



The economic and political truth about right-to-work legislation

By David Schultz
March 16, 2012

The debate over the merits of a constitutional amendment making Minnesota a right-to-work (RTW) state is heating up. Proponents of RTW contend that it will make Minnesota more business competitive and produce jobs. Opponents respond that it will lower family incomes. Because the debate has taken on partisan implications – with Republicans and Chamber of Commerce constituencies favoring RTW and Democrats and unions opposing it – it is difficult to separate fact from fiction.

Is RTW about economics, or is it about politics, directed at busting unions that have historically supported Democratic candidates and causes? The simple answer is that it is about both. RTW does not produce the economic benefits that its advocates claim, and instead the real justification has to rest upon its political aims.

What do we know about the economic impact of RTW? Legislative debates on the issue are generally badly informed or woefully devoid of fact-based impartial evidence. Often studies are cited by organizations with clear political agendas. Groups such as the [Cato Institute](#), the [Mackinac Center](#), and the Chamber of Commerce argue that RTW laws produce lower unemployment rates for states. Conversely, the generally liberal [Economic Policy Institute](#) finds the opposite, and also asserts that RTW adversely impacts unionization and family incomes. More nuanced and independent research yields a better picture.

Assessing the claims

In "[Right-to-Work Laws and Economic Development in Oklahoma](#)" Lawrence Mishel finds no evidence that RTW laws increase employment. Conversely he finds evidence that they decrease wages. Lonnie Stevans of Hofstra University in a paper entitled "[The Effect of Endogenous Right-to-Work Laws on Business and Economic Conditions in the United States: A Multivariate Approach](#)" reached the same conclusion on both points,

Second, the average unemployment rate for RTW states in December 2011 was 7.6 percent, compared to 7.9 percent for non-RTW. Using the most recent January 2012 numbers, the unemployment rate for RTW states was 7.3 percent, and 7.8 percent for non-RTW states. Overall, not much differences here in terms of economic performance.

Statistical correlation analysis

Another way to examine the issue is by doing statistical correlation analysis. Statistically, if being RTW decreases unemployment the correlation with it is 1. If RTW increases unemployment the relationship is -1, and if the laws have no impact the relationship is 0. Is there any statistical correlation between a state being RTW and unemployment rates? The correlation is 0.09, essentially no relationship. Essentially, O'Reilly is wrong in his statement.

But the classification of states as O'Reilly does into those which are RTW versus union is too crude. Many RTW states do have unionization levels comparable to those lacking such legislation. Is there any statistical correlation between the percentage of the work force in a state that is unionized and unemployment rates? With a correlation of 0.1 the connection is almost nonexistent.

But now take a look at the differences from another angle. There is a significant difference in median family incomes in states that are RTW versus those that are not. Using a three-years-average median family income for 2009 to 2009, RTW states have a median family income of \$46,919, non RTW it is \$53,418, a difference of \$6,499 or 13.9 percent per year. Testing for the impact of RTW on median family incomes, the relationship is -0.4. This means there is statistical evidence that RTW is associated with lower incomes: RTW depresses wages. Finally, the percentage of the state's work force unionized demonstrates a positive 0.47 correlation with incomes: Unions increase household incomes.

So it's fair to say ...

RTW laws are only one variable affecting the economic climate of a state. But it is fair to say that these laws have no real impact on unemployment and instead states with them have lower median incomes. Similarly, unionization does not depress employment and instead increases wages. Presumably more wages for workers means more consumption and a better economy in the state.

So if economics is not really the issue (unless one wants lower wages), then what is it about?

It is about politics. Generally advocates for RTW are Republicans who see labor unions as primary supporters of Democrats. RTW laws, along with voter identification laws, are tools aimed at weakening the political support for the Democratic Party by making it

more difficult for some to vote, organize and amass political resources. Simply put, it is an effort to rig the rules of politics to favor one side by demobilizing the other.