

A Losing Bet

Projecting Right to Work's Impact
on Minnesota's Economy

Will Nissen
Minnesota 2020 Fellow

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Minnesota 2020

2324 University Avenue West,
Suite 204, Saint Paul, MN 55114
www.mn2020.org

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“Right to work” laws
are not a path towards
Minnesota prosperity.

EXECUTIVE SUMMARY

Passing “right to work” (RTW) laws in Minnesota is a losing bet for our state. RTW legislation does not address the real, practical needs of the state’s business community, and the time, effort and money spent in the ensuing political battles to pass the law would be a waste of valuable resources that could be better spent elsewhere.

The independent academic literature indicates that RTW legislation decreases unionization levels by 6.6 percent, lowers rates of new member flow into unions by 46 percent in the first five years after passage, increases the free rider effect by 6 to 10 percent, and lowers overall union activity in states with the law. Unions are the frontline of defense for workers, fight to ensure worker safety, fair salaries and benefits, advocate for workers’ rights and hold employers accountable to labor laws. RTW laws erode the presence of unions in states, leading to the loss of these vital functions to protect workers.

The literature also finds that RTW laws have no impact on overall private-sector employment growth, and do not increase wages in states. Minnesota saw steady private-sector job growth across industries from June 2010 to 2011, but saw median family income adjusted for inflation stagnate from 2000 to 2010. Given that RTW laws do not increase employment levels or wages, this is the wrong policy to encourage economic development in Minnesota.

A national survey of leading company executives indicated that the importance of state-level RTW laws as a factor for considering where to locate facilities has steadily decreased in recent years. In addition, a survey of 400 leading Minnesota manufacturing company executives highlighted their top concerns in the coming years as rising health care costs, the ability to find qualified workers, and the cost of complying with government regulations.

Furthermore, messaging from the Minnesota Department of Employment and Economic Development and the Minnesota Chamber of Commerce points to significant factors that can attract new businesses, retain current businesses and help businesses thrive in our state. These include an educated workforce, high quality of life, innovation through research and development, lower electric and health care costs, streamlined permitting and regulatory processes, and efficient government services. None of these factors are related to RTW legislation.

Rather than be distracted by a RTW fight that will require significant organizational, political and funding resources to pass a law that weakens our unions and offers no promises of economic development, Minnesota should instead use its resources to foster its business communities and worker protections. The factors outlined by our state agencies and company leaders offer more effective and positive ways to encourage economic development in our state, and pursuing these would be a better use of our state’s valuable resources.

KEY FINDINGS

- ✓ RTW laws result in reduced unionization levels, lower rates of new member flow into unions, increased free rider levels, and lower overall union activity following passage of state-level legislation.
 - 1) RTW laws are responsible for an overall 6.6 percent drop in unionization rates in states that pass the legislation. Oklahoma saw a dramatic decrease in private-sector unionization after RTW legislation took effect compared to Minnesota in the same timeframe.
 - 2) Independent academic literature indicates that free rider activity is 6 to 10 percentage points higher in states with RTW laws.
 - 3) New union organizing fell by 46 percent in the first five years after states passed RTW laws.
- ✓ Minnesota saw positive employment growth from June 2010-2011, but saw median family income adjusted for inflation stagnate in the decade from 2000 to 2010.
- ✓ Academic literature indicates no overall job creation or wage increases due to the passage of RTW legislation in states.
- ✓ Messaging from state agencies and industry surveys indicates that passing RTW laws in Minnesota is not a priority for attracting and retaining businesses in our state.

RECOMMENDATIONS

- ✓ Drop RTW legislative proposals and aide business growth by focusing on using valuable state resources to create jobs.
- ✓ Minnesota should invest in education and workforce development partnerships.

HISTORY & INTRODUCTION TO RESEARCH

In 1935, New York Senator Robert Wagner headed the passage of the seminal National Labor Relations Act (NLRA). The federal law dramatically changed how employers and employees interact in various American industries by attempting to level the playing field between workers and management, reducing industrial conflict and establishing a national precedent for collective bargaining. The power given to unions through the NLRA was intended to protect workers' rights and freedoms in the face of disproportionate resource control by employers when negotiating employee wages, workplace conditions, unfair labor practices and other aspects of industrial relations.

Opponents of the NLRA argued that the law was an intrusion on individual rights and liberties, and that union organizations exercised undue power over individual workers. In ensuing political battles at the state-level in the mid-1940s, five states passed laws that attempted to curtail these powers given to unions between 1944 and 1946; and seven more states passed similar measures in 1947.

The power given to unions through the NLRA was intended to protect workers' rights and freedoms

This anti-union momentum culminated in the Taft-Hartley amendments to the NLRA in 1947, which, among other things, authorized individual states to outlaw the closed shop in their jurisdictions. In this regard, the Taft-Hartley amendments allowed states to pass what are known as right-to-work (RTW) laws that prohibit labor unions and employers from entering into contracts that require all employees to pay for services enjoyed through collective bargaining.¹ Since the Taft-Hartley amendments, 23 states in the U.S. have passed RTW laws, although only three (Idaho in 1986, Oklahoma in 2001, and Indiana in 2012) have done so since the mid-1970s.

Political battles have raged in every state that has passed or considered passing a RTW law. In Idaho alone the passage of the law took nearly two years, involving long and controversial political battles, overriding an executive veto, judicial challenges to the law, and finally a referendum vote by Idaho citizens in 1986.²

This report surveys the recent independent academic journal literature to determine what, if any, economic factors are impacted by RTW legislation and to what extent that impact occurs. The report then evaluates the past and current condition of employment and wages across industries within and throughout Minnesota, examines the perception of the state's business climate, and assesses whether RTW legislation is needed or necessary in Minnesota. Due to time, resource and data constraints, this report does not produce new statistical analysis regarding RTW legislation in Minnesota or elsewhere; nor does it seek to make broad, statistically insignificant comparisons between RTW states and non-RTW states that prove nothing about the direct impact of RTW legislation on states' economic situations.

¹ For a comprehensive though opinionated history of right-to-work laws in the U.S., see Hogler (2009).

² See Abraham and Voos (2000) for a detailed account the right-to-work process in Idaho.

UNIONIZATION

RTW laws deal directly with the operations of unions in the labor force, and much of the recent literature has examined the law's impact on unions in RTW states. There are three main hypotheses regarding the impact of RTW laws on unions: The Taste Hypothesis, the Free-Rider Hypothesis, and the Bargaining Power Hypothesis. The three hypotheses are not mutually exclusive, but exist simultaneously in states with RTW laws on the books.³

Taste Hypothesis

The Taste Hypothesis contends that, rather than representing a significant moment in legislation, right-to-work laws merely underlie strong anti-union sentiments that already exist or are growing within the state. Alternatively, the passage of right-to-work laws may have a negative symbolic or psychological effect on union workers that were otherwise union supporters. In either case, this hypothesis predicts that the appeal of union membership to workers will diminish with the passage of RTW laws, and result in declining unionization levels.



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Free-Rider Hypothesis

The Free-Rider Hypothesis addresses the dilemma that unions face within their own ranks in RTW states: Unions are required by federal law to provide all services to all employees in the collective bargaining unit regardless of union membership status. However, individual workers under state RTW laws are not required to pay the costs associated with obtaining or providing those services even if they benefit from the agreement. This situation gives individual workers an economic incentive to avoid joining his or her respective union to thus avoid paying union dues, while enjoying the benefits of the union's efforts.

This hypothesis predicts that, with implementation of RTW legislation, union revenues from paying members will decline while costs to provide services to all workers in the bargaining unit remain the same. This limits the funding and resources available for unions to effectively bargain and work for their covered employees, and will further discourage membership and result in continuing union membership decline.



Existing union members will be forced to pay higher dues to cover the costs of providing services to these free riders.

Higher dues will further discourage membership and result in continued union membership decline

³ See Moore (1998) for a detailed discussion of these three hypotheses.

Bargaining Power Hypothesis

As union membership declines so does the bargaining power that unions have with employers. Reduced monetary resources restrict the organizing activities in which unions can engage, such as ensuring worker safety, fair salaries and benefits, advocating for workers' rights and holding employers accountable to labor laws. This trend may impact the ability to recruit new members to the organization. Lam and Harcourt (2007) point out that unions facing declining memberships and increased free riding can struggle to reach the economies of scale necessary to effectively use revenue from member fees for the benefit of existing union members. This hypothesis predicts that the long run reduction in union benefits as a result of lower bargaining power will cause decline in demands for union services and thus declines in unionization levels.



Reduction in union benefits as a result of lower bargaining power will cause decline in demands for union services and thus declines in unionization levels.

In addition, declining union numbers affect the ability of the union to call and maintain strikes. Declining membership may decrease both the number of members willing or available to strike, and the monetary means available to the union to fund prolonged strikes.

Statistical Analysis

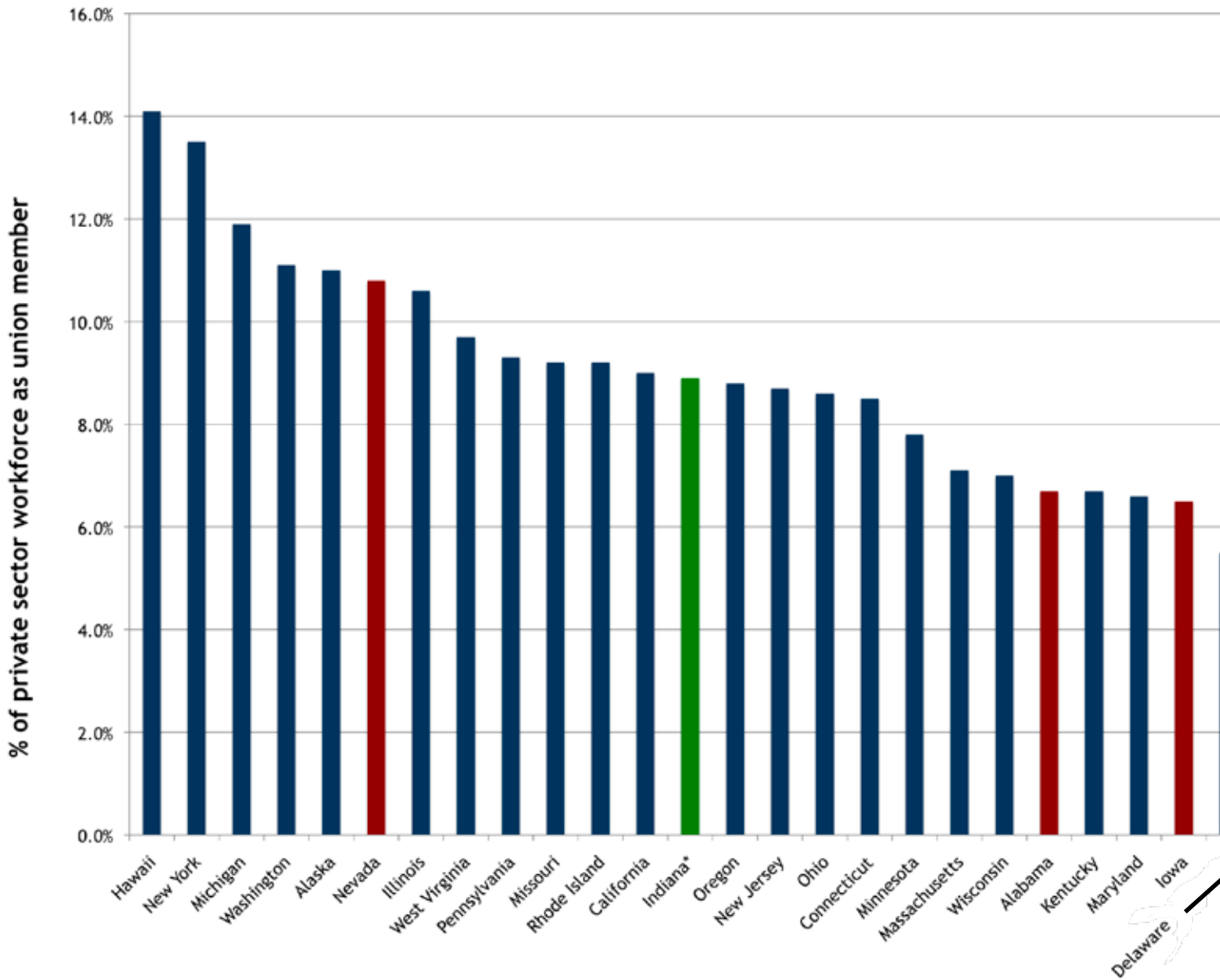
The impacts that these three hypotheses predict appear to be justified by statistical analysis found in the academic journal literature. In 1995 Davis and Huston presented what was considered at the time to be the strongest evidence that RTW laws have a negative influence on private sector state unionization. They concluded that, holding all else equal through statistical models, individuals in RTW states are 8.2 percent less likely to belong to a union than workers in non-RTW states.

Adding to this, Hogler, Shulman and Weiler conducted a comprehensive study in 2004 examining the impact of RTW laws on union density (as percentage of union members within the total, non-agricultural workforce) across states. After controlling for numerous social, economic and ideological factors such as workforce characteristics, employer opposition to unions, political ideology and civic activism, they found that RTW legislation is linked to lower levels of union density at a high statistically significant level. They determined that states with RTW legislation on the books have lower union density by 6.6 percentage points. Union density overall in RTW states is generally much lower than in non-RTW states (see Figure 1, page 8), and by controlling for other factors mentioned above that may reduce unionization, these studies indicate that passage of RTW legislation in a state has a significant, direct negative impact on union levels in the state.

continued on page 10

FIGURE 1:

Unionization Levels in RTW States (Red)



*Indiana passed RTW legislation in January, 2012, this graph reflects Indiana's pre-RTW numbers

and non-RTW States (Blue), 2011

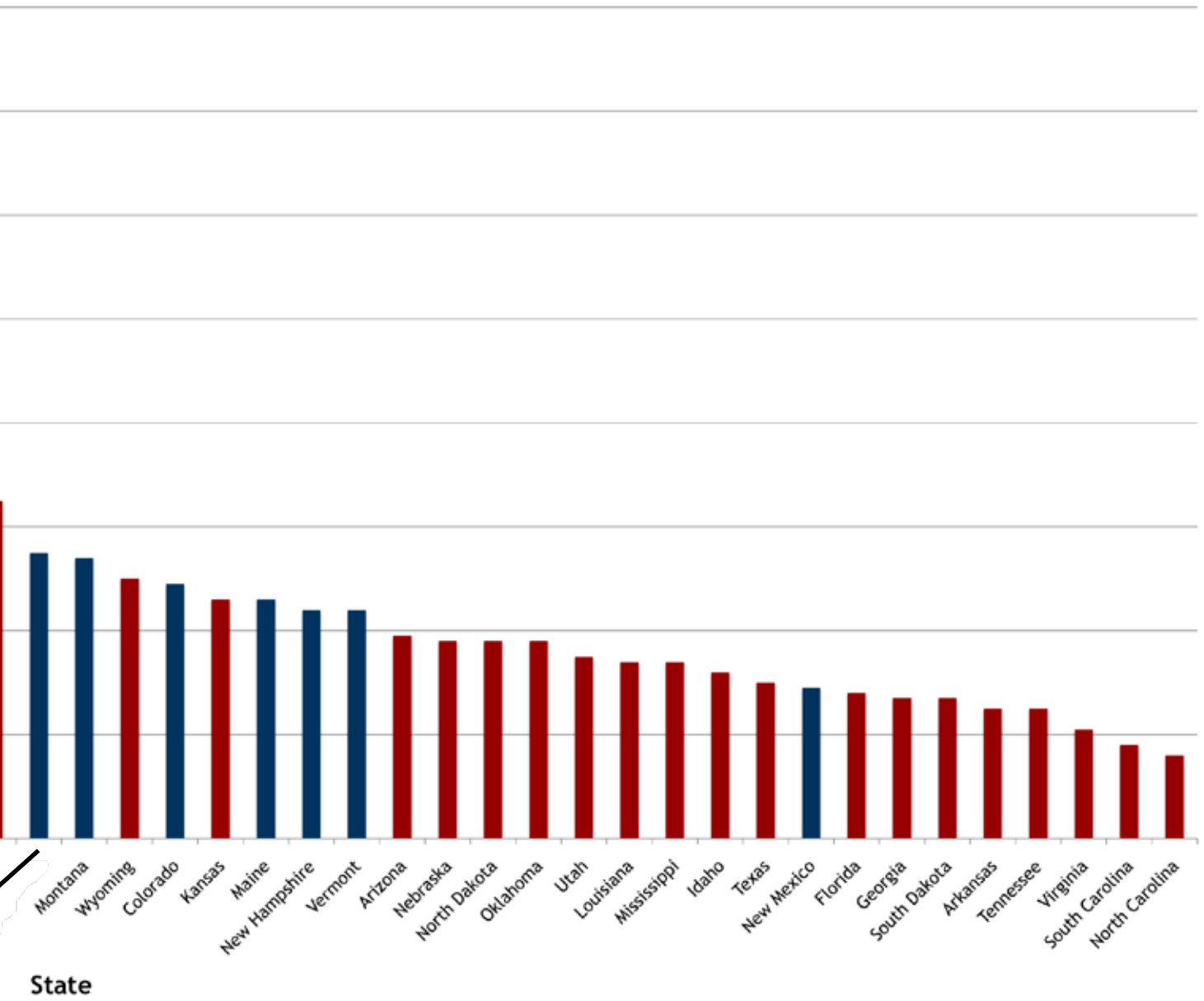
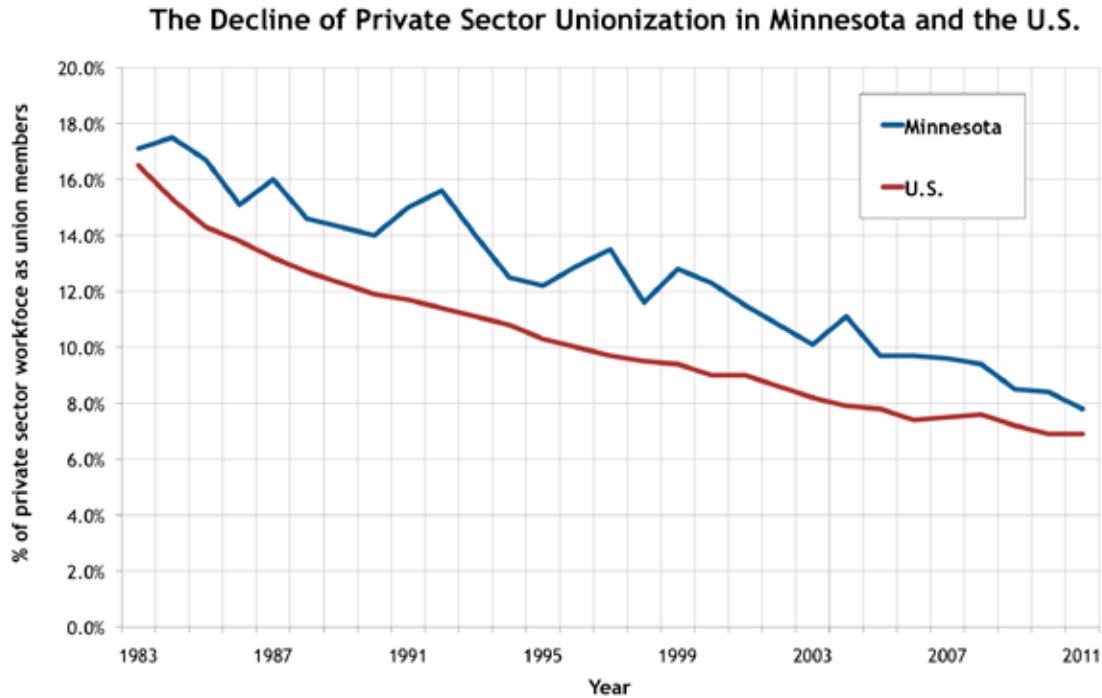


FIGURE 2:



***Data source: www.unionstats.com

On a state-level basis, passage of RTW legislation in Idaho and Oklahoma is correlated with decreased unionization rates. Dinlersoz and Hernandez-Murillo (2002) observed a “persistent decline in the unionization rate” after the RTW law took effect in 1987. In Oklahoma, RTW legislation passed in 2001 but took effect in 2003. In the nine years before 2003, the average rate of private-sector unionization in the state was 5.9%, and in the nine years from 2003-2011 the average rate was 3.5%.

By comparison, over the same timeframes Minnesota saw average rates of 12.4% and 9.4%, respectively. In other words, Oklahoma saw a 40.6% drop in the average private-sector unionization rate after RTW laws took effect, while Minnesota saw a 24.2% drop in the same timeframes but without RTW legislation. This suggests correlation between recent RTW laws and unionization rates.

There is also empirical evidence that RTW legislation results in an increase in the free rider effect in states that pass the law. In 1993, Davis and Huston expanded on already existing statistical research by controlling for a broad range of factors that had potentially skewed analyses in previous studies. The researchers found that RTW laws have a significant positive impact on the level of free riding. Their model also estimated that federal repeal of RTW laws in all states would cut the level of free riding by half in states with RTW laws at that time.

In a 1998 survey of relevant literature that controls for other factors that could influence free riding, Moore indicates “most studies find that free riding is approximately 6 to 10 percent higher in right-to-work states than in non-right-to-work states.”

Finally, statistical analysis also supports the bargaining power hypothesis. In 1987, Elwood and Fine created a statistical model that captures the direct effect of RTW legislation on union organizing activity. Rather than concentrate on overall union membership levels, which have been steadily declining throughout the country for several decades (see figure 2), this research focused on flows into unionism (new members) through organizing success.

In the first five years after states in the U.S. passed RTW laws, new union organizing was reduced by 46 percent, and by roughly 30 percent in the following five years, controlling for other influential factors such as workforce characteristics, economic conditions and political tastes in a state. The same research also finds that RTW laws result in a 28 percent decline in union activity in the first five years, and 12 percent in the following five years, controlling for other influential factors.

This dramatic decrease in newly organized workers and union activity following the passage of RTW laws may reflect the negative impact of RTW legislation on the appeal of a union to potential members, its perceived abilities to acquire benefits for workers, and reduced finances to effectively conduct union activities due to lower paying membership rates.

The academic literature examining the impact of RTW laws strongly indicates that RTW legislation has a direct and profound impact on union presence in states with RTW laws. Controlling for other factors that could skew analysis results, studies find that RTW laws cause reduced unionization levels and lower rates of new member flow into unions, increase the free rider effect that debilitates unions’ abilities to use existing member dues effectively, and lowers overall union activity within a state. Reasons for these effects revolve around the simultaneous effects of the symbolic appeal of unions to existing and potential members, the financial strain put on unions due to declining membership and increased free riding, and the loss of bargaining power due to lower unionization rates.

Studies Find That RTW Laws:

- ✓ Cause reduced unionization levels and lower rates of new member flow
- ✓ Increase the free rider effect
- ✓ Lower overall union activity



STATES' ECONOMIES

There is also academic research on the effects of RTW laws on various aspects of a state's economy, such as employment and workers' wages. Despite RTW proponents' claims, there is no conclusive evidence supporting employment and wage increases due to RTW legislation. This section determines the effects of RTW laws that can reliably be drawn from the literature and later applied to an assessment of the impact of a RTW law in Minnesota.

Impact on Employment

Proponents of RTW claim that passing legislation will encourage job growth in a state, including in traditionally unionized industries such as manufacturing, construction, transportation and utilities, as companies supposedly look to locate in states with RTW laws in the books. But according to opinions gathered from leading company executives and research from the academic literature, these claims do not hold up.

The recent release of an annual site selection survey of top company executives, the majority of which worked for manufacturing and warehousing companies, indicates that RTW laws are becoming increasingly less important to final decision-makers when weighing factors for or against facility locations. In the 2010 survey from Area Development, a leading industry magazine covering corporate site development and relocation, RTW ranked 16th out of 26 factors, down from 14th in 2009 and 13th in 2008. This consideration ranked lower than factors like highway accessibility, availability of skilled labor, state and local incentives and tax breaks in all three years.

The academic literature available indicates that RTW legislation has no effect on total employment within a state

Not only do company executives seem less concerned about the existence of RTW laws, the academic literature available indicates that RTW legislation has no effect on total employment within a state. Building on previous literature examining the relationship between RTW laws and employment, Stevans (2009) constructed a strong and comprehensive statistical model to control for the general economic climate of a state in an effort to isolate the direct impact of a RTW law on employment. Stevans found that when one controls for the economic factors that comprise a business climate within a state, there is no additional business capital formation, and no gain in either employment or real economic growth due to the passage of state-level RTW legislation.

Another recent study by Kalenkoski and Lacombe (2006) examined the relationship between RTW laws and manufacturing employment in particular. Controlling for many demographic, geographic and ideological factors, the study found that manufacturing employment as a percentage of total private sector employment was 2.12 percent higher in RTW states than non-RTW states in 2000, and attributed this difference directly to the presence of RTW laws.

RTW proponents often point to numbers like this to highlight the supposed employment growth seen after passage of RTW legislation. However, the authors found that RTW laws had no effect on the total number of jobs within RTW states, suggesting that RTW legislation may simply lead to a shakeup of employment within a state, bringing workers from other industries to manufacturing. Interestingly, the authors also found that RTW laws do not increase employment in highly unionized industries such as construction, transportation and warehousing, and utilities.

RTW legislation may simply lead to a shakeup of employment within a state

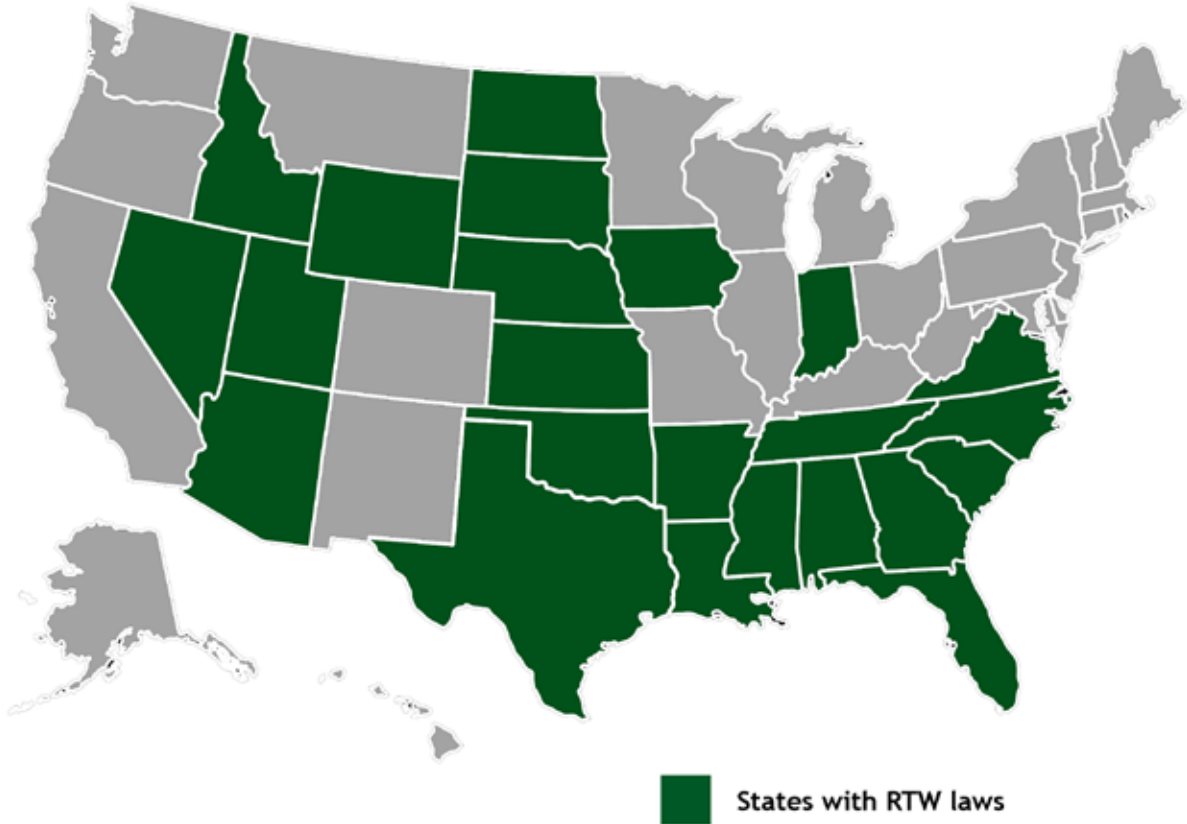
A 2002 Dinlersoz and Hernandez-Murillo study that examined the impact of passing RTW legislation in Idaho in 1986 also indicated an increase in the share of manufacturing employment compared to overall employment within the state. Again, however, the authors indicate this as merely a shakeup of the overall employment mix within the state (a movement of jobs from other industries to manufacturing), rather than an absolute increase in overall employment. In the case of Idaho specifically, the demise of the state’s timber industry in the 1980s, rather than passage of RTW legislation, may have played a key role in this change in the employment mix.

Finally, a 1998 study by Holmes examined the impact of RTW laws on manufacturing activity in counties that straddled state borders between RTW and non-RTW states. Holmes hypothesized that adjacent counties on either side of the state border would be largely similar in terms of “geographic determinants of the distribution of manufacturing” (such as climate and access to transportation routes), with the only significant difference being state policies. He found higher manufacturing employment levels as a percentage of total employment in counties with RTW laws versus counties in non-RTW states.

Holmes stresses that RTW laws had no direct impact on his findings

Again, RTW proponents often use studies like this to promote the supposed effects of RTW laws on manufacturing employment. In the study, however, Holmes goes out of his way to explain that the presence or absence of RTW laws in his study simply served as a proxy for a state’s business climate, and cannot be cited as the cause of the higher percentage of manufacturing employment in RTW states. Holmes goes further, outlining several significant reasons why manufacturing has increased in the American south (all states east of New Mexico and south of West Virginia and Kentucky have RTW laws) that have to do with overall anti-worker, low-wage political philosophies in the region, increased transportation mobility due to the switch from railroad to trucking, the decline of agricultural jobs as farming became less labor-intensive, and general population shifts due to the advent of air-conditioning. In short, despite claims from RTW proponents, Holmes stresses that RTW laws had no direct impact on his findings.

FIGURE 3:



Impact on Wages

Another important aspect of the economic effect of RTW legislation is the impact on wages. Numerous studies look at union wages, non-union wages and overall average wages across states, and despite the relatively large amount of literature on the subject there is not definitive evidence that RTW laws increase wages in states.

Early studies by Moore (1980), Wessels (1981) and Moore et al. (1986), using a variety of econometric models, determined that RTW laws have no statistically significant impact on union or nonunion wages. Furthermore, a recent study from Eren and Ozbeklik (2011) found that the passage of RTW laws in Idaho and Oklahoma had no impact on per capita income in those states. Finally, in his review of the literature, Moore (1998) stated “most researchers find that RTW laws have no impact on union wages, nonunion wages, or average wages in either the private or public sector.”

The academic literature does not support either theory and is similarly inconclusive.

Two studies in the independent academic literature by Carroll (1983) and Garofalo and Malhotra (1992) indicate that RTW laws have a large, significant negative impact on wages. In other words, RTW laws directly cause wages to decrease after passage of the legislation. Conversely, one study by Reed (2003) concluded that RTW laws have a positive impact on wages, or that wages increase in states after passage of RTW legislation. These conflicting studies flank other findings in the literature, so when assessing the potential impact of RTW laws in Minnesota, this report determines that RTW legislation would not directly increase or decrease wages in the state.

One recent study unrelated to RTW legislation specifically by Bratsberg and Ragan (2002) found that wages achieved by unions through long-term contracts are more stable against the ups and downs of the business cycle than non-union wages. In addition, the authors convincingly found that union wages held up better to increased imports and international competition than non-union wages. While this may not directly reflect the impact of a presence or absence of RTW laws in a state, the erosion of unionization, union bargaining power and union activity due to RTW laws may have indirect consequences on state-level wages.

Wages achieved by unions through long-term contracts are more stable against the ups and downs of the business cycle

The literature examined above solidly indicates that the passage of RTW laws results in lower unionization rates and influx of new members, increased free riding, and lower union activity within states. It also indicates that RTW laws do not result in overall job growth, but may lead to a shakeup of the employment mix within states. Finally, although a lot of ink has been spilled on the subject, there is no conclusive evidence that RTW laws increase wages in states; rather, this report finds that RTW legislation has no impact on wages. Interestingly, one study found that union wages are more resistant to fluctuating business cycles and increased international competition than nonunion wages.



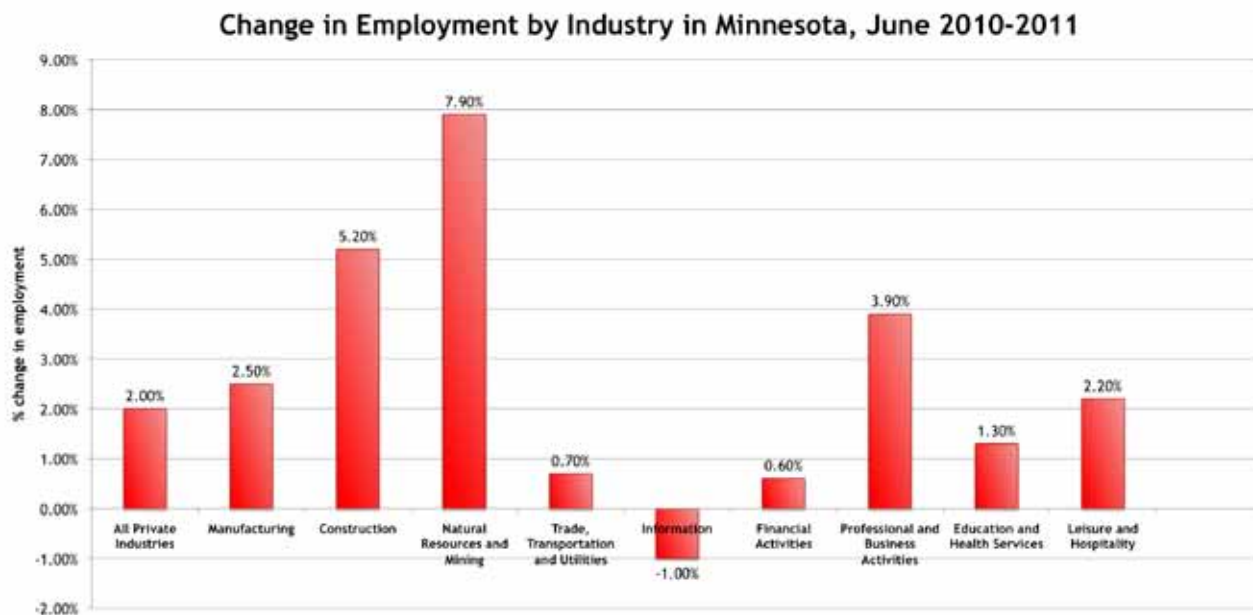
MINNESOTA

Given the various state-level impacts of RTW discussed above, this section examines what the impact of RTW might be in Minnesota given recent and current economic conditions. Specifically, this section looks at recent employment and wage performance in the state.

From June 2010 to June 2011, employment in all private industries in Minnesota increased by two percent. Employment also increased over the same year (see figure 4) in the four most prevalent industries in the state: Trade, transportation and utilities (21.84 percent of total private employment), education and health services (19.73 percent of total private employment), professional and business services (14.5 percent of total private employment), and manufacturing (13.38 percent of total private employment). Interestingly, employment increased over the examined time period in the traditionally private-sector unionized industries of manufacturing, construction, transportation, trade and utilities, and education and health services.

In addition to employment growth in private industries, Minnesota's unemployment rate is well below the national rate. According to the U.S. Bureau of Labor Statistics, in April of 2012 the state's unemployment rate pegged at 5.6%, tied for 8th lowest in the country, while the national rate clocked at 8.1% in the same month.

FIGURE 4:



But when one examines how wages have performed over the last decade, the job growth numbers look disconcerting. According to U.S. Census Bureau data and work done by the Children’s Defense Fund-Minnesota, median family income adjusted for inflation was stagnate over the decade from 2000 to 2010 in Minnesota. So although there are more jobs and a relatively small percentage of unemployed workers in the state, people’s wages have not increased.

Minnesota is adding low-paying jobs that do not improve people’s quality of life or encourage investment in state resources that make Minnesota prosper. To move our state forward we need to both create jobs and increase wages so that Minnesota can continue to be the high-performing state it has been for decades. Given the findings discussed earlier that RTW laws do not increase employment levels or wages in states, this policy is not the right choice for Minnesota.

Social Capital

In addition, given the strong evidence regarding the effects of RTW laws on state-level unions, it is worth mentioning the indirect effects of RTW laws on states. As discussed above, RTW laws in Minnesota would result in declines in unionization levels and new union members, an increased free rider effect within unionized industries, and a decrease in union activity throughout the state.

Hogler, Shulman and Weiler discuss the potential social impacts of declining unions and aggressive anti-unionism within a state. In their 2004 study the authors find “our data suggests that a climate of aggressive anti-unionism is correlated with less institutional support in the form of communal social capital, and such support may be an important determinant of overall economic success.” This communal social capital includes sense of community within a workforce, the ability to increase the well-being and status of the entire workforce, and a potential increase in productivity and decrease in management costs with a united and coalesced workforce. RTW proponents seek to erode this source of social capital within unionized industries.

Social Capital

The term “social capital” is often used by researchers and scholars to credit value to social relationships that encourage cooperation and compliance with social or legal norms to gain cultural and economic benefits.

Sociologists are the primary users of the term, though it has been the subject of study for hundreds of years. Economists and political scientists increasingly use it in more modern times, although benefits aren’t easy to quantify statistically.

The use of social capital as a descriptive term for deteriorating relationships has become especially prominent in recent anti-union, anti-ethnic and anti-sexual orientation group actions by regressive forces in Wisconsin, Indiana, Ohio and Arizona, to name four prominent examples.

MINNESOTA MESSAGING

In addition to the economic indicators like employment and wages within and throughout Minnesota, it is worth examining the messages that pervade the state's business climate about Minnesota's ability to attract and retain business.

The Minnesota Department of Employment and Economic Development highlights factors such as an educated workforce, quality of life, and innovation through research and development investments as the major factors that make Minnesota an attractive state for business across industries.

The Minnesota Chamber of Commerce, our state's leading pro-business lobby, illustrates areas where the state can improve its business climate to attract more businesses. These include improving the state's secondary education system, lowering electric and health service costs, making government services and budget processes more efficient, and improving and streamlining the permitting and regulatory processes that businesses have to navigate.

A recent survey of 400 manufacturing company executives in Minnesota indicated that the top concerns for their companies are increasing health care costs, finding qualified workers in an increasingly high-tech manufacturing industry (for example, Minnesota has a large medical device manufacturing industry), and costs of complying with government regulations.

In short, the perceptions of what makes Minnesota attractive to businesses and what the state needs to improve to become even more attractive to businesses have little if nothing to do with passing RTW laws.

Furthermore, the recent battles in Wisconsin surrounding public employee union rights, and in Indiana regarding its own RTW laws, illustrate the huge amounts of funding, organizing and political efforts involved in campaigning for both sides of the issue. Again, the political, legal and public process to pass RTW in Idaho took nearly two years from start to finish.

Is it in Minnesota's best interest to spend such large resources debating a divisive issue that erodes unions in the workforce and has no impact on employment and wages in the state? Based on evidence from academic literature, past and current economic conditions within and throughout Minnesota, and messaging from the Minnesota Department of Employment and Economic Development, Minnesota Chamber of Commerce and manufacturing industry executives, there are more pressing issues and more effective means of improvement than RTW legislation that can have a significant impact on the economic condition of the state and the state's ability to attract and retain business.

Perceptions of what makes MN more attractive to businesses have little if nothing to do with passing RTW laws

CONCLUSION

“A Losing Bet” surveys the recent independent academic journal literature to determine the impact of RTW legislation on unions, private-sector job growth and wages in states. The report then evaluates the past and current condition of employment and wages across industries in Minnesota, examines the perception of the state’s business climate, and determines that RTW legislation is not in the best interests of Minnesota. Our state needs better policies for economic development than RTW laws.

According to the academic literature, RTW laws result in reduced unionization levels by 6.6 percent, lower rates of new member flow into unions by 46 percent in the first five years, increased free rider effects by 6 to 10 percent, and lower overall union activity in states that pass RTW legislation. In short, RTW laws have a decidedly negative effect on unions’ ability to effectively raise and use the resources necessary to provide quality services to employees in a bargaining unit, such as ensuring worker safety, fair salaries and benefits, advocating for workers’ rights and holding employers accountable to labor laws.

Our state needs better policies for economic development, not RTW laws.

The academic literature also finds that RTW laws do not increase overall private-sector employment levels in states, although some shakeup of the employment mix across industries may occur. Furthermore, there is no concrete evidence that RTW laws increase wages in states, and this report finds that RTW laws have no impact on state-level wages. Finally, a survey of leading company executives indicates that the importance of RTW laws when deciding on facility location has decreased in importance in recent years.

Using data from the U.S. Bureau of Labor Statistics, this report found that Minnesota experienced steady job growth in across private-sector industries from June 2010 to 2011. However, median family income adjusted for inflation in the state was stagnate during the decade from 2000 to 2010. So although Minnesota created jobs, wages did not increase. This is not a recipe for economic growth, and given that RTW laws do not increase employment levels or wages, RTW legislation is not the right policy to move Minnesota forward.



RTW laws do not increase overall private-sector employment levels in states

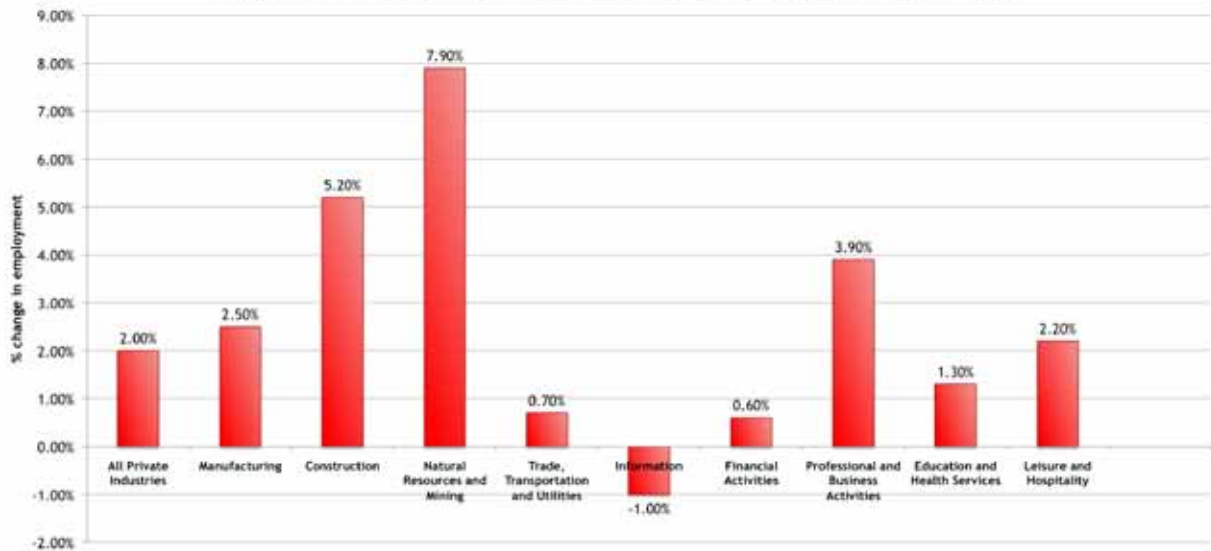
Recent messaging from the Minnesota Department of Employment and Economic Development and Minnesota Chamber of Commerce indicates that some key factors to maintain economic growth, attract new businesses and retain current businesses in our state are an educated, skilled and qualified workforce, lower electric and health service costs, streamlined permit and regulatory processes and increased government efficiency. Furthermore, a survey of 400 Minnesota manufacturing company executives found that their top concerns in coming years are increasing health care costs, finding qualified workers, and the costs of complying with government regulations. RTW laws are not important when considering what is needed to foster business development in Minnesota.

All in all, the time, organizational effort and political capital spent on passing RTW legislation in Minnesota would be a waste of valuable resources. With an assured decline in our state's unions, no promise of economic growth and little to no impact on business development, Minnesota can do better. Our resources can be better spent on educating and developing our future workforce and making sure businesses have what they need to thrive. Moving forward with RTW legislation is a losing bet for Minnesotans.

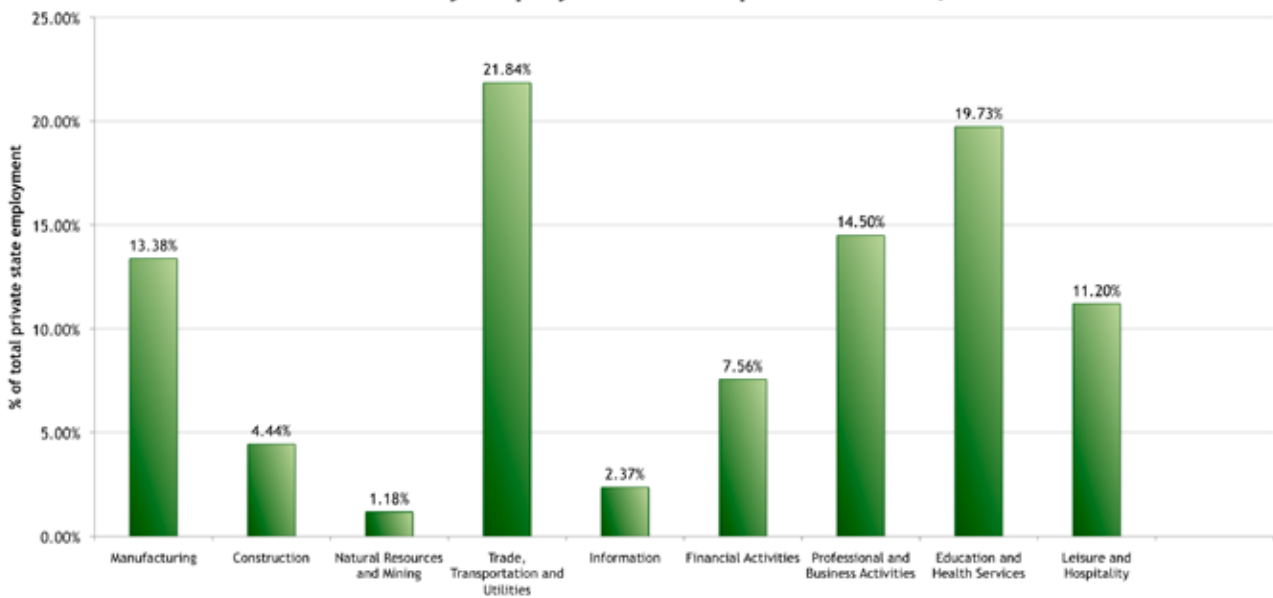


APPENDIX

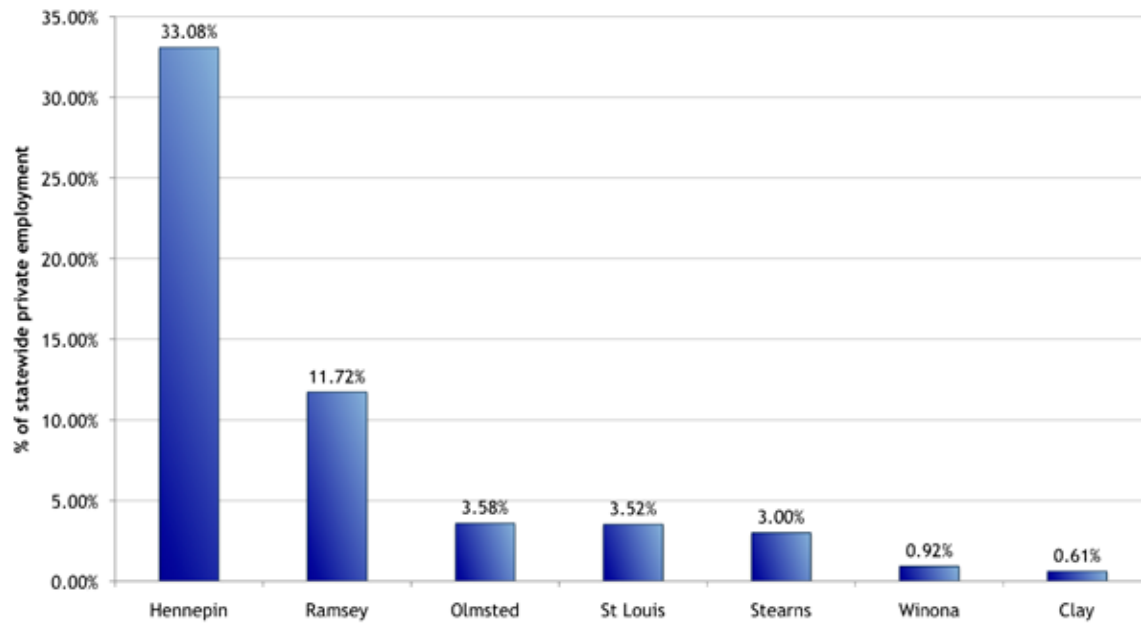
Change in Employment by Industry in Minnesota, June 2010-2011



Private Industry Employment Makeup in Minnesota, 2011



Share of Statewide Private Employment by Chosen Counties



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