

THE IMPACT OF “RIGHT-TO-WORK” LAWS ON LABOR MARKET OUTCOMES IN THREE MIDWEST STATES

Evidence from Indiana, Michigan, and Wisconsin (2010-2016)

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“Right-to-Work” Laws in the Midwest Have Reduced Unionization and Lowered Wages

A recent study found that the introduction of “right-to-work” laws has reduced the unionization rate by 2.1 percentage points and lowered worker wages by 2.6% in Indiana, Michigan, and Wisconsin.

The analysis focused on labor markets in six Midwest states from 2010 through 2016. Indiana, Michigan, and Wisconsin all enacted “right-to-work” (RTW) laws during this period, providing a regional experiment on the effects of the laws. Three neighboring states— Illinois, Minnesota, and Ohio— serve as a comparison group because they did not have RTW laws at the beginning of the time frame and still do not have RTW today.

As of 2016, there were significant differences between the two groups of states. Notably, workers in Indiana, Michigan, and Wisconsin earned 8% less per hour than their counterparts in Illinois, Minnesota, and Ohio. However, the authors control for educational attainment, occupation, demographics, and other factors to isolate the independent effect that RTW legislation has on economic outcomes.

After accounting for these important factors, the authors find that the introduction of RTW laws has reduced unionization rates by 2.1 percentage points and lowered hourly wages by 2.6% in Indiana, Michigan, and Wisconsin.

RTW laws have had particularly adverse impacts on occupations that have traditionally provided middle-class careers for workers in the Midwest. As examples, RTW has statistically reduced the hourly earnings of:

- Construction and extraction workers by 5.9%,
- Workers in service occupations (including police officers and firefighters) by 3.1%,
- Workers in office and administrative support roles by 2.7%;
- Employees in retail and business sales by 2.4%; and
- Workers in professional, educational, and health occupations by 1.9%.

Similarly, the negative impact of RTW has been largest for workers with levels of educational attainment that typically provide pathways into the middle class in the Midwest. RTW has decreased the wages of workers with bachelor’s degrees, associate’s degrees, and some college experience by over 3% percent, while having no impact on the hourly earnings of workers with Master’s degrees or with professional or doctorate degrees.

These findings echo previous research on RTW laws. Economic studies consistently show that RTW reduces worker earnings by 2-4%. By reducing unionization, RTW has contributed to income redistribution from middle-class workers to the wealthy, boosting the incomes of owners by 2% with little “trickle-down” to the non-unionized workforce. RTW laws have likely contributed to the shrinking middle class in the Midwest.

Lawmakers should consider these research findings when debating the merits of “right-to-work” in Illinois.

Full Report: <https://illinoisepi.files.wordpress.com/2017/04/pmcr-ilepi-rtw-in-the-midwest-2010-to-2016.pdf>