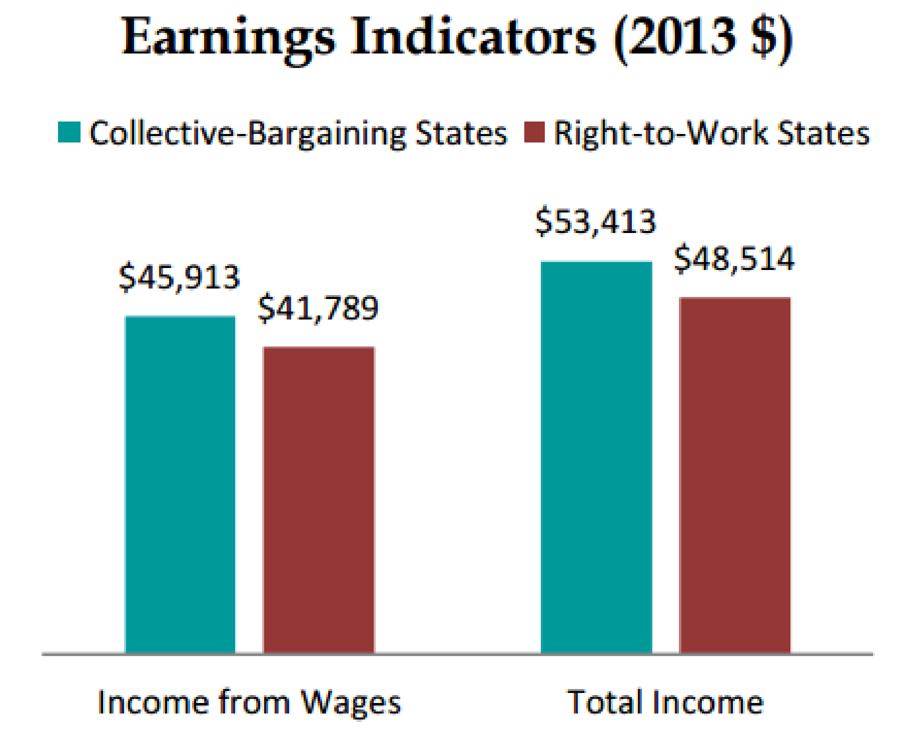
The majority of Americans approve of labor unions and have since the question was first asked.

Key Points

1. Right-to-work laws lower worker earnings
2. Right-to-work laws have no impact on job growth or business growth
3. Right-to-work laws significantly reduce unionization
4. Right-to-work laws have negative impacts on the public budget
5. Right-to-work laws hurt the construction industry most

“Right-to-Work” laws lower worker earnings

Workers Earn More in Collective-Bargaining States



Right-to-Work Pushes Wages Downward

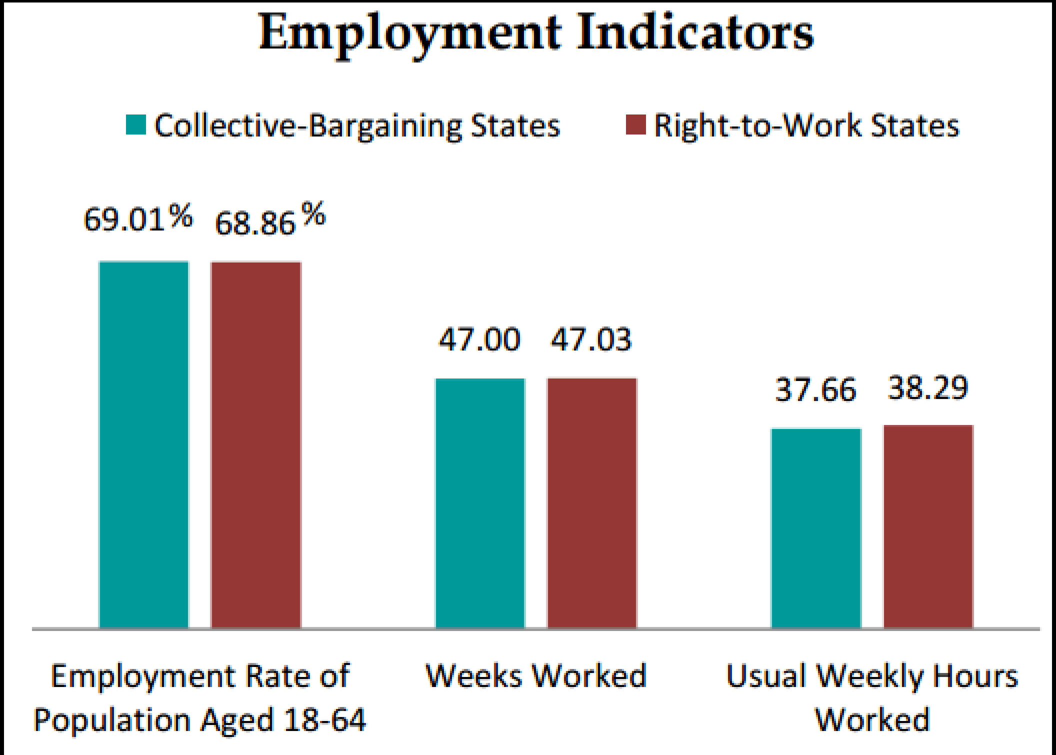
- Economic research generally finds that right-to-work lowers worker incomes by **2% to 6%**.
  - Stevans (2009): **2.3%** drop in worker income
  - Bruno and Manzo (2014): **3.2%** drop in wage and salary income
  - Gould and Kimball (2015): **4.1%** drop in average hourly wage
- Right-to-work reduces the wages of *nonunion* workers by 3% as well.

Right-to-Work Reduces Worker Benefits

- Right-to-work lowers employer-sponsored health insurance benefits by 3%
- Right-to-work lowers the share of workers with a pension plan at work by 3 percentage points
- Educational assistance paid to workers is 34% lower in right-to-work states
- Right-to-work quiets the voice of workers in a workplace

Right-to-Work laws have no apparent employment impact

CB Employment vs. RTW Employment



- *Employment rate*?
  No Difference
- *Weeks worked per year*?
  No Difference
- *Hours worked per week*?
  No Difference

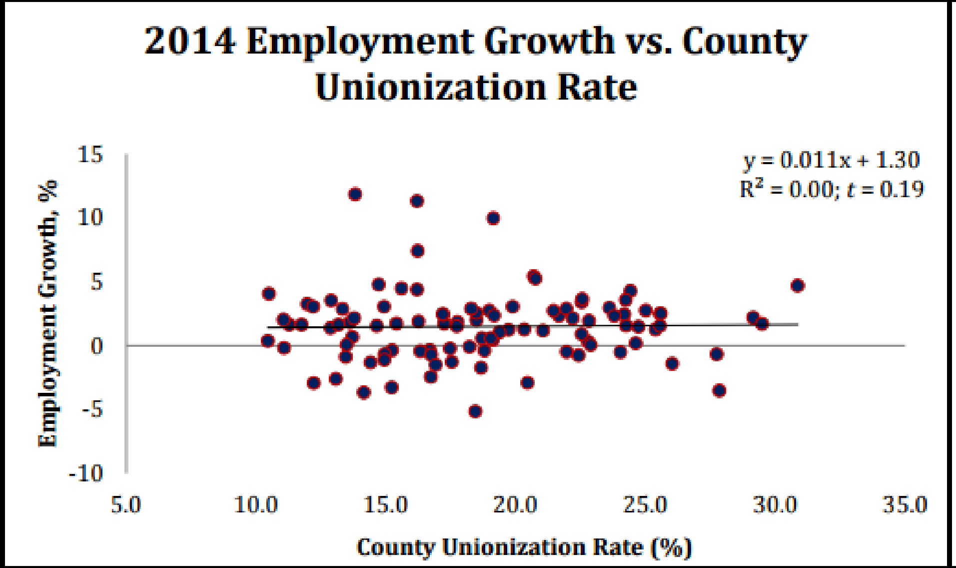
Employment Effects

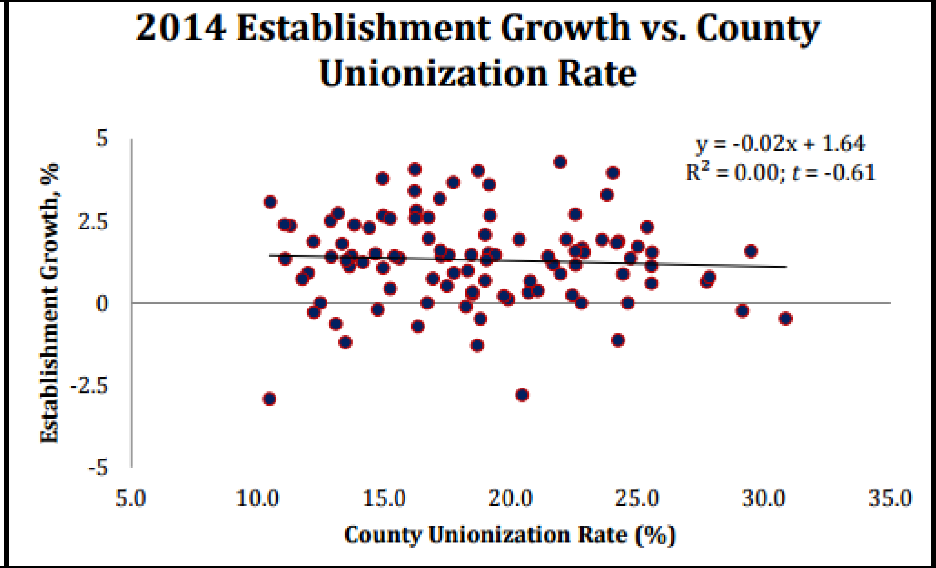
"In assessing the potential effects of expanding RTW, existing empirical research is inconclusive. … [E]ven the most sophisticated studies are unable to fully isolate the effects of varied union security policies."

–Congressional Budget Office (2012)

- The impact of right-to-work on employment growth ranges from -1% to +1%
- Manzo and Bruno: Generally assume a +0.4% increase in employment
  - Higher employment is not necessarily a good thing: when families earn less due to RTW, stay-at-home parents or teenagers may be forced to find a job, or the head of household may have to pick up a 2nd job or shift. Is that ideal?
  - The impact of right-to-work is often found to diminish over time.

Higher Unionization Has No Impact on Business Growth (2014 Illinois Data)





- *Employment Growth*? No Relationship
- *Business Growth*? No Relationship

Right-to-Work Laws Significantly Reduce Unionization

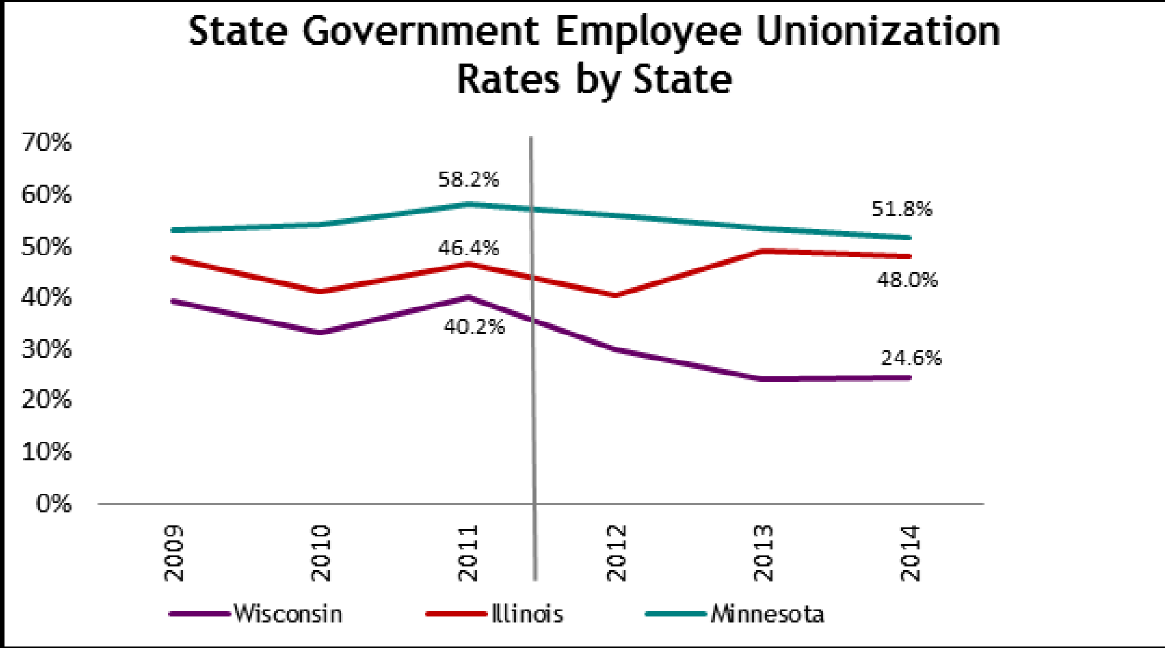
Right-to-Work and Unionization

- Economic research is unanimous: Right-to-work reduce union membership.
  - Moore (1980): 5 to 8 percentage point drop
  - Hogler, Shulman and Weiler (2004): 8.8 percentage point drop
  - Bruno and Manzo (2014): 9.6 percentage point drop

- 2014 Illinois unionization rate: 15.1%
  - If RTW enacted, membership would essentially be cut in half over time.

“Right-to-Work” for Government Workers

- The impact on unionization is even more negative for government workers when collective bargining rights are stripped.



Right-to-Work laws have negative impacts on the public budget

Right-to-Work Increases Inequality

- One researcher found that right-to-work reduces employee income by 2.3% but increases proprietor income by 1.9%, indicating a redistribution from workers to owners.

- Wealth shares of state economies…

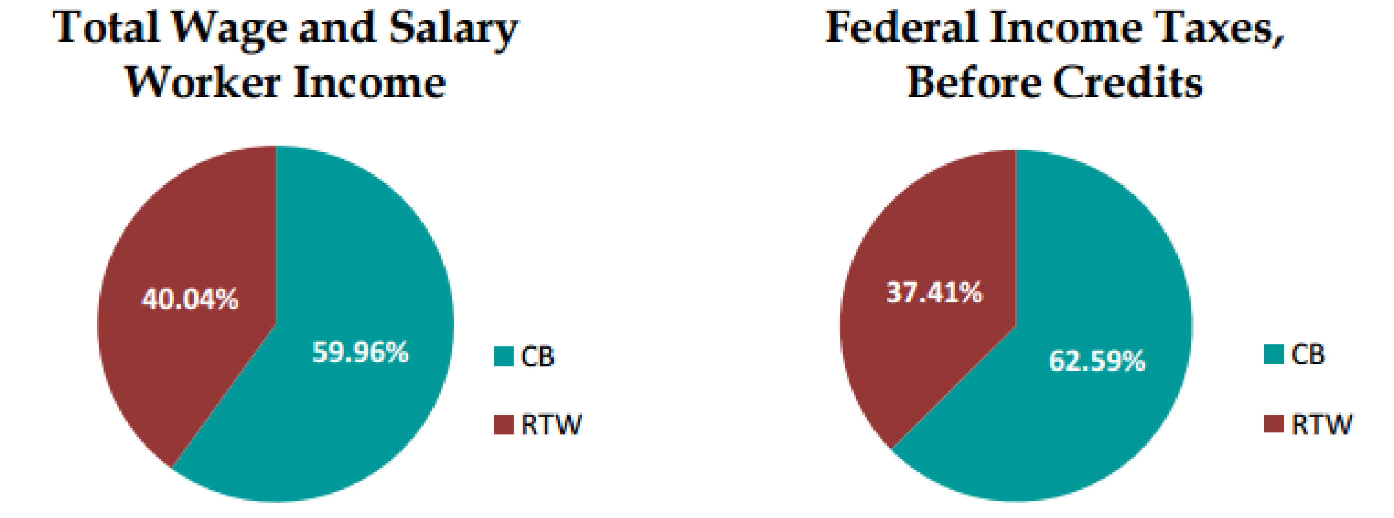
-Collective-bargaining states:	54% labor, 39% capital, 7% other
-Right-to-work states:	51% labor, 42% capital, 7% other

- Under right-to-work, good middle class (often union) jobs are lost, replaced by low-wage jobs without benefits. This increases the likelihood that a worker will end up relying on government assistance programs.

- Meanwhile, the rich get a little richer.

Fall in Wages = Fall in Tax Revenues

- Workers earn less, so they *contribute* less in income tax and sales tax revenues.



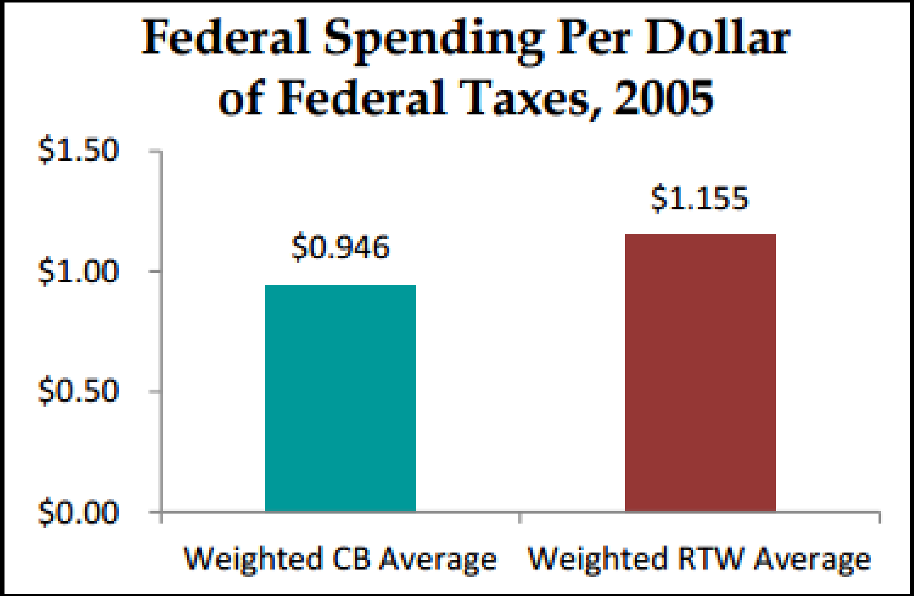
- Over billions of tax dollars, this difference becomes huge.

Fall in Wages = Rise in *Working* Poverty

- Workers earn less, so they *receive* more from government assistance programs.

- CB states vs. RTW states…
  - Workers receiving food stamps: 6% vs. 7%
  - Workers without health insurance: 16% vs. 21%
  - Workers without a pension plan: 49% vs. 52%
  - Average federal tax credit: $669 vs. $782

Fall in Tax Revenues + Rise in Poverty = Increased Strain on Public Budgets



- Illinois receives $0.75 back from the federal government per dollar.
- Workers in collective-bargaining states are subsidizing the low-wage model of employment in right-to-work states.

Right-to-work laws hurt the construction industry most

Consequences for Construction

- Construction worker earnings: -22%
- Income inequality in the industry: Between +2% and +8%
- Fatality rate in the industry: +0.7 per 100 workers

"[R]ight to work in Wisconsin will result in more of our friends, neighbors, and families being hurt and killed. It is as simple as that."

-Testimony of Will Kramer, safety consultant

Predicted impacts of right-to-work on the Illinois economy, if adopted

Illinois vs. Indiana

First, let's compare Illinois to Indiana:

Labor Market Outcome	Illinois	Indiana
Average Hourly Wage (Dec. 2014)	$25.60	$22.70
Wage Growth (Dec. 2013 to Dec. 2014)	+$0.56	+$0.26
Unemployment Rate (Jan. 2015)	6.1%	6.0%
Employment Growth (2013 to 2014)	+103,000	+89,000
Government Share of All Jobs (Dec. 2014)	13.6%	14.0%
Non-fatal Injury and Illness Rate (2013)	3.5	3.8
Union Coverage Rate (2014)	16.0%	12.0%

Illinois…

-wages:	higher
-wage growth:	higher
-unemployment:	the same
-job growth:	higher
-injury rates:	lower
-union coverage:	higher

-December 2014 unemployment rate in **Illinois** counties that border Indiana: 5.7%

-December 2014 unemployment rate in **Indiana** counties that border Illinois: 7.6%

Statewide Right-to-Work Law

- Worker earnings would fall by between 5% and 7%
- The unionization rate would decline to between 5% and 13%.
- The benefits packages offered to construction workers would decline by $4,100 annually and 11 more construction workers would lose their lives due to a work-related injury *every year*.
- Racial and gender inequality would both increase.
- State income tax revenues would decline by between $75 million and $355 million annually.

Local Right-to-Work Zones

If 51 of Illinois' counties randomly adopted right-to-work ordinances (excluding Cook County):

- Labor income would fall by $1.3 billion
- Illinois GDP would shrink by $1.5 billion
- State and local tax revenues would be reduced by $80 million.
- Labor unions would experience a loss of 200,000 members.

Right-to-Work is the Wrong Choice

We have a choice:

- Good jobs vs. bad jobs
- Stronger economies vs. weakened states and cities
- Middle-class society vs. polarized incomes rewarding the wealthy

In Conclusion:

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Resources

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