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research

“Right to Work” Laws

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WAGE REDUCTION—NOT JOB CREATION

Summary

In the last year, the Saskatchewan Party, the Ontario Progressive Conservatives and the Wild Rose Alliance in Alberta have proposed adopting U.S.-style “Right to Work” laws. These laws are intended to make it harder for workers to organize and bargain collectively. In the United States, those who have seen how they work call them “Right to Work for less” laws.

In spite of all the rhetoric from supporters, there is no credible evidence to support claims that Right to Work laws create jobs. There are a large number of factors that affect economic performance, ranging from workforce training to public services to infrastructure to the development of natural resources. Based on the studies that try to separate the impact of Right to Work laws from other factors, these laws do not increase economic growth.

What Right to Work laws do is reduce wages, pensions and benefits. This is the real motivation behind the push for these laws.

What are Right to Work laws

Contrary to what the name suggests, Right to Work laws have nothing to do with the right to paid employment. Instead, these laws allow people to receive all the benefits of belonging to a union without having to pay for it. In other words, it legalizes freeloading.

The majority of labour laws in Canada already allow individuals to make a choice about union membership. Individuals can choose to opt out of being a member of a union, despite the fact that the democratic decision to form a union was made by the majority of their co-workers. But non-members can't choose to "freeload" on the benefits they receive from having a union in the workplace. They must pay their union dues or pay an equivalent amount to a charity if they can prove a valid objection to paying union dues based on religious grounds.

Unions in Canada have generally accepted this compromise as a way to protect democratic decision making and individual choice about union membership, while ensuring that all workers pay their fair share for the benefits gained through collective bargaining and union representation. Right to Work laws destroy this compromise by giving most of the power to a minority of individuals who want all the benefits of union membership but don't want to pay any union dues.

In most of the United States, people represented by a union only have to pay dues if it is required under the collective agreement. Without a requirement in the collective agreement that everyone who benefits from it pay union dues, individuals are allowed to refuse to pay dues. Right to Work laws make it illegal to include provisions requiring everyone to pay dues in a collective agreement. Under Right to Work, a collective agreement that requires everyone benefiting from it to pay dues is invalid.

Right to Work laws allow people to get all the benefits of the collective agreement, get representation from the union when they have problems with the employer, but not pay a cent towards the

cost. By allowing this kind of freeloading, Right to Work laws undermine worker solidarity, make it harder for unions to effectively represent their members, and drive down wages and benefits for all workers.

Under Right to Work laws, the democratic choice of the majority of workers to form a union is undermined as union members are forced to pay for union representation for a minority of freeloading co-workers. In turn, freeloading weakens the bargaining strength of union members and this can lead to decertification campaigns. With the loss of collective bargaining and union representation, employers are able to drive down wages and benefits for all workers. This is the real goal of Right to Work laws.

Who's pushing Right to Work laws

Behind the push to adopt Right to Work laws are corporations hoping to increase their profits. Corporations and their so-called "think tanks" have been lobbying for Right to Work laws in both Canada and the United States. The push to adopt these laws in Northern U.S. states has come from Republicans associated with the Tea Party. In the last year, the Saskatchewan Party, the Ontario Progressive Conservatives and the Wild Rose Alliance in Alberta have proposed adopting Right to Work laws.

A recent *Globe and Mail* article revealed that corporations have been using closed-door meetings to lobby the federal government to adopt Right to Work laws and lower wages for the average worker.

As Finance Minister Jim Flaherty goes behind closed doors for his sixth annual summer policy retreat, government documents obtained by The Globe and Mail reveal what gets discussed at these candid off-the-record confabs.

The Corporate CEOs meeting with the Finance Minister include people whose earnings are in the millions, but according to the *Globe and Mail* article on their meetings with Flaherty, it's the average worker whose pay they want cut.

Labour issues surface in several discussion categories, with the general view that Canadian workers are over-priced. "Need to address wage differentials in labor market among countries; we are losing jobs to other countries," the memo reads. "Right to Work laws legislation should be pondered as it creates inequities in productivity; US example was provided."

In the United States, about two dozen state governments have passed right-to-work legislation, which allows workers to opt out of paying union dues. Critics call the measures a form of union busting.

The memo indicates calls were made for junior public servants to be paid less. "Reduce public service wages (not in higher ranks, but those in the lower ranks such as administrative and clerical staff as they earn more than their private-sector counterparts) and reduce the overall size of the public service."

Right to Work laws proponents careless with the facts

The arguments used by politicians and lobbyists supporting Right to Work laws don't stand up to scrutiny. They give the impression these laws are a magic bullet that will guarantee economic growth.

In fact, some of the states with the highest unemployment in the US have Right to Work laws. In June, 2012 for example, half of the states with the 10 highest unemployment rates had Right to Work laws.¹ Other states have lost jobs after adopting these laws.

Oklahoma lost manufacturing jobs after adopting Right to Work laws

Manufacturing job losses in Oklahoma high-light the gap between claims and reality. Since adopting Right to Work laws in 2001, Oklahoma has lost 23.6% of its manufacturing jobs. The number of manufacturing jobs dropped from 178,800 in 2001 to 136,600 in 2012.^{2 3}

A comparison of the economic performance of Oklahoma and neighbouring states found Right to Work laws had no effect on employment. Employment growth in Oklahoma improved and got worse at the same time as most neighbouring states, regardless of whether they were Right to Work or free bargaining (states without the restrictions on collective bargaining imposed by Right to Work laws). The one exception, which experienced faster growth, was a free bargaining state.⁴

This is the reverse of what was happening in Oklahoma before it adopted Right to Work laws.⁵ It is also the complete opposite of what Right to Work laws advocates claim is supposed to happen.

Other than Indiana, which adopted Right to Work laws this year, Oklahoma is the most recent state to adopt these laws. Because it is the only other state to adopt Right to Work laws after NAFTA took effect, it's been argued Oklahoma provides the best indication of the impact these laws will have.

Studies claiming Right to Work laws create jobs missing key information

The problem with studies claiming to show that Right to Work laws create employment is they ignore other factors that influence economic development. These factors include how much is spent on public services like education or infrastructure as well as things that have little to do with government policies or labour laws.

For example, the presence of natural resources or technological developments both have a considerable impact on economic development. Recent low unemployment rates in North Dakota are linked to the oil industry rather than Right to Work laws. This is similar to Canada where areas with significant oil and gas resources have had lower unemployment in the last few years.

Because many Right to Work laws states are in the U.S. Sunbelt, the increase in the use of air conditioning since 1950 had a large economic impact. Without air conditioning, it would be very difficult to maintain productivity during the summer in a factory in Georgia or Texas. Nor would retirees have been willing to spend the entire year in Florida or Arizona. One historian has described air conditioning as, “essential to the development of the Sun Belt.”⁶ But in spite of the fact the use of air conditioning became widespread at the same time Right to Work laws were first adopted, it’s role in economic growth gets little attention from those pushing for these laws.

Government funding for things like skills training, transportation and communications infrastructure, and subsidies for business also have a huge effect on economic growth. Yet most surveys used by Right to Work laws proponents ignore the impact of things like increased education funding or the Interstate system.

Studies that separated the impact of Right to Work laws from other factors found no economic benefit

The studies on the effect of Right to Work laws on job creation which do account for other economic factors have found no link between these laws and job creation.^{7 8}

Often information used by Right to Work laws advocates is misleading and taken out of context. During the debate in Indiana on Right to Work laws the National Right to Work Committee produced a presentation quoting from a study by a site location firm called Fantus. What wasn’t mentioned is that the study was from 1975 and more recent data contradicted the findings of the study.⁹

While a 1998 study by Thomas Holmes is often quoted by Right to Work laws proponents, the author of the study didn't feel it proved Right to Work laws attracts jobs. In an article on his study he said, "The results do not say that it is right-to-work laws that matter, but rather that the 'pro-business package' offered by right-to-work states seems to matter."¹⁰

Right to Work laws reduce wages, pensions and benefits

What Right to Work laws have been shown to do is reduce salaries and wages. Studies show wages are lower and fewer people have pensions or benefits in Right to Work states.^{11 12} When there is no change in per capita income, it is because business owners are making more, while people earning wages or salaries are making less.

A 2011 study found wages in Right to Work states were an average of \$1,500/year lower than in free bargaining states, there were 2.6% fewer employer-sponsored health insurance plans, and 4.8% fewer pension plans.¹³ This contributes to squeezing of the middle class and greater poverty.

The loss of these wages hurts families and communities. It's estimated that for every \$1 million drop in wages, spending in the community drops by \$850,000 and jobs in the retail and services sector are lost.¹⁴

Adopting Right to Work laws: Part of the race to the bottom

It is not a surprise that Right to Work laws drive down earnings. It is part of a package of policies intended to attract businesses by providing cheap labour, cheap land and low taxes. The problem with this approach is that, even with Right to Work laws, states can't match labour costs overseas. Many plants that shifted to Right to Work states to take advantage of low wages have since moved overseas.

While Right to Work laws supporters claim that rising labour costs in China will bring jobs back to Canada and the U.S., those jobs are more likely to move to other countries where labour costs are even lower. Right to Work states are still losing jobs as plants move to other countries. Whether it's an electronics plant closing in North Carolina as production shifts to Mexico or a plastic resin plant in Texas closing because its owners have out-sourced to Saudi Arabia, Right to Work states are losing jobs to places where employers can get away with paying employees even less.^{15 16}

In addition, Right to Work laws and other "pro-business" measures make it harder to fund public services like health care, education and infrastructure – programs which can actually attract private sector investment and jobs. Lower salaries and wages mean governments receive less in tax revenues. At the same time, the giveaways to corporations that go with Right to Work laws, like financial subsidies and tax breaks, also reduce government revenues. The results are reflected in the fact that 18 of the 20 worst American states for per student education funding are Right to Work.¹⁷ This undermines the competitive advantages Canada and the United States have.

What the debate on Right to Work laws is really about is whether or not we want to be part of a race to the bottom. Eight of the 10 poorest American states have Right to Work laws.¹⁸ Looking at the default rates for loans, eight of the 10 highest default rates for both automobile loans and credits cards are in Right to Work states.¹⁹

Unions exist because workers choose to belong to them

Unions exist because a majority of people in a workplace make a democratic choice to join a union. Right to Work laws supporters who talk about workers having a choice are deliberately ignoring this fact.

In reality, it's Right to Work laws that are anti-democratic because it allows a small group to undermine the democratic choice made by the majority of workers in a workplace. Providing a real choice for workers is when you allow people to choose whether or not they want their workplace to be unionized without interference from governments or employers. When workers are able to make that decision free from interference and intimidation, the majority of workers will choose to be part of a union.²⁰

Right to Work laws proponents also conveniently ignore the fact that individuals in unionized workplaces in Canada can already choose to not belong to the union. However, while they can opt out of being a member of the union, they can't opt out of paying union dues when they are receiving the benefits of collective bargaining. Allowing people to get the benefits of collective bargaining without paying union dues, as Right to Work laws do, isn't providing workers with "choice," it's permitting a minority of workers to freeload off the majority.

Workers freeloading off workers and the resentment it creates is exactly what corporations want. They want to divide workers, and pit worker against worker. By doing that, they can drive down wages and benefits for all workers.

Strategies to fight back

To fight Right to Work laws effectively the labour movement must continue the Canadian tradition of social unionism by campaigning against income inequality and for labour rights for all.

Campaigning against income inequality reminds people that it's unions, not management, that are on their side. Whether it's the 40 hour week, parental leave or most social programs, it was the union movement that led the fight for measures that have improved the quality of life of all Canadians.

The labour movement can effectively fight against the introduction of Right to Work laws by mobilizing people around an alternative program that will improve quality of life for everyone by focusing on:

- Quality public services that meet the needs of all citizens and enhance our values of equality, opportunity, justice and fairness;
- Tax Fairness which collects more from those who can afford to pay more and raises adequate revenue to provide the quality public services people want and need;
- A modern industrial strategy which supports a value-added and sustainable economy which has people and nature at the centre; and,
- Recognition that labour rights are human rights and are critical to achieving higher levels of economic equality and social rights for all citizens.

The labour movement must also work to make sure labour legislation is based on the following principles:

- * The right of all workers to belong to a union;
- * The right of all workers to engage in collective bargaining;
- * The right of all workers to engage in strike action; and,
- * A certification process that recognizes a union once a majority of workers decide to join and outlaws all forms of employer interference.

FOR MORE INFORMATION

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All Together Now!

alltogethernow.nupge.ca

Canadian Foundation
for Labour Rights

labourrights.ca

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