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Indiana's new right-to-work law could prompt copycats

Tony Pugh
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WASHINGTON — When Indiana Gov. Mitch Daniels signed legislation this month making Indiana the nation's first new right-to-work state in more than a decade, it turned up the heat on a long-simmering debate about the true intent and impact of the controversial anti-union laws.

By making it illegal to force employees to join a union or pay union dues as a condition of employment, state right-to-work laws are touted as a prime enticement for businesses looking to relocate and keep their labor costs down.

That clearly was Daniels' thinking.

"Seven years of evidence and experience ultimately demonstrated that Indiana did need a right-to-work law to capture jobs for which, despite our highly-rated business climate, we are not currently being considered," Daniels said in a statement after the signing.

That logic has found new relevance in states' competition for jobs following the Great Recession. As states offer up a slate of smokestack-friendly incentives to lure businesses, conservative lawmakers nationwide are dusting off the decades-old right-to-work legislation for a new-millennium revival.

Last year, nearly a dozen state right-to-work proposals were introduced, but none became law. It's unclear whether Indiana's new law will change that dynamic, but neighboring states have taken notice now that Indiana is the nation's 23rd right-to-work state, and the only one in the hard-hit Rust Belt region.

"It does mean that Indiana is likely to get a lot of business expansion that might otherwise go into Michigan, especially in the western part of the state," said Paul Kersey, director of labor policy at the conservative Mackinac Center for Public Policy in Midland, Mich. "But pretty much the entire state has the potential to be affected by that. Right-to-work is a big draw for employers."

Other areas of the country also are taking a closer look at the legislation. In New Hampshire, a new right-to-work proposal is working its way through the state legislature after Gov. John Lynch vetoed the measure last year. Both GOP gubernatorial candidates in Missouri support right-to-work laws.

And in Oregon, a conservative think tank just released a study that claims that if a new right-to-work law were enacted there this year, the state would add 50,000 new jobs by 2016.

After Republican attacks on collective-bargaining rights drew intense backlash last year in Wisconsin and Ohio, right-to-work laws could become the safe vehicle of choice for GOP lawmakers to rein in union organizing without igniting too much of a firestorm.

"There's a case to be made that they might be," Kersey said. "Right-to-work is familiar and more mature. It's been around since the 1940s. The unions are familiar with it, workers are familiar with it.'

Critics of right-to-work laws say they allow non-union members to reap higher union-negotiated wages and benefits without sharing the costs. This makes it harder for unions to support themselves financially, which undermines their bargaining strength.

Numerous studies have found that wages for both union and non-union workers are lower in states with right-to-work laws. Others have found that workplace safety suffers in right-to-work states, where workers are less likely to secure job safety enhancements beyond federal and state regulations.

Most troubling, critics contend, is the fact that right-to-work laws allow non-union workers to get free union representation in work-related disputes. They do so by outlawing security agreements that require workers to join the union or pay a fee that covers the cost of their representation.

"So if I'm a worker, I figure, "Why pay union dues if they have to represent me anyway?"' Dau-Schmidt said. "... The

(Indiana) legislature would never expect a business to supply services without being paid. Why do they think this would work for unions?"

Most of the nation's 23 right-to-work states are in the South and the Great Plains states. And there's evidence that right-to-work laws promote business investment.

A 1998 study by economist Thomas Holmes of the University of Minnesota found that manufacturing job growth was greater in counties with right-to-work laws compared to adjacent counties in neighboring states with no such laws.

But because right-to-work states typically embrace a variety of corporate-friendly policies — like lower taxes, greater subsidies and softer environmental regulations — Holmes had trouble isolating the true effect of the right-to-work laws by themselves.

"Thus, my results do not say that it is right-to-work laws that matter, but rather that the 'pro-business package' offered by right-to-work states seems to matter," Holmes wrote.

Even in West Virginia, where Democrats control the state House, Senate and the governor's mansion, Republican state Sen. Karen Facemyer has offered a right-to-work bill.

"I know it's not going to pass. I know it won't be taken up, even for consideration. But I want it to be opened up for discussion," Facemyer said recently on the Senate floor, adding that West Virginia already has most of the incentives that businesses covet.

"But this is one large aspect that we don't have, and it's the first one that some of these major companies are asking for," she said.

Two leading corporate site-selection experts agree. In fact, both claim that states with right-to-work laws have a definite advantage over those that don't when trying to lure businesses and jobs.

"We ask them, 'Do you prefer to be in a right-to-work state or a non-right-to-work state,' and 90 percent of the companies we service say they prefer to be in a right-to-work state," said John Boyd, president of The Boyd Co. Inc. a site-consultant firm in Princeton, N.J.

Factors like operating costs, workforce skill level, transportation access and utility and land costs still dominate a company's final site-selection decision. But when those major factors are excluded, a state's right-to-work status trails only environmental regulations and the availability of financial incentives in terms of importance, according to a 2011 Boyd Co. survey of 70 executives at manufacturing companies.

Robert Ady, founder and president of Ady International Co., a site-consulting firm in Mount Prospect, Ill., said that 30 percent of companies he serves are interested in a state's right-to-work status.

"That's a pretty high number when you think about it," Ady said.

But those observations don't jibe with statistical studies and larger employer surveys, said Gordon Lafer, an associate professor at the University of Oregon's Labor Education and Research Center.

A 2010 corporate survey of site selection factors by Area Development magazine ranked right-to-work 16th among 26 factors that influence business relocations.

Back in 2001, before Oklahoma became the first state to enact a right-to-work law in the post-NAFTA global economy, a site consultant said 80 percent to 90 percent of businesses were ruling out locating in the state, Lafer recalled. The consultant claimed that a right-to-work law would lead to an eight- to tenfold increase in new businesses for Oklahoma.

But 11 years later, the number of new companies opening in Oklahoma has declined by one-third, Lafer said. That's partly because the profits of companies most attracted by right-to-work laws depend on lower wages. But these companies have long since moved their jobs to places such as China, Mexico and Vietnam, where labor is much cheaper.

A good example is the U.S. textile industry, which moved operations from the Northeast to the South after World War II, only to uproot once again to foreign countries in the past 20 years, Lafer said.

Because of that exodus, most states now seek "new economy" jobs — high-tech specialized manufacturing work that pays more, requires a better-educated workforce and is less likely to move overseas.

But these firms overwhelmingly prefer non-right-to-work states, Lafer said. He cited the 2010 ranking of the top "new economy" states by The Information Technology and Innovation Foundation, a think tank. Virginia was the only right-to-work state to crack the top 10 on its 2010 State New Economy Index.

"In the age of globalization, right-to-work is impotent because the people who want lower wages go abroad and the people that want higher-tech, higher skills, this is not what attracts them," Lafer said.

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