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Right-to-work's real effect on union jobs

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Gov. Bruce Rauner says he wants to see union jobs in Illinois. But to do that, he says he needs to add jobs, period, and that means passing a right-to-work law.

Michigan, Wisconsin and Indiana exemplify how union jobs proliferate after legislatures passed right-to-work laws, because employers flock there, he told Crain's editorial board. He **cited data** that shows Wisconsin's private-sector union membership grew by 36,000 jobs in 2017 and by 47,000 in Michigan, while Illinois, "the forced labor state in the Midwest," fell by 9,000. (Watch the video below.)

"What's going on?" he said. "In order to get a good-paying union job you gotta have a job. . . . We're supposed to be the pro-worker state. This is broken, and it's because we're not competitive."

Since then, Rauner has traveled to Washington to cheer on Mark Janus, the Illinois state employee whose case challenging agency fees was **argued before the U.S. Supreme Court** on Feb. 26. Employees covered by a union-negotiated contract pay these fees, even when they decline to join the union. Unions say the fees defray negotiation costs and discourage free-riders, but right-to-work laws prohibit them. The Supreme Court is expected to do so as well.

Still, the effect of right-to-work laws on union membership in Midwestern states is murkier than the governor's chosen numbers imply. Illinois, Indiana, Michigan and Wisconsin all ended 2017 with fewer private-sector union members than a decade earlier. But Illinois bled slowest during the Great Recession, a dribble compared to a torrent, leaving more room among the other states to improve as their economies recovered. Their gains also obscure some precipitous losses in public-sector union membership.

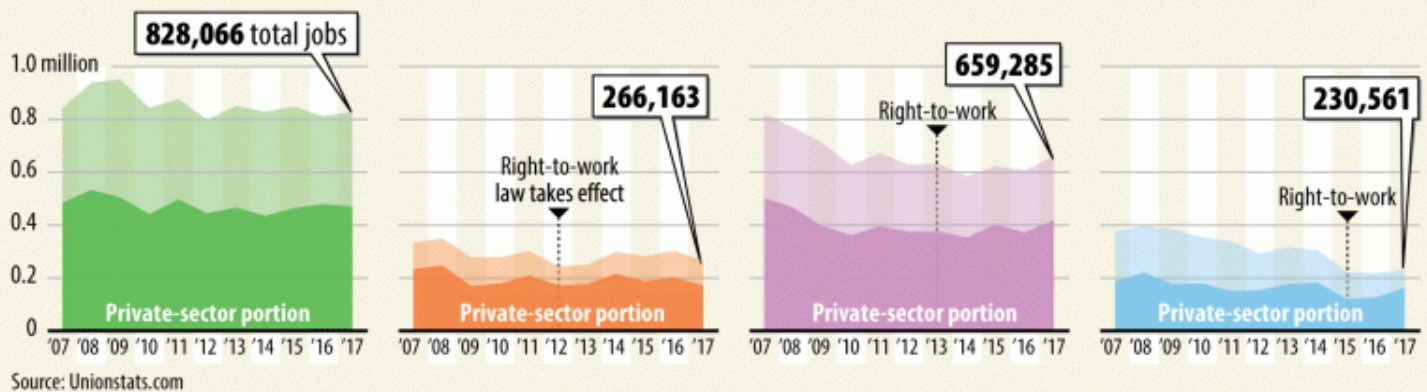
The only way to understand the cause behind changes in the number of union members is to control for compounding factors using a statistical technique called regression analysis, says Tamara Kay, an assistant professor at the University of Notre Dame who has **written on the subject**. "What you teach first-year grad students is correlation is not causation."

Moreover, union membership statistics say nothing about how right-to-work laws affect wages and benefits. Three professors at Georgia Tech's business school **released a study** in December that looked at 19,600 union contracts in effect between 1988 and 2016. The study found that, after a state introduced right-to-work, wages in the contracts decreased, as did the total number of contracts. At the same time, the study found that companies increased their investment and employment.

THE SLIDE

Union membership has declined in these four states in the last decade, but Illinois' losses are smaller.

PRIVATE UNION MEMBERSHIP VS. TOTAL UNION MEMBERSHIP



Right-to-work supporters who say it has little effect on wages largely cite two **academic papers published** more than 15 years ago. But right-to-work lowers the cost of doing business because it affects the price of labor, according to Orphe Divounguy, chief economist for the right-leaning Illinois Policy Institute. In an email, he writes that when states lack these laws, "labor costs are raised by collective-bargaining demands instead of productivity improvements. In other words, increases in productivity—not artificial increases in labor prices—should determine employee compensation."

Real hourly wages decreased 2.6 percent, on average, in Indiana, Michigan and Wisconsin after the laws were passed, according to an **April 2017 report** from the left-leaning Project for Middle Class Renewal. Frank Manzo IV, one of the authors of the report, says that given the context behind Rauner's figures, "it's a little disingenuous to suggest that because (Indiana, Michigan and Wisconsin) adopted right-to-work laws, those states are adding union jobs and Illinois is not."

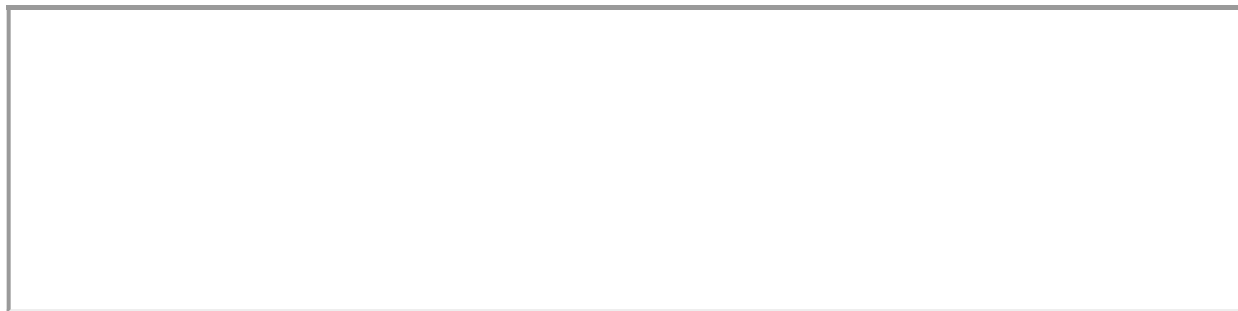
Unionized industries in the private sector include nursing, construction, manufacturing and hospitality. The reason to look at private-sector union numbers divorced from public-sector union numbers is because "those public-sector jobs aren't driving the economy," says Mailee Smith, a staff attorney at the Illinois Policy Institute.

MEMBERSHIP DECLINES

Union membership in the private sector plunged 26 percent in Indiana between 2007 and 2017. It declined 17 percent in Michigan, 13 percent in Wisconsin and 3 percent in Illinois. (Wisconsin membership fell the most when the public sector is included.) The drop in Illinois roughly equals the overall decrease in private-sector employment. But overall employment grew in the other three states while they shed union members.

Indiana passed its right-to-work law in February 2012. Michigan followed 10 months later, with the law going into effect in March 2013. Wisconsin passed its law in March 2015. Since then, the number of private-sector union members has increased 36 percent in Wisconsin and 12 percent in Michigan. In Indiana the number hasn't changed.

The gains in Michigan may have more to do with that state's industry mix than with right-to-work. Michigan is the cradle of American auto manufacturing: In 2016, it had nearly six times the number of workers employed in making motor vehicles than the U.S. average. So private-sector employment has benefited from the seven-year boom in auto sales. Illinois, on the other hand, has about the same concentration of workers in motor vehicle manufacturing as the U.S. average. "The rebound in the American auto industry has really helped increase unionization in a state like Michigan," Manzo says.



On the other hand, many of Illinois' union members in the private sector work in construction. They were injured by the two-year budget stalemate because it stalled government investment in infrastructure, Manzo says. Construction is a more heavily unionized industry than manufacturing because, unlike manufacturing, production can't be moved to another location with cheaper labor costs.

Illinois' private-sector workforce had the second-highest percentage of unionized workers among the four states in 2017. Michigan had 11.3 percent, Illinois had 9.8 percent, Wisconsin had 6.7 percent, and Indiana had 6.5 percent.

When public-sector unions are added in, the picture changes again. Public-sector unions cover teachers, police officers and firefighters, and government employees. Indiana has seen a steep increase in public-sector unionized workers since right-to-work passed; membership climbed 29 percent while overall public-sector employment rose 6 percent. But in Michigan the number of union members declined 6 percent while public-sector employment rose, and in Wisconsin, union membership plummeted 34 percent, a far

greater drop than overall public employment. Illinois public-sector union membership stayed flat between 2007 and 2017.

Altogether, counting both private- and public-sector unions, Illinois had the second-highest union membership rate among the four states, after Michigan's 15.6 percent. In 2017, 15 percent of the Illinois workforce was unionized. In Indiana, it was 8.9 percent, while Wisconsin's was 8.3 percent.

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