
Right-to-Work Laws: Impacts on the Labor Market, Union Organizing, and Social Equity

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ABSTRACT

Right-to-work (RTW) laws do not require workers to pay dues in order to become a member of a labor union as a condition of employment. State governments, particularly those in the Midwest and South, have introduced RTW laws to attract businesses and industrialize local economies. Consequently, the laws increase competition among nonunion workers, driving wages down. The laws also weaken labor unions' ability to bargain for wage increases, especially as unions are strained to bargain for workers that are not dues-paying members. After implementation, RTW laws generally increase economic inequality. However, the local socioeconomic conditions, such as racial and gender diversity in the labor force, can influence the demand for union representation and may impact the degree to which economic inequality will change. There have been repeated attempts to expand RTW to the national level, but these attempts would risk magnifying wage disparities, undermining unions' bargaining power, and exacerbating socioeconomic inequalities.



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INTRODUCTION

Despite its name, a right-to-work law is not a jobs guarantee. Instead, right-to-work (RTW) laws make joining a union optional. In other words, workers are not required to pay membership dues to join a union as a condition of employment. Although the stated intention of the laws is to provide workers the freedom to choose whether or not to join a union, RTW laws can also negatively influence both labor unions' effectiveness and local wage growth. These effects may be further exacerbated by local socioeconomic conditions. Twenty-seven states currently have RTW laws, most of which are concentrated in the south and midwestern U.S. (National Conference of State Legislatures 2021). More than 45 percent of Americans are impacted by these laws (VanHeuvelen 2020).

In the early-to-mid twentieth century, RTW laws were predominantly popular in less populated states, but since the 1980s, some densely populated states have adopted RTW laws (VanHeuvelen 2020), suggesting growth in popularity. The laws have earned nationwide attention as some legislators at the federal level propose national RTW laws. The expansion of these laws may further diminish the collective bargaining power of workers (Ellwood and Fine 1987) and worsen the standards of living for many (Minor 2012).

This paper begins with an overview of the political and economic aims of RTW as well as a labor market model of RTW laws. The paper then reviews the literature on the impacts of RTW on the labor market and wages, discusses how RTW weakens the effectiveness of labor unions, and examines how these effects disproportionately impact economically disadvantaged communities. The paper then applies these findings to determine the broad implications of a national RTW law and ends with a summary of its potential impact on workers and unions.

AIMS OF RIGHT-TO-WORK LAWS

Right-to-work laws prohibit compulsory union membership and instead give workers the freedom to choose whether or not to join the union representing their workplace (Kovach 1977). These RTW laws are not adopted aimlessly; there are several economic and political incentives for states to adopt RTW laws (Moore 1998). State legislatures are attracted to RTW laws because of the prospects for economic growth. Generally pursued by sparsely populated states with high poverty rates, large agricultural sectors, and pro-business legislatures, RTW laws can attract firms to expedite the industrialization of those states' economies (Moore 1998). One study found that within ten years of implementing RTW legislation, states see a 15 to 45 percent increase in the share of incomes stemming from the manufacturing industry, which can be attributed to an increase in the number of manufacturing jobs (Hicks 2012). Moreover, businesses generally have a cost-minimizing incentive to relocate to these RTW states because they have greater opportunities to undercut wages and avoid regulatory protections for organized labor (Peck 2015). Firms are attracted to RTW states to abate unionization rates (Moore 1998) because it reduces the costs of worker-related expenses such as wages and fringe benefits. Therefore, the design of RTW laws is directly favorable to firms over workers.

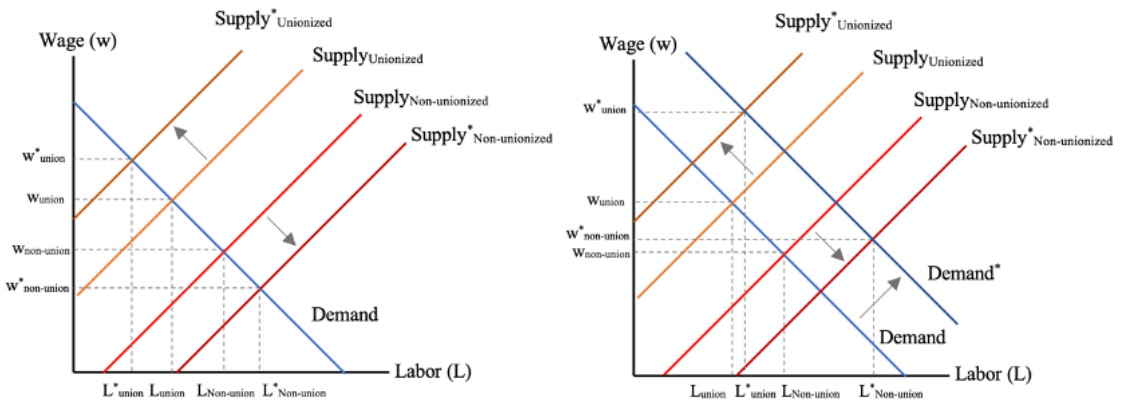
Despite the pro-business disposition of RTW laws, these laws are often framed in political contexts with terms that appear favorable to workers. For example, politicians often frame RTW as "freedom of choice" or "US worker choice laws" to rally voters—i.e., workers—to support it (Peck 2015). Moreover, the law's concentration in low-income states (Moore 1998) may be ascribed to RTW's prohibition of mandatory dues or fees at some workplaces. Reliance on these two criteria, freedom and cost-savings, obscures the value of the benefits workers receive from union representation—such as healthcare benefits, corporate accountability, or wage increases—which workers may value greater than the cost of dues,

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depending on their preferences. Therefore, information asymmetry regarding RTW causes voters to support these laws without knowing the true value of the benefits of union representation. Unions communicate workers' preferences to management and negotiate the improvement of working conditions, wages, and fringe benefits (Freeman 2005). Furthermore, political pressure can dictate whether RTW laws are adopted in a state. Politicians from poorer states have grown attracted to these laws to spur economic growth (Moore 1998), which directly benefits their constituents. However, in states with a higher degree of unionization and a greater sense of collectivism, unions can mount enough pressure to ward off RTW laws (Moore 1998). This dichotomy has led to the correlative sorting of RTW principles across the political spectrum, with liberal-leaning states more likely to oppose the laws and conservative-leaning states more likely to support them.

MODEL OF LABOR MARKET REACTION TO RIGHT-TO-WORK LAWS

Figure 1: Labor Market Supply and Demand.

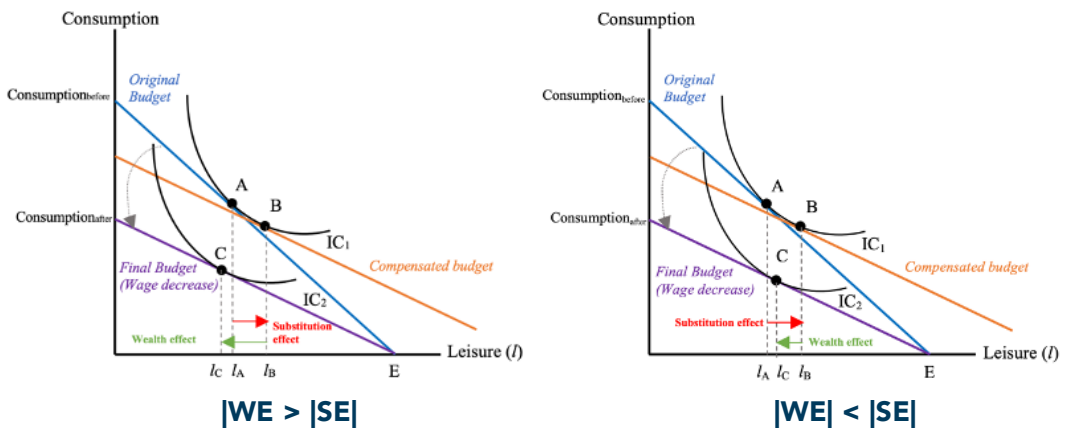


Source: Figure prepared by the author. After RTW is enacted (left), the supply of non-union workers increases while the supply of union workers decreases, thus widening the union wage premium. An increase in demand for labor (right) can increase wages and employment for both groups.

The impacts of RTW are not equally distributed to union and nonunion workers alike. After RTW is introduced, workers are no longer required to join unions as a condition of employment. As a result, the supply of unionized workers falls, and the supply of non-unionized workers increases. This increase in workers seeking nonunionized employment is referred to as a “crowding effect” because it spurs competition among nonunionized jobs and drives non-union wages down further (Reed 2003). As indicated on the left in Figure 1 above, the new equilibrium widens the wage gap between unionized and nonunionized workers, with nonunion workers earning much lower wages than before.

Although scholars find that wages generally decrease in RTW states (Peck 2015), simple supply-and-demand models suggest that this wage decrease can be mitigated by an increase in the demand for workers, perhaps from the firms that relocate to the state—as shown on the right in Figure 1 above. Therefore, the long-term effectiveness of RTW in supporting wage growth for all workers is largely dependent on the number of firms willing to take on the short-term transaction costs associated with relocation.

However, firms do not exclusively bear the costs after RTW laws are introduced. The general reduction of wages also changes workers' opportunity cost of leisure to consumption. In other terms, workers would have to give up more of their free time to consume more goods

Figure 2: Labor-Leisure Model After a Wage Decrease

Source: Figure prepared by the author. Impacts to leisure and labor are ambiguous; point C can lie to the left or right of original point A depending on the extent of the wealth effect. Regardless, the worker is worse off because they will optimize on a lower indifference curve.

and services in the economy. Under the assumption that leisure and consumption are both normal goods, the labor-leisure model—seen in Figure 2 above—indicates that a decrease in wages from RTW laws will certainly decrease overall consumption, but will have an ambiguous impact on hours spent between leisure and labor (Nechbya 2016). This ambiguity results from a positive substitution effect (SE) towards leisure and a negative wealth effect (WE) away from leisure. In terms of absolute value, if $|WE|$ is greater than $|SE|$, the worker will work more hours (Figure 2, left); if $|WE|$ is less than $|SE|$, the worker will work fewer hours (Figure 2, right). Regardless of whether the employee works more or fewer hours than before, they will be worse off because the new optimization point for leisure and consumption will yield lower satisfaction than before. Worker satisfaction between labor and leisure is represented in Figure 2 through indifference curves that assume workers have standard monotonic, convex, and continuous preferences (Nechbya 2016); the unsatisfactory result is represented by the new optimization point's location on a lower indifference curve. This downtrend effect underscores the notion that RTW can harm workers more than it helps them, even if it gives them freedom of choice.

A CLOSER LOOK AT WAGE CHANGES IN RIGHT-TO-WORK STATES

Labor market theory suggests that RTW leads to a general decrease in earnings unless enough firms enter the state to counter it by increasing demand for labor. However, the preferences and actions of firms and unions impact workers' earnings as well. Although union workers' earnings promisingly increase in the simple supply-and-demand model (Figure 1), the effectiveness of union organizing in RTW states will weaken as unions collect fewer dues and face increased costs to recruit new members, which diminishes union wage premiums (Moore 1998). Nevertheless, unions may adapt to accommodate these costs after an RTW law is enacted. For example, unions can more aggressively negotiate wage increases for members, which increases the unemployment of union workers and reinforces the crowding effect for non-unionized jobs (Reed 2003). In addition to the crowding effect, RTW laws can also generate a "threat effect" as employers raise the wages of nonunion workers to reduce incentives for unionization; this threat effect is minimized if unions act less aggressively after RTW is enacted (Reed 2003). Therefore, the effects of RTW on wages are made more ambiguous based on the conflicting preferences and behaviors of unions, individual workers, and employers.

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Beyond the conflicting interests of unions and firms, the economic conditions in a state before RTW could impact further wage changes. Extrinsic factors that determine a state's degree of industrialization and socioeconomic conditions—such as education, human capital, migration, and the age of the workforce—can each impact the labor market and its corresponding wage changes (Reed 2003). When these factors are controlled for in statistical analysis, Reed (2003) finds that wages in traditionally agricultural RTW states are 7.93 percent higher than in non-RTW states. Although substandard economic conditions—such as low rates of industrialization—may make wages in RTW states seem artificially low, it does not guarantee that implementing the legislation will boost wages. Given that states with lackluster economic conditions are more likely to adopt such RTW laws (Moore 1998), the outcome could specifically disadvantage the low-income population. For example, data shows that economic inequality is magnified in states after an RTW law is enacted by lowering labor power resources. (VanHeuvelen 2020). Therefore, a state's economic conditions play a pivotal role in determining whether RTW will help or harm workers.

Another overlooked consideration of the law's impact on wages is the preexisting value of wages in the state before the law is enacted, especially for unionized and non-unionized workers. Many of the states that have adopted the law were comparatively low-wage states to begin with, so the disparity in wages between states with and without RTW laws are not necessarily caused by the law itself (Wessels 1981). The extent of unionization in a state before the law is implemented can also impact wages. In highly-unionized RTW states, median wages are 15 percent higher than in high-unionized non-RTW states; in low-unionized RTW states, median wages are 4 percent higher than in low-unionized non-RTW states (VanHeuvelen 2020). This not only indicates that unionization may have more of an impact on wages than the law itself, but it also suggests union activity in response to the law's implementation can influence the law's impact on long-run wage growth.

RIGHT-TO-WORK'S IMPACTS ON UNION ACTIVITY

By forcing unions to represent workers who do not pay union dues, RTW laws threaten union power, membership, and effectiveness. RTW laws were introduced in the mid-twentieth century to strengthen capital mobility for businesses at the expense of workers' collective bargaining power to negotiate wages and benefits (Peck 2015). As RTW undermines that bargaining power, labor unions struggle to recruit and maintain members (Reed 2003). Specifically, union membership is about 5 to 10 percent lower after RTW is enacted (Ellwood and Fine 1987). These declines in membership also extend to neighboring non-RTW states because firms are more willing to move their operations to RTW states to evade unionization and minimize costs (Moore 1998). Therefore, RTW laws both directly and indirectly stifle union growth. Moreover, these impacts are difficult to reverse. After Indiana repealed its RTW law in 1965, union membership increased in the state, but not to the levels it saw before the law took effect (Ellwood and Fine 1987), suggesting that these laws have long-term impacts on workers' willingness to unionize.

The decline in union membership directly impacts unions' effectiveness. As the demand for union services decreases, unions will have to adjust the price of dues to cover their costs and provide services—such as negotiating raises, healthcare, and scheduling—for their remaining members (Lumsden and Petersen 1975). Consequently, the increased price of dues can weaken unions' organizing power and ability to recruit new members. Union organizing itself decreases by about one-third in the first ten years after RTW takes effect (Ellwood and Fine 1987). Moreover, the success rate of these organizing campaigns is also likely to decrease. In RTW states, union organizing success decreases by 46 percent in the first five years after RTW is implemented and by an additional 30 percent thereafter (Ellwood and Fine 1987). Therefore, these laws significantly diminish workers' collective bargaining power.

RTW also increases the likelihood of freeriding because a union must bargain for all the workers, even those who do not pay to join the union directly (Ellwood and Fine 1987). Accordingly, benefits from labor unions' organizing efforts are distributed to union workers and nonunion workers alike (VanHeuvelen 2020). Given that workers are not required to join the union as a condition of employment, they reap the benefits without paying dues. In other words, union benefits are non-excludable. These benefits are largely intangible, so they exhibit a high degree of nonrivalry as well. Therefore, workers have incentives to avoid joining a union and paying monthly dues (Moore 1998), which resembles the free-rider problem of a public good. Freeriding exists regardless of a state's RTW status because workers can benefit from collective bargaining without being under a union contract (Moore 1998). However, RTW laws reinforce workers' incentives to avoid unionization, which increases freeriding by an estimated 6 to 10 percent (Peck 2015). Freeriding diminishes unions' financial assets, subverts recruitment efforts, and decreases their bargaining power (VanHeuvelen 2020). Therefore, RTW laws hurt unions and workers alike.

Although RTW laws harm unions, not every state has the same tastes and preferences for unions. Specifically, workers in a particular state may have existing attitudes toward unionization that influence the likelihood of RTW adoption; states that prefer unions are less likely to have RTW laws than states that disfavor unions (Lumsden and Petersen 1975). Conversely, an existing decline in union membership could increase the likelihood of RTW adoption (Ellwood and Fine 1987) because unions lack the membership and organizing power to respond to public opposition (Moore 1998). Therefore, RTW laws may not be the only factor impacting union activity; workers' tastes and preferences for union representation, which vary from state to state, influence union success as well.

SOCIAL EQUITY CONCERNS IN RTW STATES

The effects of RTW laws are not distributed equally. RTW incentivizes a behavioral change in firms to prioritize their profit-maximizing interests over the interests of the workers (VanHeuvelen 2020). As a result, one study estimates that the Gini coefficient gap—which measures the degree of economic inequality—between RTW states and non-RTW states increases to 2 percentage points (VanHeuvelen 2020), indicating slightly higher rates of inequality in RTW states. This income and wealth gap can have significant social consequences, such as increased dependence on social welfare programs (Minor 2012). As the strength of unions declines, workers find themselves increasingly unrepresented in the workplace, which could hurt some communities more than others. Historically, women are less likely to unionize due to weaker labor force attachment, while Black workers are more likely to unionize to combat employer discrimination (Ellwood and Fine 1987). Therefore, as RTW undermines union organizing, a state's existing social conditions will determine its overall impact on equity.

Generally, GDP per capita is 13.3 percent lower in RTW states; 73 percent of the states with the highest poverty rates, as well as roughly 84 percent of states with the lowest life expectancy are RTW states (Minor 2012). This indicates that there is a strong correlation between RTW laws and suboptimal living conditions. Localized social circumstances—such as population density or racial and gender diversity—can also influence the magnitude of the law's impacts. RTW laws can amplify economic inequality if a state is more rural, racially homogenous, or has proportionately higher male labor participation (VanHeuvelen 2020). For example, in densely populated urban areas, union organizing efforts can increase after RTW is passed, but in sparsely populated rural areas, union organizing efforts will likely decrease (Ellwood and Fine 1987). Given that RTW states are more agrarian and less diverse, any resulting negative social impacts may be magnified in marginalized communities (Moore 1998). Overall, discrepancies in social conditions will determine the provision of union benefits, and to a greater extent, the quality of living standards for all workers, regardless of union membership status.

FORECASTING THE IMPACTS OF A NATIONAL RTW LAW

Although RTW laws exist largely at the state level, there is growing momentum among conservative lawmakers in Congress to nationalize RTW laws. For at least the last five consecutive congressional sessions, various Members of Congress have introduced national right-to-work legislation (Congress.gov). Each proposed piece of legislation—none of which have made it through the House Education & Labor Committee or Senate Committee on Health, Education, Labor & Pensions—essentially strikes the section of the National Labor Relations Act allowing employers and unions to coordinate a requirement for employees to join the union as a condition of employment.

The results of RTW laws in individual states help forecast the national economic implications of this proposal. If adopted, a national RTW law could diminish the collective bargaining power of workers, inhibit wage growth, and harm economically disadvantaged communities. One study concludes that the decline of labor unions in the 1980s was due to the increased passage of RTW in many states (VanHeuvelen 2020). If RTW is enacted nationally, then union membership will likely decline further. As a result, union organizing activities will generally decrease, and organizing success will likely wane just as it did in RTW states (Moore 1998). Some social groups might see increased unionization rates, but these rates may be undermined by states' existing RTW labor laws. For example, Black workers in American South—who may seek to evade workplace discrimination by unionizing (Ellwood and Fine 1987)—may face the barriers of RTW because the law gained popularity in the South during the Jim Crow era as an attempt to minimize Black union membership (Levin and Puckett 2022). Therefore, union membership will likely decline overall, even as some groups have increased demand for union services. This result is consistent with RTW's varying impacts on unionization based on workers' preferences for unionism and their access to them (Lumsden and Peterson 1975).

As unions face setbacks under a national RTW law, the promise of regular wage growth will fade. Expansion of RTW laws will likely magnify the crowding effect and drive wages down (Reed 2003). However, a national RTW law can reinforce the threat effect as well. This threat effect arises as more firms will keep wages high to prevent their workers from unionizing (Reed 2003). Existing wage disparities in states (Wessels 1981) could further intensify the crowding and threat effects, making the overall impact on wages unclear. This wage hike might hurt low-income communities particularly badly, especially given that RTW increases the Gini coefficient (VanHeuvelen 2020). Union-driven benefits, including wage premiums, could also face challenges because a national RTW law magnifies the freeriding problem. Many workers will have the incentive to avoid paying union dues but will still benefit from union services (Moore 1998). As a result, unions may be underfunded, which reinforces the declines in membership and effectiveness in a positive feedback loop.

Although there is potential for unpromising impacts to unions' effectiveness and social equity, some proponents of a national RTW law emphasize a different criterion: liberty. Proponents argue that extending RTW to the national promotes liberty by outlawing compulsory unionism and encouraging workers to evaluate union policies themselves (Kovach 1977). The emphasis of different criteria makes RTW legislation increasingly politicized, with conservative pro-business lawmakers in support of it and liberal pro-union lawmakers opposed (Peck 2015). In the 117th Congress, the House of Representatives passed legislation that focuses on the right to organize. The Protecting the Right to Organize (PRO) Act (2021) preserves the status quo by codifying protections for the agreements made by employers and unions requiring employees to incur fees for representation unless a state or local law mandates otherwise. The PRO Act (2021) also condemns unfair union-busting strategies by employers and streamlines the process for workers to hold union representation elections. Proponents of the PRO Act argue that it not only offers benefits to workers directly

in the form of wages, safety, and fringe benefits but also offers systemic benefits to recede economic inequality and close the gender and race wealth gaps (Levin and Puckett 2022). Meanwhile, opponents of the PRO Act argue that it undermines employers' ability to terminate employees at will and may spur more disputes and strikes (Levin and Puckett 2022).

The PRO Act's priorities conflict directly with the National Right-to-Work Act's priorities. Either of the proposed bills would require partisan majorities to pass. The Senate filibuster—in its current state—requires a sixty-vote majority for passage of labor reform (Levin and Puckett 2022), which suggests that the status quo is likely to remain unless the Senate reforms the filibuster or a partisan supermajority captures the chamber.

CONCLUSION

Right-to-Work (RTW) laws are generally adopted by states in need of economic growth, but these laws come at the expense of workers. Short run projections indicate RTW laws put pressure on nonunion wages and leave workers worse off. In the long run, behavior, economic conditions, and preexisting wages may impact wages more than a RTW law itself. RTW laws also slow union membership growth, undermine union organizing effectiveness, and incentivize freeriding. This freeriding effect reduces unions' power because they must bargain for all workers, including those who did not pay union dues. RTW laws generally widen the inequality gap, increase poverty rates, and decrease life expectancy. These conditions spoil the promise of economic mobility for low-income communities and communities of color. However, this fate is not guaranteed because a state's preexisting social conditions impact whether the outcomes of an RTW law are equitable. Although the likelihood of labor law reform is bleak, a national RTW act could further decrease union activity, amplify economic inequality, thwart wage growth, and intensify the freeriding problem. Therefore, future policies regarding union organizing ought to be decided by individual state governments because they can better accommodate the needs and preferences of their constituents and adapt to statewide economic conditions.

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