Why Worker Freedom is Right for Wisconsin

Written Testimony

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Chairman Nass, Members of the Senate Committee on Labor and Government Reform, I am F. Vincent Vernuccio, director of labor policy for the Mackinac Center for Public Policy, a nonpartisan research and educational institute based in Midland, Mich.

Thank you for giving me the opportunity to testify here today on right-to-work. This policy will give workers the freedom to choose whether to support a union or not and help improve Wisconsin's economy.

Wisconsin governor Scott Walker has been fielding a number of questions about this policy lately. He was asked if he considered the state Legislature's right-to-work proposal to be anti-union.

Gov. Walker rejected that characterization. He said right-to-work laws are not anti-union; all they do is give workers the right to choose. My testimony will underscore that fundamentally sound judgment.

Gov. Walker and the Wisconsin Legislature have put limits on government union collective bargaining privileges in the past, through legislation such as Act 10 of 2011.[2]

This bill is different. It is not about limiting the ability of unions to bargain. It is about worker freedom.

Right-to-work laws prohibit labor contracts that force employers to fire workers who do not wish to financially support a union. Outside of this, right-to-work does not affect collective bargaining in any way. In Wisconsin, private sector unions will still be able to bargain over wages, hours, working conditions, or anything else they could bargain for before right-to-work.

The difference is worker freedom.

A significant number of employees will always want some form of representation. Unions — strong unions, — still exist in right-to-work states. They simply behave differently because they have to earn the support of workers rather than rely on compulsion.

In right-to-work states, unions can't take worker support for granted. Therefore, they must earn dues by providing value to members.

Despite claims to the contrary, states can improve union representation and give workers this fundamental freedom without necessarily harming unions or workers.

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[2] "2011 Wisconsin Act 10" (State of Wisconsin, Mar. 11, 2011), http://perma.cc/NW3X-LM2M (accessed Feb. 10, 2015).

The data are mixed on unionization rates in right-to-work states, but it isn't a guarantee that when a state goes right-to-work it is going to have any less unionization than before. Some years, forced unionization states do better, other years right-to-work states put up better unionization numbers.[3]

In 2014, Indiana managed to add, on net, more than 50,000 union members.[4]

Though unions as a whole take a dim view of right-to-work, Gary Casteel, an organizer in the South for the United Auto Workers, was quoted by the Washington Post after he made a striking observation:

> I've never understood [why] people think right to work hurts unions ... To me, it helps them. You don't have to belong if you don't want to. So if I go to an organizing drive, I can tell these workers, 'If you don't like this arrangement, you don't have to belong.' Versus, 'If we get 50 percent of you, then all of you have to belong, whether you like to or not.' I don't even like the way that sounds, because it's a voluntary system, and if you don't think the system's earning its keep, then you don't have to pay.[5]

What Casteel doesn't seem to understand is that union leaders may have a self-interested reason for opposing right-to-work.

According to a report by labor economist James Sherk, states with compulsory unionism charge their members about 10 percent more than their right-to-work rank-and-file brothers in other states. He also found that top union officials in those non-right-to-work states take home about $20,000 more in salary, each, per year.[6]

Unions can charge these premiums because there is no competition. Workers are compelled to pay dues or fees on the pain of losing their jobs.

The reason more states are embracing right-to-work is that such laws make states more economically competitive. Right-to-work states tend to have more job growth. This is true both in the short and long term.

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[3] Tom Gantert, "Right-to-Work States Gain Union Members While Other States Lose Hundreds of Thousands," *Michigan Capitol Confidential* (Mackinac Center for Public Policy, Feb. 4, 2013), http://perma.cc/HH6T-LZEJ (accessed Feb. 23, 2015).
[4] "Union Members — 2014" (Bureau of Labor Statistics, Jan. 23, 2015), http://perma.cc/J2D8-ATFN (accessed Feb. 23, 2015).
[5] Lydia DePillis, "Why Harris v. Quinn Isn't as Bad for Workers as It Sounds," *The Washington Post*, July 1, 2014, http://perma.cc/QQX8-PDVR (accessed Feb. 23, 2015).
[6] James Sherk, "Unions in Non-Right-to-Work States: Charge Higher Dues and Pay Their Officers Larger Salaries" (The Heritage Foundation, Jan. 26, 2015), http://perma.cc/WZ2X-AFYM (accessed Feb. 23, 2015).

For the short term benefits, a good example comes from Site Selection Magazine, a trade publication for corporate real estate and economic development. After Michigan went right-to-work in 2013, the magazine quoted a real estate manager from a Chicago-based firm as saying: "Where [right-to-work] will have an effect is when there are companies who are looking for locations... [T]here should be a significant increase in the number of projects Michigan receives because they are no longer being eliminated in the early stages of searches."[7]

The developer's prediction proved correct. Michigan's economy is greatly improving. According to the Bureau of Labor Statistics' household survey, from March 2013, when Michigan's right-to-work law took effect to December 2014, Michigan's employment levels increased by 141,990 people. This is a 3.3 percent growth rate giving Michigan the 15th highest in the country.[8]

Among those states in the Midwest, only Indiana, another right-to-work state, outpaced Michigan, growing by 5.1 percent. Only Colorado and North Dakota surpassed Indiana over this period.[9]

The Wall Street Journal has noticed this trend as well. In January, it reported that between March of 2013 and November last, Michigan had seen "4% payroll manufacturing growth, beating an average of 2.8% in right-to-work states and 0.9% in non-right-to-work states."[10]

States that go right-to-work typically experience job growth, but even after those initial good years, their economies are fundamentally restructured. Costs are held down, wages are boosted, and there are more jobs.

According to statistics derived from the U.S. Bureau of Economic Analysis, between 2003 and 2013, right-to-work states experienced 21.5 percent growth in inflation-adjusted GDP versus 14.7 percent in non-right-to-work states. In manufacturing, the spread was even more pronounced. There was 26.1 percent growth in manufacturing GDP, versus only 13.8 percent growth in non-right-to-work states.[11]

States with growing GDPs are adding jobs, and lots of them. According to research of Bureau of Labor Statistics data by my colleague James Hohman, from 2003 to 2013, right-to-work states added 4.3 million jobs while non-right-to-work states added only 2.4 million. Add to this the

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[7] Ron Starner, "A Watershed Moment," *Site Selection*, Jan. 2013, http://perma.cc/7343-RWQT (accessed Feb. 23, 2015).

[8] "Local Area Unemployment Statistics" (Bureau of Labor Statistics), http://www.bls.gov/lau/ (accessed Feb. 23, 2015).

[9] Ibid.

[10] "Scott Walker and Right to Work," *The Wall Street Journal*, Jan. 12, 2015, http://perma.cc/EU2R-T4PF (accessed Feb. 23, 2015).

[11] "Right to Work Boosts Manufacturing Growth" (National Right to Work Committee, Aug. 17, 2014), http://perma.cc/P7EL-K25G (accessed Feb. 23, 2015).

fact that the average right-to-work state has a smaller population than the average non-right-to-work state, and this contrast is quite remarkable and telling.

Finally, another myth worth dispelling is that wages in right-to-work states are low. In fact, if you factor in cost of living and purchasing power – if you actually look not just at the raw numbers but what those wages can buy in terms of food, clothing and shelter – workers in right-to-work states actually enjoy higher incomes than folks in non-right-to-work states on average.

More jobs, more wage growth, growing economies, and last but not least, more freedom and choice for individual workers in Wisconsin. That is what right-to-work is all about.