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What a Right-to-Work Law Will Mean for Indiana — and Michigan

By Paul Kersey

Summary

The Indiana Legislature has taken up right-to-work legislation. The economic benefits to the Hoosier state, based on what has occurred over the last decade in 22 right-to-work states, could harm Michigan's economy unless Gov. Rick Snyder and the Legislature respond in kind.

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Indiana Gov. Mitch Daniels recently indicated his support for a state right-to-work law. Such a law would prevent workers from being compelled to provide financial support to a union in their workplace in order to remain employed.

If Indiana adopts a right-to-work law it could have dire financial consequences for Michigan. At the same time, if Indiana's experience is similar to that of the other 22 right-to-work states, Hoosiers can expect a variety of benefits:

1. A right-to-work law will mean more jobs

From 2000 to 2010, employment in right-to-work states increased 2.3 percent, compared to a 4.0 percent decline in non-right-to-work states. Indiana saw employment decrease 6.9 percent over this period, meaning the state lost roughly 207,000 jobs while 1.2 million jobs were created in right-to-work states.

2. A right-to-work law will mean good wages

It's basic economics: when more jobs are available, companies have to be ready to pay more to attract the workers they want. This occurs with or without a union.

Between 2000 and 2010, personal income grew 57.5 percent in right-to-work states, compared to 40.5 percent in non-right-to-work states. Indiana saw personal income grow 35.4 percent over the same period.

During the same time, disposable personal income increased 65.3 percent in right-to-work states, compared to 49.4 percent in non-right-to-work states. Indiana managed a meager 41.8 percent increase over the same time period.

The cost of living tends to be lower in right-to-work states. A study by the Missouri Economic Research and Information Center found that in 2009, after adjusting for the cost of living, annual per-capita disposable income was $35,543 in right-to-work states, compared to $33,389 in non-right-to-work states. That equates to a $2,154 premium each year for those living in right-to-work states.

The bottom line is that wages are just fine in right-to-work states — and they're growing faster, too.

Indiana has used radio advertisements and billboards to lure workers and job providers away from Michigan. The Hoosier state would be even more attractive to businesses and investors should its policymakers adopt right-to-work legislation.

3. A right-to-work law will not affect worker safety

Right-to-work opponents claim that it threatens worker safety; occupational injury and death statistics tell a different story. Occupational injuries in right-to-work states, as reported by the U.S. Bureau of Labor

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Statistics, were 3.5 per 100 employees in 2009, compared to 3.9 workers in non-right-to-work states. The fatalities in right-to-work states are slightly higher than in non-right-to-work states: 4.3 vs. 3.1 per 100,000 workers. But this translates to about 2,200 total occupational deaths in right-to-work states compared to 2,400 total occupational deaths in non-right-to-work states per year.

Fatal occupational injuries are rare in both right-to-work and non-right-to-work states.

4. A right-to-work law will not harm unions

Opponents describe right-to-work laws as veiled forms of union busting, but the real problem is unions themselves. If unions satisfied workers, one would expect their membership to at least remain constant. Between 2000 and 2010, however, union membership declined by 9.5 percent in non-right-to-work-states and 9.2 percent in right-to-work states. Not only is membership falling in both instances, but non-right-to-work states see their membership declining at a faster rate than right-to-work states. There are even cases where unions gained membership in right-to-work states like Nevada or Texas.

Right-to-work laws do not prevent unions from forming; they simply prevent workers from being forced to financially support a union. In every right-to-work state, more than three-quarters of workers who are represented by a union join the union and pay dues voluntarily.

5. A right-to-work law will take Hoosiers where the rest of the nation is heading

Workers are slowly leaving states like Indiana for better jobs and better wages. Right-to-work states experienced population gains of 15.3 percent from 2000 to 2010, compared to 5.9 percent in non-right-to-work states. Indiana did a little better than most non-right-to-work states, with a population gain of 6.4 percent over the same period. But this number pales in comparison to the gains seen in right-to-work states. A growing population means new opportunities and more customers for local businesses.

Americans are not afraid to move when they see a better opportunity. This is why Michigan would be at a further competitive disadvantage should Indiana become a right-to-work state. Existing businesses, entrepreneurs and investors will be drawn to states with inviting labor climates and minimal regulatory interference from the state. Gov. Rick Snyder and the Michigan Legislature should take their cue from Indiana's leadership and embrace the right-to-work concept. The alternative is losing more population, jobs and tax revenue to the Hoosier state.

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