

Right-to-work has minimal impact on manufacturing

January 13 2012, By Marc Ransford

If the Indiana General Assembly passes a controversial right-to-work (RTW) bill currently being debated, no impact is likely for industrial composition, manufacturing income, employment or wages, says a Ball State University economist.

The findings are based on "Right-to-Work [Legislation](#) and the [Manufacturing Sector](#)," an analysis by Michael Hicks, director of Ball State's Center for Business and Economic Research (CBER). The study examines RTW regulations in the lower 48 states and District of Columbia from 1929 through 2005.

The special focus is on the effects of RTW legislation on four variables: share of [manufacturing](#) in each state economy, overall size of manufacturing in each state as measured by total incomes, manufacturing employment and manufacturing wages.

"Right-to-work legislation is a politically tactile subject that has far-reaching considerations and motivations," said Hicks, an economics professor. "Just as we found in recent weeks in the Indiana legislature, whatever preconceived notion a group brings to the discussion, they are able to find a supportive theory."

The study does not fully evaluate all industries or aspects of the workplace, and it should not be interpreted as a call for or against an RTW law in Indiana, he emphasized.

Right-to-work laws are enforced in 22 states and are being considered in 14 other states, prohibiting agreements between labor unions and employers that make membership or payment of union dues or fees a condition of employment, which would require the workplace to be a closed shop. Indiana was an RTW state in 1957 but rescinded private sector regulations in 1965.

The research found extremely mixed results regarding such laws in growing manufacturing [income](#) shares and total manufacturing.

"One of the major conclusions of our study is that the impact of right-to-work legislation is difficult to disentangle from other business-friendly policies," he said. "However, the more business-friendly a state is at any given time, the more muted the enactment of a RTW law is likely to be. And Indiana has some of the most business-friendly regulations in the country."

The states examined in the study are Florida, Idaho, Iowa, Kansas, Louisiana, Mississippi, South Carolina, Texas, Utah and Wyoming.

The study found states that changed their RTW laws experienced significant variation in their manufacturing sectors, ranging from significant declines (up to 10 percent over a decade) to large gains (up to 40 percent).

Hicks said these results paint an interesting story about the effect of RTW legislation within individual states. In seven of the 10 states, the cumulative 10-year impact of RTW legislation was an increase in inflation-adjusted manufacturing incomes of between 15 percent and 40 percent.

This suggests either a growth in the number of manufacturing jobs in these states, higher [wages](#) for existing manufacturing jobs or both.

Interestingly, in all but one state, Wyoming, the impact in the first year was slightly negative, perhaps as evidence that poor economic times precipitated the legislative change, Hicks said.

In Idaho, the cumulative effect over 10 years was an almost 8 percent increase in manufacturing incomes. However, in Iowa and South Carolina, the study found that manufacturing income declined.

On a related note, the 2011 Hoosier Survey, produced by Ball State's Bowen Center for Public Affairs, found mixed opinions on the issue. About 48 percent of respondents were undecided, 27 percent supported the legislation and 24 percent opposed it.

More information: [cms.bsu.edu/Academics/Centersa ... andPublications.aspx](https://cms.bsu.edu/Academics/CentersandPublications.aspx)

Provided by Ball State University

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