Commentary | Labor Policy

What ‘right-to-work’ means for Indiana’s workers: A pay cut

By **Gordon Lafer** | January 12, 2012

***This commentary first appeared in** The Nation*

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 fulfill their long-sought goal of extending RTW into traditionally union-friendly parts of the country.

In 2011, RTW was promoted in a dozen states, but adopted in none. As the new year gets underway, national attention has focused on Indiana as the best hope of anti-union 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 both 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 can only be paid by the legislators themselves. So far, the Democrats are bucking the pressure: On January 10, 2012, 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 unsurprising 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."

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 their wages, workers increase their desirability in the eyes of manufacturers. This is the corporate lobbies' 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 the exact 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 pension through your job—for both union and non-union workers. But while RTW succeeds in cutting wages, it fails to boost job growth.

To a large extent, globalization has rendered RTW impotent. It may be that companies in the 1970s or 1980s 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 importantly, 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 10 times as many prospects."

This rhetoric is now 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 who went elsewhere because of labor law. No survey of businesses identifying RTW as a central concern.

The record shows that every single 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 one-third. The number of companies coming into the state—supposed to increase by "eight to ten times"—has decreased by 30 percent. 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 actual manufacturers confirm that RTW is not a significant draw; last year, small 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 arch-liberal 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 Koch-backed website argues, "is antithetical to worker freedom." But the corporate lobbies' 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 anti-union meetings as a condition of employment, the Chamber of Commerce sued to block the law 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-three coal miners lost their lives at a non-union 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 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 non–union 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 non-union 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 now on—in Indiana and, if the business lobbies get their way, anyplace else where working people have the hubris to think they should be able to bargain with their employers.

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