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What 'Right to Work' Means for Indiana's Workers: A Pay Cut

Gordon Lafer | January 11, 2012

For the past year, public employees around the country have been under attack. With collective bargaining cast as a fiscal issue, private sector workers are encouraged to vent their economic frustrations at lazy government clerks living high on the hog off others' hard-earned tax dollars. "We can no longer live in a society," Scott Walker, then governor-elect of Wisconsin, argued, "where the public employees are the haves and taxpayers who foot the bills are the have-nots."

But it turns out that the same forces that bankrolled the attack on public employees have also been advancing an agenda to eliminate unions for private sector workers.

Twenty-two states, predominantly in the old Confederacy, already have "right to work" laws—mostly dating from the McCarthy era. "Right to work" (RTW) does not guarantee anyone a job. Rather, it makes it illegal for unions to require that each employee who benefits from the terms of a contract pay his or her share of the costs of administering it. By making it harder for workers' organizations to sustain themselves financially, RTW aims to undermine unions' bargaining strength and eventually render them extinct.

With the Republican sweep of state legislatures in 2010, a coalition of corporate lobbies, right-wing ideologues and Republican operatives seized the moment to reach their long-sought goal of extending RTW into traditionally union-friendly parts of the country.

In 2011 RTW was promoted in eighteen states but adopted in none. As the new year gets under way, national attention has focused on Indiana as the best hope of antiunion lobbyists. Republicans have comfortable majorities in both houses of the Indiana legislature, and Governor Mitch Daniels is eager to sign a RTW bill. In March 2011 Democrats defeated RTW by fleeing the state—spending five weeks holed up in an Illinois hotel to prevent a legislative quorum. They returned only after Republicans promised that RTW would not be reintroduced in 2011.

As soon as the calendar turned over, the fight began anew, with the Republican leadership and the Chamber of Commerce declaring RTW a top priority. This time, Republicans have an added advantage. After the Democrats returned from Illinois, Republicans passed a law mandating fines of up to $1,000 a day for any legislator who skips town to prevent a quorum—and insisting that fines be paid by the legislators themselves. So far, the Democrats are bucking the pressure: on January 10 they walked out in protest once again. But with some representatives in danger of losing their homes, it's unclear how long they will be able to hold out.

We live in an Orwellian time, and it's not surprising that RTW is presented as a job-creation strategy. In Indiana, the bill's prime sponsor insists that "we need to become a right-to-work state to help out those workers who are unemployed."

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Like most business initiatives that purport to help the little people, this one starts with cutting workers' wages. RTW is supposed to be a tool for luring manufacturers from one state to another. As the Chamber of Commerce explains, "unionization increases labor costs," and therefore "makes a given location a less attractive place to invest new capital." By giving up unions and lowering wages, workers increase their desirability in the eyes of manufacturers. This is the corporate lobby's idea of economic policy: have people in every state compete for the lowest wages and crappiest benefits. Some location will inevitably win out, but in the end everyone's wages will be lower and the number of jobs in the country will be exactly the same as before. If you wonder how income inequality got so extreme, look no further.

But even as a policy of "immiseration makes growth," it doesn't work. According to statistical studies (which I compiled in a paper for the Economic Policy Institute titled "Does 'Right-to-Work' Create Jobs?"), the impact of RTW laws is to lower average income by about $1,500 a year and to decrease the odds of getting health insurance or a pension through your job—for both union and nonunion workers. But while RTW succeeds in cutting wages, it fails to boost job growth.

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To a large extent, globalization has rendered RTW impotent. It may be that companies in the 1970s or '80s moved to RTW states in search of lower wages. But in the globalized economy, companies looking for cheap labor are overwhelmingly looking to China or Mexico, not South Carolina.

In this sense, the most important case study for any state considering RTW in 2012 is that of Oklahoma, the only state to have newly adopted RTW in the post-NAFTA era.

When Oklahoma was debating RTW in 2001, supporters made all the same claims now being voiced in Indiana. Oklahomans were told that RTW was the key to expanding their manufacturing base. Most important, a series of corporate location consultants reported that Oklahoma was being "redlined" because of its labor law.

"When companies start looking for a relocation site," one consultant told legislators, "the second most important criteria they list is whether a state is a right-to-work state…. If the answer is no, then they won't even consider that state. This means that you are cut off from 90 percent of the relocating companies.” If Oklahoma adopted RTW, this consultant promised, the state would see “eight to ten times as many prospects.”

This rhetoric is being repeated, almost word for word, in Indiana. Governor Daniels claims that without RTW, Indiana is driving away one-third of all potential new employers. Yet neither in Oklahoma nor in Indiana has there ever been any data presented to substantiate such claims. No list of companies that went elsewhere because of labor law. No survey of businesses identifying RTW as a central concern.

The record shows that every one of these claims has proven false. In the ten years since Oklahoma adopted RTW, the number of manufacturing jobs in the state has fallen by about one-third. The average number of new companies coming into the state has been one-third lower in the decade since RTW was adopted than in the preceding decade. And Oklahoma’s unemployment rate in 2010 was double what it was when RTW was adopted.

RTW was not the cause of this job loss—it was simply irrelevant in the face of broader economic forces. Oklahoma has lost tens of thousands of jobs to cheaper labor overseas, prompting the mayor of Oklahoma City to complain in 2006 that “we’re getting hit in the manufacturing sector over and over again.” That year, General Motors closed its Oklahoma City plant—laying off 2,400 employees—as production was shifted to Mexico.

Surveys of manufacturers confirm that RTW is not a significant draw; in 2010 manufacturers ranked it sixteenth among factors affecting location decisions. For higher-tech, higher-wage employers, nine of the ten most-favored states are non-RTW, led by archliberal Massachusetts.

When confronted with the facts of RTW’s economic failure, supporters fall back on an insistence that, economics aside, this is about freedom. “Being forced to pay union dues as a condition of employment,” a website of the right-wing Americans for Tax Reform argues, “is antithetical to worker freedom.” But the corporate lobby’s concern for workers’ rights appears to start and end with RTW. When Oregon adopted a law protecting employees from being forced to attend partisan religious, political or antiunion meetings as a condition of employment, the Chamber of Commerce sued to block it from taking effect. The Koch brothers famously forced their own employees to sit through one-sided political indoctrination sessions as a condition of employment [see Mark Ames and Mike Elk, “Big Brothers: Thought Control at Koch,” April 20, 2011]. Yet another example involves the Chamber’s response when twenty-nine coal miners lost their lives at a nonunion mine, and their families told Congress that their loved ones had worried about their safety but feared they’d be fired if they complained. Congress proposed new whistleblower rights guaranteeing that miners could voice safety concerns without fear of reprisal; the Chamber of Commerce vigorously opposed the bill, and it died on the floor of the House. The Chamber, it seems, does not believe in a right to work free of unwanted political indoctrination—or even free of fear for one’s life; the only right it’s interested in is the right to withdraw support from independent workers’ organizations.

Indeed, the Chamber itself refuses to live by the rules it seeks to impose on unions. Unions are required by federal law to provide equal services to every employee, including those who pay no dues. On average, someone who belongs to a union makes 15 percent higher wages than a nonunion member in the same industry with the same level of education. But those who refuse to pay dues never volunteer to reduce their wages to nonunion scale. Furthermore, when non-dues-paying employees have a complaint at work, the union is required to provide them with full legal representation at no charge. The Chamber, by contrast, restricts many of its services to dues-paying members. Indeed, when one union employer—perhaps unhappy with the Chamber's political agenda—asked if it could remain a member of the local Chamber without paying dues, it was rebuffed in no uncertain terms. "It would be against Chamber by-laws and policy to consider any organization or business a member without dues being paid," explained the Owensboro, Kentucky, Chamber. "The vast majority of the Chamber's annual revenues come from member dues, and it would be unfair to the other…members to allow an organization not paying dues to be included in member benefits."

The Chamber's dues requirement makes sense. Without it, the organization would quickly go out of existence. That, of course, is exactly the Chamber's agenda for unions.

Fifty years ago, Martin Luther King Jr. warned against "false slogans such as 'right to work' [whose] purpose is to destroy labor unions and the freedom of collective bargaining by which unions have improved wages and working conditions of everyone." That fight is on—in Indiana and, if the business lobby gets its way, anyplace where working people have the hubris to think they should be able to bargain with their employers.