

The 2006 Indiana Right to Work Campaign

January, 2006

Jeff Vincent

**Indiana University
Division of Labor Studies**



The 2006 Indiana Right to Work Campaign

Introduction

For more than 50 years, there has been a concerted effort to attack unions in so-called "right to work" (RTW) campaigns. The union-only shop was outlawed in 1947 and ever since, the National Right to Work Committee (NRTWC) and other special interests have been trying to further limit voluntary negotiations between unions and employers. In theory, the regulatory framework under U.S. labor law assures that bargaining between unions and employers is conducted in good faith. In practice, RTW deliberately weakens this system.

RTW laws undermine the most basic principles of collective bargaining. RTW activists insist that individual preferences always supersede majority rule. Under U.S. labor law, individual workers already have specific rights. They do not have to join unions, nor do they have to cover the costs of a union's political, legislative, social or charitable activities. In the 22 RTW states however, the law encourages workers to avoid paying for *any* union operating costs. Since unions have a legal duty to represent *all workers* in the bargaining unit, detaching contract administration from financial obligations is nothing but a conscious effort to restrict their bargaining power.

For the last three years, NRTWC and other anti-union organizations have been campaigning for RTW legislation in Indiana. This recent political activism is the end result of a century-long strategy to advance the open-shop movement. A major part of this initiative in Indiana and elsewhere is thwarting worker rights. RTW activists tout the "economic freedom," of the individual as one of their core principles. But whose freedom of choice is really at stake?

RTW activists claim to speak for workers by denouncing unions. What is it about unions that they don't like? It's simple: Unions raise wages and improve the work environment. RTW promises a few greedy employers more power to dictate wage rates and job conditions. Special interest groups also want to maintain their financial stake in the multi-billion dollar "union avoidance" industry. In short, RTW is nothing more than anti-union strategy disguised as economic development legislation.

A Short History

Funded by an extensive and largely secret financial network, anti-union organizations have slowly been gaining political power. Organizations like the NRTWC spend millions of dollars promoting the kind of free enterprise rhetoric that existed when employers called all the shots and workers had no voice on the job. The open shop movement itself has a long history in the United States. In the early 20th century, the movement promoted sweatshops and fought unions in the name of business competition. Today's RTW activists use much of the same divisive rhetoric to defend their agenda.

By World War I, the National Association of Manufacturers was losing the battle of public opinion over sweatshops, so it tried to equate union activism with treason. A series of anti-union propaganda posters was widely distributed in 1917 under the guise of assisting the war effort.¹ Entering the 1920s, some employers successfully marshaled the power of government to roll back worker rights that had advanced during the war. The open shop movement issued its American Plan, which declared that enlightened employers made unions unnecessary. The decade saw the formation of hundreds of open-shop associations across the US whose express purpose was to thwart union organizing.

In the wake of this assault, a steady decline in union membership marked the era. The economy of the early 1920's was prosperous and "welfare capitalism" was practiced in many industries. Under this theory, benevolent employers provided everything workers would want. In practice, employers of the period continued to discriminate against union members and also refused to recognize unions, even when a majority of workers were members.

After WWII, the open shop movement immediately set about challenging the political consensus responsible for the worker rights legislation of the New Deal. Aggressive bargaining had been curtailed during the war and disparities between wage rates and profits resulted in a wave of strikes. Long-standing anti-union sentiments fed claims that unions were too powerful. Employers and special

¹ For examples see WHi(X3)21423 and WHi(X3)46665, iconographic collections, State Historical Society of Wisconsin. For a first person description of business opposition to sweatshop regulation see also Florence Kelley *The Autobiography of Florence Kelley: Notes of 60 Years*, Charles H. Kerr, 1986

interest groups renewed their efforts to shape anti-union ideas and symbols. Advertising and public relations budgets skyrocketed as business organizations sought to reframe anti-unionism in terms of the public interest.

Groups such as the National Association of Manufacturers and the Chamber of Commerce spent a considerable amount of money on public relations convincing politicians that unions threatened free enterprise. Lobbying for passage of the Taft-Hartley Act cost the National Association of Manufacturers alone over \$3 million.² Their propaganda campaign ultimately was successful and open shop agenda gained significant momentum with the passage of the Taft-Hartley Act in 1947. The movement turned to RTW legislation and has been active in various states ever since.

The precipitous decline in union density and bargaining power which began during the previous decade perhaps symbolizes the final break with favorable New Deal policies toward worker rights. The original federal labor policy embodied in the 1935 Wagner Act encouraged collective bargaining as a work organization strategy. As Roy Adams asserts, the abandonment of this principle should be cause for concern:

One common belief is that the Wagner Act failed because the majority of employees decided that they preferred individual to collective bargaining. To accept the statement as true one must hold that employees prefer not to be involved by right in the establishment of policies that critically affect their working lives. They prefer instead to defer to a greater authority. If that is true then we should not rest content with the demise of collective bargaining as many employment relations experts would have us do. A widespread deferral to authority suggests that we have a serious political problem. We have a citizenry with authoritarian attitudes, and if that is so the very foundations of our democracy are at risk.³

Misleading Claims about Economic Benefits

In 2005, the NRTWC circulated a classic “boilerplate” study in Indiana promoting a RTW law as one of the most effective economic development tools available to policymakers.⁴ The study claims that RTW is “a simple policy reform” and attempts to prove that income

² Elizabeth A. Fones-Wolf *Selling Free Enterprise: The Business Assault on Labor and Liberalism 1945-1960* University of Illinois Press, 1994. In today’s dollars this amount would be the equivalent of more than \$30 million.

³ Roy J. Adams, “Universal Joint Regulation: A Moral Imperative,” *Proceedings of the 43rd Annual Meeting*, Industrial Relations Research Association, 1990

⁴ Boilerplate refers to a standardized template used repeatedly in other RTW campaigns, supplemented by economic data specific to the target state.

growth and expanded job opportunities are correlates of their anti-union agenda.⁵ This agenda is captured succinctly in the report's primary economic claim that RTW laws "facilitate faster productivity growth, which is a key factor for improving employee earnings and employer profit."

The RTW literature makes no attempt to develop a systematic analysis of what workers themselves want and how their needs might differ from their employers. Instead, as the Indiana study declares, employers and workers benefit equally from "less burdensome taxes and bureaucratic red tape." This assertion appears to have a spurious correlation with RTW laws but is in fact, related to the effort to delegitimize union involvement in the employment relationship. The literature describing unions' impact on business competitiveness is ignored in favor of ideological assertions that an idealized meritocracy (where the employer unilaterally determines merit) is superior to collective bargaining for workers.

The NRTWC rhetoric against "Big Labor" and its association with "Bigger Government" are indicative of a specific bias based on political association. This approach is reflected in claims by the RTW ally, The Mackinac Institute, which argues that RTW forces union leaders to strive for "consensus" and direct negotiations toward their members' immediate interests.⁶ Drawing a similar conclusion, the Indiana study claims that RTW diminishes "union officials' ability to elect and reelect business hindering state and local politicians." By analogy, one might argue that individuals' voluntary tax contributions might force consensus among political leaders as well. However, in both cases, majority rule and the ability to vote incumbents out of office are direct and more effective methods of democratic representation.

State business climate rankings are another area where the special interests have promoted RTW. One of the tools used to attract new businesses to an area is the promotion of a favorable local "climate," i.e., specific factors thought to have an impact on site location decisions. The NRTWC's economic arguments are based on the rather nebulous claim that RTW policies are designed to create a friendly business climate. RTW assumes that non-union workers' lower wage rates create this more favorable climate.

⁵ Stan Greer, *The Economic Benefits of an Indiana Right to Work Law*, National Institute for Labor Relations Research, 2004

⁶ William T. Wilson *The Effect of Right to Work Laws on Economic Development*, 2002

Ideological biases against unions can be found in many business climate rankings. Promoting cheap labor is the main interest of RTW supporters when using these indexes. One group promoting RTW is the Pacific Research Institute (PRI) which produces the so-called U.S. Economic Freedom Index. The index supposedly measures "how friendly (or unfriendly) each state government is toward free enterprise and consumer choice." According to PRI, non-RTW states are "economically oppressive."⁷

In one popular ranking, the Small Business Survival Index (SBSI), RTW is assumed to represent direct cost savings. The NRTWC goes so far as to assert that the SBSI "indicates that RTW status alone is an excellent predictor of overall business climate favorability." The SBSI is the creation of Raymond Keating, chief economist for the Small Business and Entrepreneurship Council. The council was formerly called the Small Business Survival Committee. This name is now the title of the "activist and grassroots network" within SBSC, which claims 70,000 members. The council's mission is "to influence legislation and policies that help to create a favorable and productive environment for small businesses and entrepreneurship." They believe a union shop is one factor in "government-imposed or government-related costs impacting small businesses and entrepreneurs."

Keating believes that "unions are becoming obsolete." This vague assertion becomes a dubious statistical artifact in his index, which calculates the absence of a RTW law as a negative economic attribute. Keating states that the weakened role of unions in RTW states provides "a more dynamic, flexible workforce in the state, which translates into an amenable environment for increased productivity and improved efficiency."⁸ No evidence is offered to support this claim. In fact, the SBSO itself reveals the fallacy of this type of economic development thinking.

The actual state rankings on the SBSI do not remotely support the conclusions of the NRTWC. Indiana ranks 9th on the 2005 index. Also in the top 10 are non-RTW states Michigan (5), Washington (4), and Colorado (10). Most RTW states are ranked lower than Indiana on the SBSI index: South Carolina (12), Virginia (13), Tennessee (15), Arkansas (16), Arizona (17), Georgia (22), North Dakota (26), Oklahoma (29), Utah (30), Kansas (31), Nebraska (35), Louisiana (35), North Carolina (39) and Iowa (41).

⁷ Peter Fisher, *Grading Places: What Do the Business Climate Rankings Really Tell Us?* Economic Policy Institute, 2005

⁸ Available online:

<http://www.sbecouncil.org/FactOfWeek.asp?FormMode=Call&LinkType=Text&ID=65>

Unions and Economic Development

The major data problem for RTW activists is their failure to articulate a robust theory explaining how weakening unions meets basic economic development goals. Indeed, these basic goals run counter to the RTW concept. **Quite simply, economic development is a public good with a principal policy goal of producing a high and rising standard of living for all citizens.**⁹ Adopting this theoretical perspective, at least one state business climate index reaches a very different conclusion about the role of workers in determining economic development strategies. The Work Environment Index (WEI), constructed by the Political Economy Research Institute (PERI) at the University of Massachusetts, ranks states in terms of working conditions. PERI researchers found “the various business indexes do not measure business climate in consistent ways and do not produce even broadly similar rankings from state to state.” An effort to correlate working conditions with business climate indexes found that states with good working conditions also provide an attractive economic climate for business.¹⁰

State and local governments have a whole range of options for economic competitiveness that do not rely on cheap labor availability. Successful outcomes for economic development policies can be evaluated by measuring expansion of business activity and job creation. The determinants of business activity are widely documented and play an important part in shaping economic development policies.

By contrast, the assessment of job creation most often involves a simple summation of the number of jobs in local labor markets. Just as business vitality cannot be determined by counting firms, counting jobs is an insufficient measure of economic health. Job factors related to wages and salaries, overall quality of work, stability of the skilled labor force or long-term productive capacity are not important policy considerations for RTW activists.

The availability of critical labor resources is highly dependent on factors of supply and demand in local labor markets. Competitive businesses are attracted to and grow in areas where the highest value productive inputs can be obtained. Workers invest time and

⁹ Michael E. Porter, *The Competitive Advantage of Nations*, Free Press 1990

¹⁰ James Heintz, Jeannette Wicks-Lim, Robert Pollin, *Decent Work in America: The State by State Work Environment Index*, 2005

money in education, anticipating this value being reflected in higher wages and salaries. Like other social contracts between workers and employers, this one stands on shaky ground.

While significant public investments are made to fund economic development activities, RTW policies represent a narrow and outdated strategy. They are based on thwarting worker rights and overtly favor capital over labor resources. RTW activists express a utopian optimism that their strategy will produce a high skill, high wage workforce. However, the RTW strategy does not necessarily provide positive net economic activity. Other labor resource factors which make important contributions to economic growth, especially high education and skill levels in the workforce, are inimical to low wage rates. Negative multiplier effects as a result of such strategies must be considered as well since once low wage workers are substituted for those earning higher wages, consumption and tax revenues decline. Wage rates are only one component of overall labor costs and it is likely that the unstable labor supply associated with low wages will increase inefficiencies and long-run costs.

Workers caught in the cycle of deindustrialization are advised to “go back to school.” Vast resources are committed to support retraining but little attention is paid to market imbalances in terms of employer demand. The invisible hand of market forces does not raise the demand for skilled labor if the costs for individual employers outweigh the social benefits of training and education.¹¹ Success in a global economy is dependent on the productivity of capital and labor resources. The economist Kenneth Arrow long ago recognized that the final outcome of any educational investments depended on the “cooperation” of the worker and private capital.¹² By definition, every collective bargaining agreement represents a very specific and meaningful form of that cooperation.

The demarcation between managerial decision-making power and that of workers is a socio-historical process, not evidence of some natural law. Workers unquestionably have a stake in the health of any company and already hold considerable collective knowledge about the production process. Yet, they or their representatives seldom have *any* formal input on substantive business decisions. One

¹¹ Joel Rogers, *Vocational Training: Reflections on the European Experience and its Relevance for the U.S.*, Governor's Commission for a Quality Workforce (Wisconsin) 1990

¹² Kenneth J. Arrow, "The Social Discount Rate" *Cost Benefit Analysis of Manpower Policies*, W. Donald Wood and Gerald G. Somers, eds., Industrial Relations Center, Queens University, 1969. See also, *The Business Roundtable, Workforce Training and Development for U.S. Competitiveness*, 1993.

of the strongest arguments against the RTW concept of unlimited management authority is that management doesn't know everything.

The marginalization of worker participation has far-reaching consequences and actually biases economic development policies in favor of low-skill, low-wage work. What is needed is an examination of new paradigms of worker and community participation in the formulation, implementation and evaluation of economic policy initiatives. Involving unions would represent a salutary departure from mainstream economic development practices.

If a rising standard of living is to be realized for *everyone*, Indiana's economic development policies must reflect the interests of a broad spectrum of stakeholders. Workers must be represented along with business and government organizations if high wage, high skill job creation will ever be realized. Unions remain a vital, if underutilized, competitive asset because they can give voice to ideas and concerns from workplaces and communities.¹³ The real challenge for contemporary economic policy is recognizing how worker decision-making can be built into the design and basic organization of work. If worker autonomy is truly valued over dependence, these policies will afford some manner of choice respecting production, including the development of skills and the use of technology. In all respects, RTW fails to do this.

What do the Data Show about RTW?

The NRTWC defines declining incomes as the economic policy problem facing Hoosier workers. However, RTW appears to be completely unrelated to the solution. Macroeconomic data show clearly and consistently that union workers earn more than their non-union counterparts. This fact is well known and is the reason why most workers indicate they would prefer a union job. Coercive measures to compel membership are not part of the union mission, despite the rhetoric of the RTW activists.

Are workers being misled by "Union Bosses?" More accurate explanations for the problem of declining incomes involve laissez-faire and other brutal doctrines of social darwinism that our society rejected long ago. But economic problems do not solve themselves. Long-term trends indicate that economic policies have been balanced on the backs of workers with little to show for it.

¹³ For a review of the literature see, Dale Belman, "Unions, the Quality of Labor Relations and Firm Performance," in *Unions and Economic Competitiveness*, Lawrence Mishel and Paula B. Voos, eds., M.E. Sharpe, 1992

Right to work legislation was a key component of the “southern strategy” of economic development. At one time, factories and jobs flowed from the north to the south because of comparative wage advantages. Even today, union membership is far lower in right to work states than elsewhere. So are wages and benefits for the average worker.

Whatever comparative wage advantages may have existed in the past, RTW states now are locked in the same process of deindustrialization that has decimated traditional middle-income union jobs. Manufacturing and information industries have traditionally provided higher wages and good benefits, so job losses in these sectors are worth noting. Even after a considerable amount of time has passed (60 years in some cases) RTW anti-union activism has not produced a favorable economic climate for workers. The data shown below clearly demonstrate this. As indicated below, RTW states are subject to the same forces of globalization as the union shop states. The RTW states are no more immune to deindustrialization than the rest of the U.S.

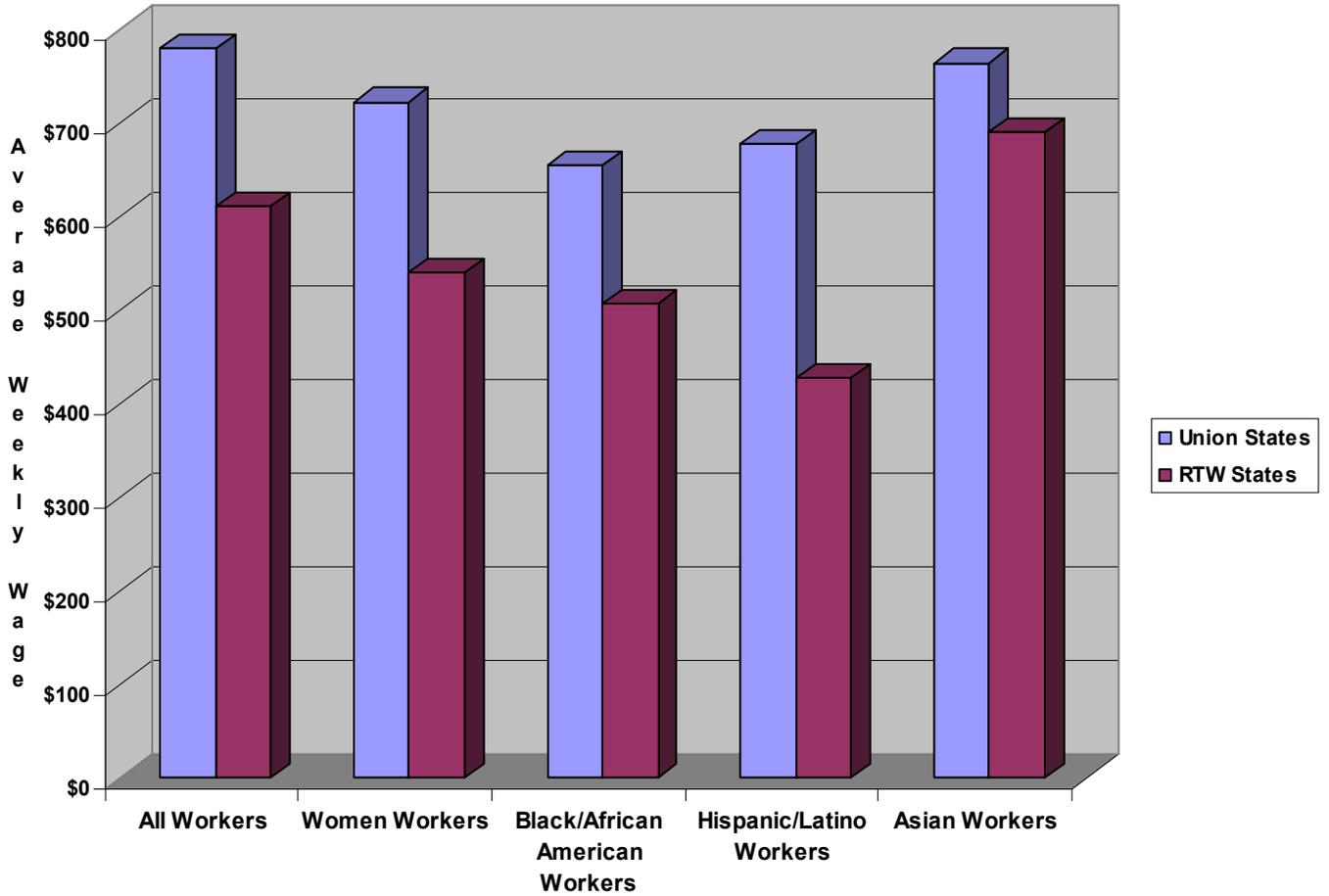
The adoption of a RTW law would be a fundamental step backwards for Indiana. Individual states cannot win the race to the bottom in terms of wages and working conditions. Union members, like all workers, are autonomous and independent citizens who are quite capable of protecting their own interests without the interference of RTW activists. Hoosier workers, left unhindered, will act to preserve the existing legal framework for union representation, something anathema to RTW. Rejecting RTW legislation creates an opportunity for labor, business and government to join together to solve the real problems Indiana workers face in the global economy.

Jobs Lost in Right to Work States 2002-2004

State	Date of RTW Law	Manufacturing Jobs Lost	%	Information Jobs Lost	%
Alabama	1953	15,504	5.0	2,885	8.4
Arizona	1947	7,408	4.0	3,967	7.6
Arkansas	1947	10,209	4.8	191	0.9
Florida	1944	17,519	4.3	10,561	5.9
Georgia	1947	19,154	4.1	12,942	9.8
Idaho	1986	3,145	4.9	+778	+8.5
Iowa	1947	4,334	1.9	1,562	4.4
Kansas	1958	4,575	2.5	9,082	17.9
Louisiana	1976	8,749	5.4	+703	+2.4
Mississippi	1954	8,445	4.5	1,498	9.3
Nebraska	1947	4,552	4.3	3,245	13.1
Nevada	1951	+3,192	+7.5	2,076	12.2
North Carolina	1947	63,787	9.9	6,560	8.3
North Dakota	1947	+895	3.8	230	2.9
Oklahoma	2001	9,762	6.4	3,749	10.6
South Carolina	1954	22,681	7.8	1,896	6.7
South Dakota	1947	+471	+1.2	78	1.1
Tennessee	1947	15,722	3.7	2,935	5.7
Texas	1947	60,235	6.3	23,043	9.3
Utah	1955	+837	+0.7	792	2.7
Virginia	1947	22,188	6.9	5,582	5.3
Wyoming	1963	Not available	-	not available	-

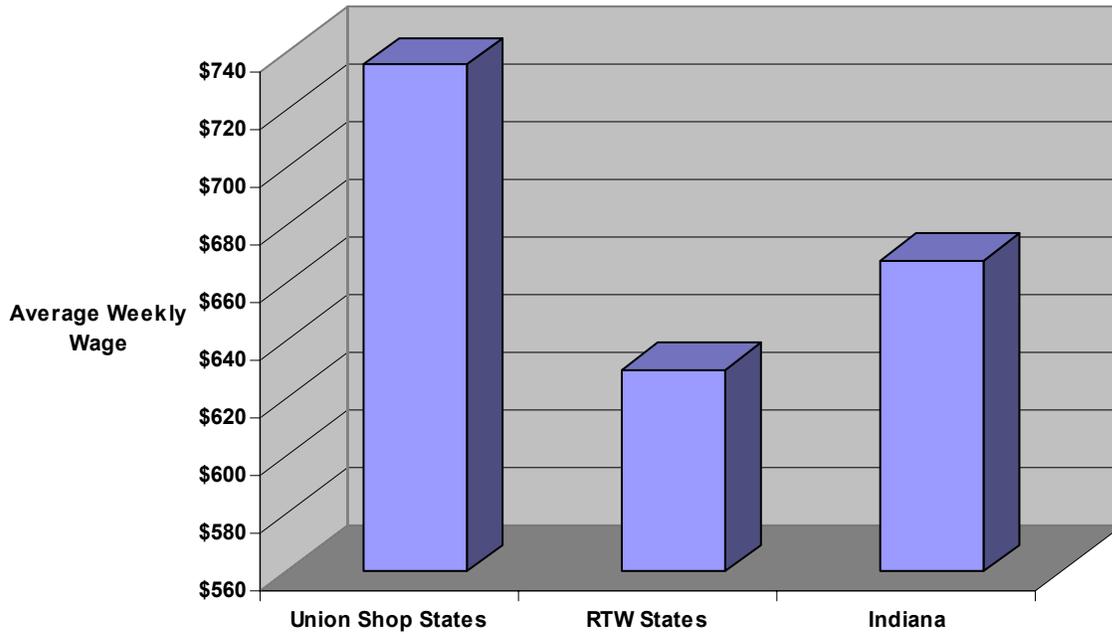
Source: U.S. Bureau of Labor Statistics

Workers Lose Wages Under Right to Work



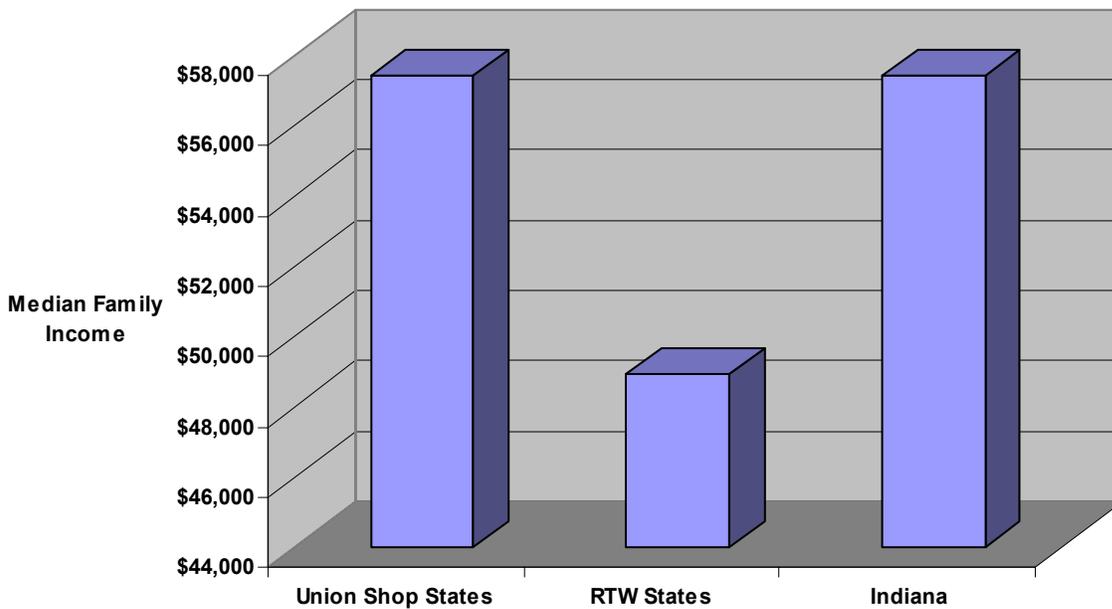
Source: U.S. Bureau of Labor Statistics

Workers Lose Wages in Right to Work States



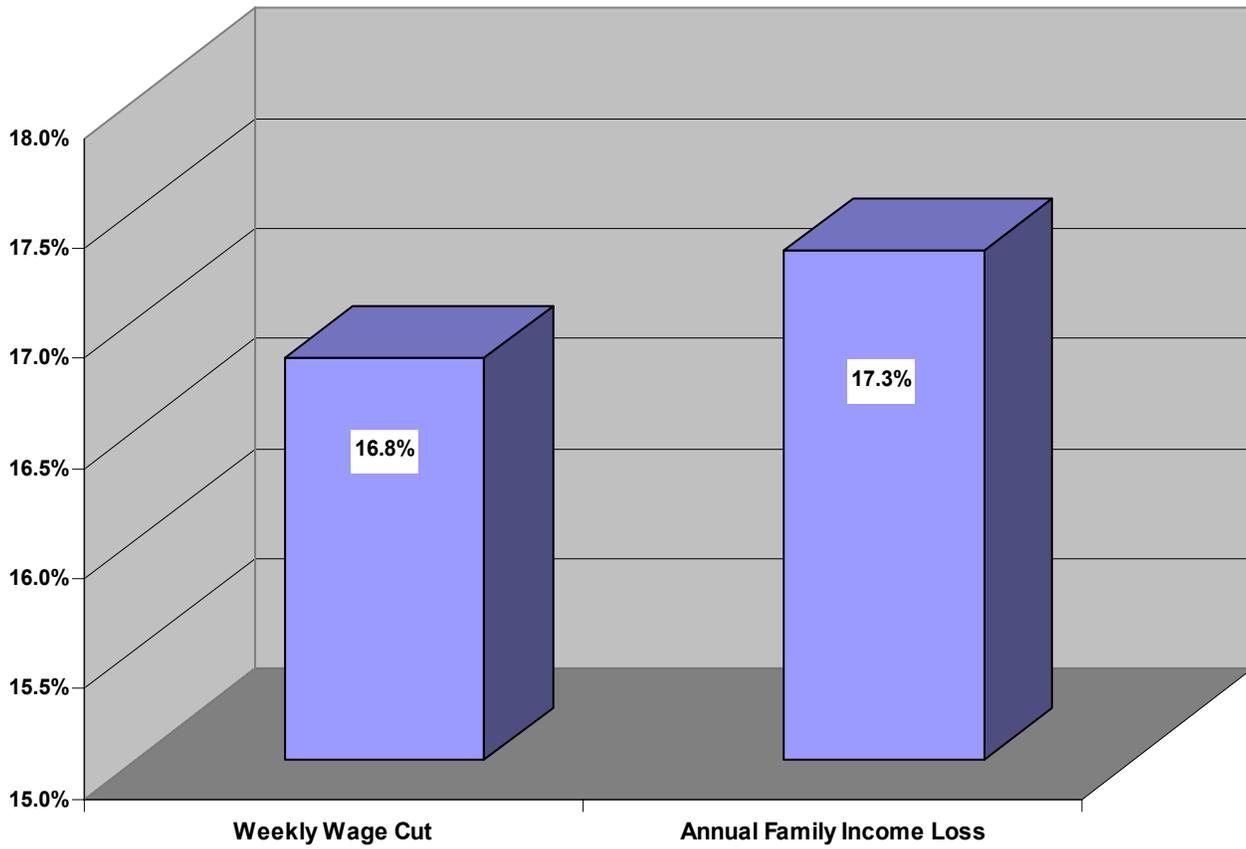
Source: U.S. Bureau of Labor Statistics

Families Lose Income in Right to Work States



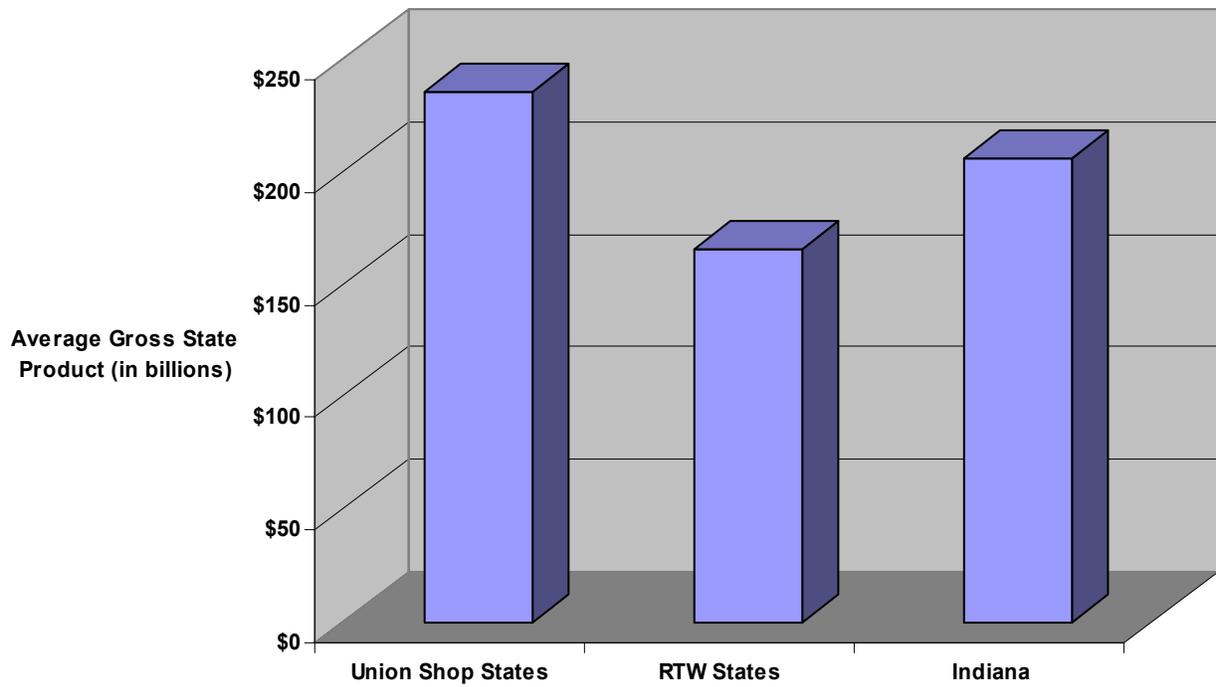
Source: U.S. Census Bureau

What Workers Lose Under Right to Work



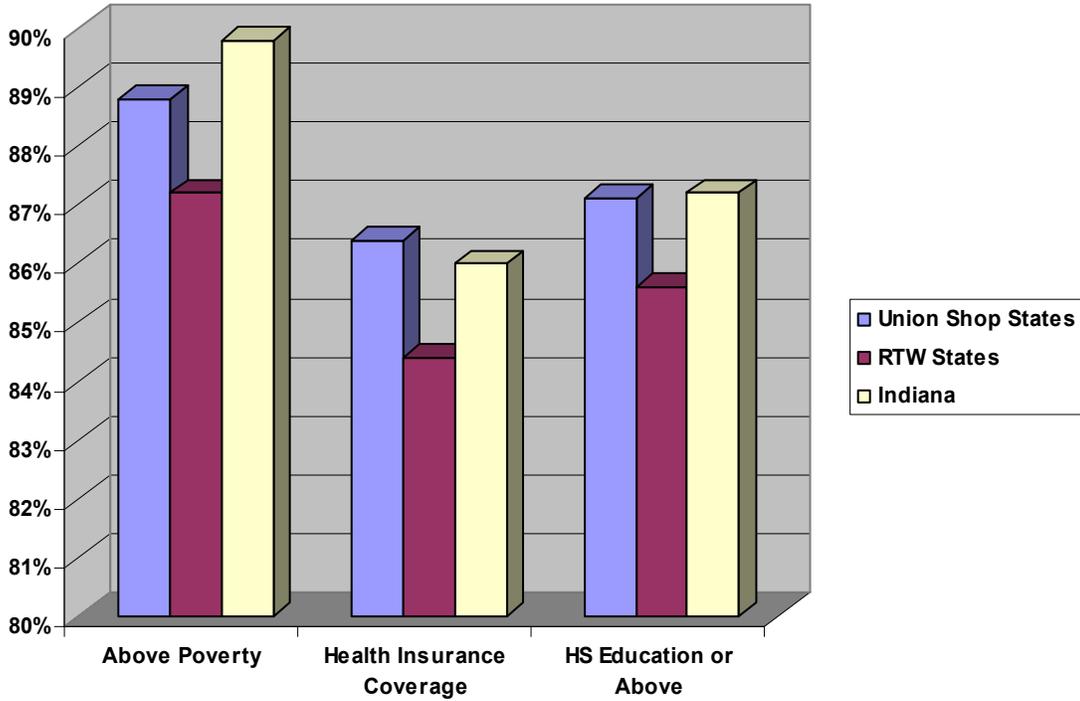
Estimates based on Census Bureau and Bureau of Labor Statistics data.

Economic Activity is Lower in Right to Work States



Source: U.S. Bureau of Economic Analysis

Basic Living Standards are Lower in Right to Work States



Source: U.S. Census Bureau