The Buckeye Institute FOR PUBLIC POLICY SOLUTIONS

POLICY REPORT

Surprising Results from Indiana's Right-to-Work Law

By Tom Lampman

In 2012, Indiana became the 23rd state to enact a "right-to-work" law that prohibits unions from forcing non-members to pay so-called "agency fees" as a condition of working at unionized firms.[1] Supporters of right-to-work laws have argued that such laws promote freedom and labor rights by allowing workers to choose whether to financially support unions.[2] Unions and other opponents of such legislation have disagreed, worrying that barring mandatory agency fees will ultimately lead to "union busting"[3] and hurt union membership and spending. Indiana has been a right-to-work state for more than two years, and some surprising evidence collected by the U.S. Department of Labor now suggests that union claims are overblown.

Contrary to union concerns, Indiana's law has not had quite the destructive effect on union membership and spending that many feared. In fact, some data even suggest that Indiana's new law has actually helped the state's labor unions in several ways. Finding themselves in a more competitive labor market unions have found ways to operate more efficiently, cutting administrative costs while still representing their members' interests. Even without mandatory non-member agency fees, union spending in Indiana remains higher than it was before the law was enacted. Although Indiana's union membership growth rate has fluctuated since 2012, it has largely kept pace with national labor trends, showing no signs that the law itself has stunted union growth. These findings—consistent with Oklahoma's longer right-to-work experience—undermine the exaggerated claims that right-to-work laws will "bust" the unions.

Union Spending Unharmed by Right-to-Work Law

Indiana's right-to-work law did not cut union spending as its opponents feared. Spending by large Indiana unions predictably rose from 2011 to 2012 during the heated debate over the right-to-work legislation. Since the law

1 Mary Beth Schneider and Chris Sikich, "Indiana Becomes Rust Belt's First Right-to-Work State," *USA Today*, February 2, 2012, http://usatoday30.usatoday.com/news/nation/story/2012-02-01/indiana-right-to-work-bill/52916356/1.

2 *Ibid.*

3 *Ibid.*

was enacted average spending by the state's large unions did not taper off or return to earlier levels. Instead, average spending by these unions has risen significantly and is now well above the spending averages seen before the law was passed. (See *Figure 1*.) Thus, despite losing mandatory agency fees, unions have still managed to increase their spending. This may be explained at least in part by broader, national evidence that 93% of workers would continue to pay fees if the fees were optional.[4]

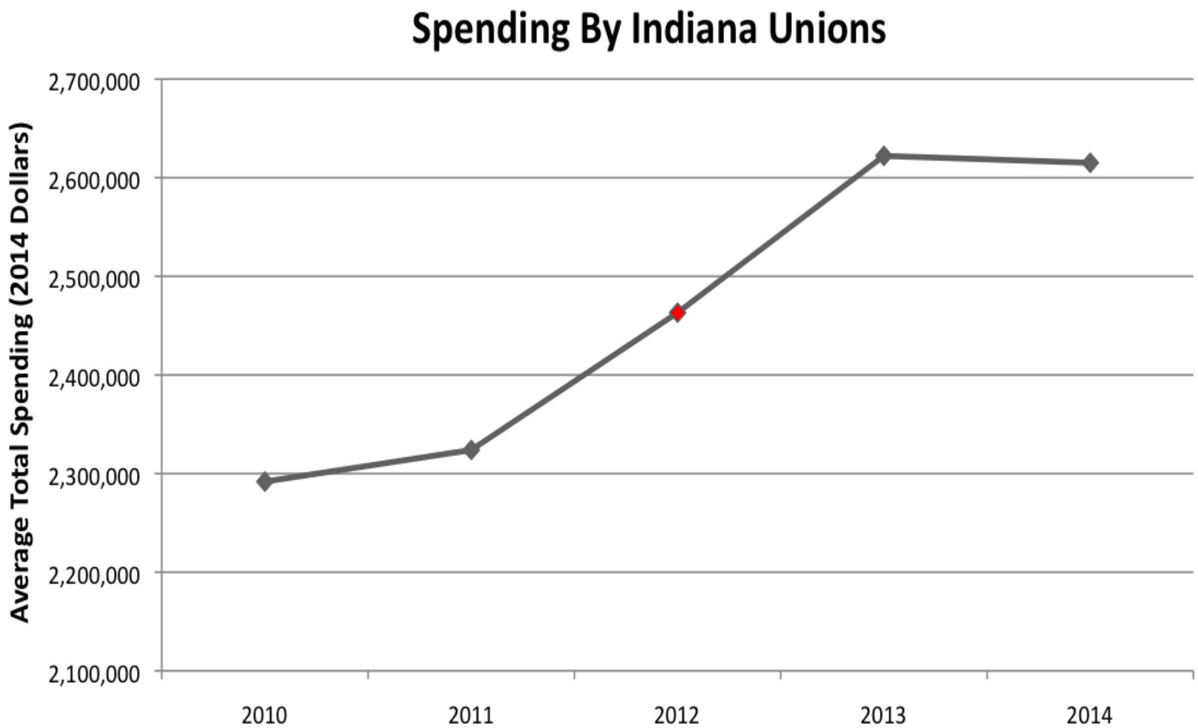

Figure 1. Average annual spending by Indiana unions with at least $250,000 in assets and annual receipts. Spending increased leading up to and following the passage of the right-to-work law in 2012, and remained above pre-right-to-work levels.

Data from U.S. Department of Labor *Union Reports* database, accessed September 2, 2015, https://olms.dol-esa.gov/query/getOrgQry.do; Bureau of Labor Statistics, "Databases, Tables, and Calculations by Subject: Midwest Urban CPI," Bureau of Labor Statistics, accessed September 2 2015, http://data.bls.gov/timeseries/CUUR0200SA0?data_tool=XGtable.

Not only has Indiana's union spending increased since 2010, the state's right-to-work law has had virtually no meaningful effect on how Indiana unions spend their money and allocate their resources. Despite a slight decrease in the percentage that unions spend on "overhead and administration," those costs still constitute the largest share of union expenses. The percentage spent on representational activities in 2013 and 2014 was slightly higher than it was in the

4 Russell S. Sobel, "Empirical Evidence on the Union Free-Rider Problem: Do Right-to-Work Laws Matter?" The Military College of South Carolina School of Business Administration, accessed September 3, 2015, http://sobelrs.people.cofc.edu/All%20Pubs%20PDF/Do%20Right-to-Work%20Laws%20Matter.pdf, p 361.

two years before the law was enacted, and such an increase is arguably an improvement for union workers. Spending on lobbying and political activities spiked predictably in 2012, but has quickly returned to levels comparable to those of 2010 and 2011. And since 2012, union spending on an array of categories such as gifts, strike benefits, taxes, and investments have all been in line with spending levels in the years just prior to Indiana's right-to-work law—fluctuating by fractions of a percent. (See *Table 1*.)

Table 1: Average percentage of disbursements allocated to each purpose by unions with at least $250,000 in assets and annual receipts.

Year	Representational Activities	Political Activities and Lobbying	Contributions, Gifts, and Grants	Overhead and Administration
2010	22.76%	1.30%	1.10%	28.79%
2011	22.10%	1.70%	1.26%	29.09%
2012	**23.95%**	**2.15%**	**1.32%**	**28.29%**
2013	23.42%	1.49%	1.25%	27.88%
2014	24.23%	1.66%	1.17%	27.90%

Year	General and Strike Benefits	Taxes and Fees	Collected on Behalf of Others	Investments, Loans, and Supplies for Resale
2010	11.87%	20.92%	5.58%	7.69%
2011	11.35%	20.81%	5.67%	8.03%
2012	**10.72%**	**19.43%**	**5.13%**	**9.00%**
2013	11.40%	20.04%	4.75%	9.77%
2014	10.70%	19.57%	4.75%	10.02%

Data from U.S. Department of Labor *Union Reports* database, accessed September 2, 2015, https://olms.dol-esa.gov/query/getOrgQry.do.

Rather than harming unions, U.S. Department of Labor data suggest that Indiana's right-to-work law may have actually helped unions and their members. Higher representational spending and lower overhead costs signal that unions may be becoming more competitive and more concerned about their membership. Without the forced agency fees from non-members, unions must become more efficient and prove themselves more attractive to workers in order to boost and maintain their membership. These are positive steps for unions and for the workers they represent.

Unions Maintain Membership Growth After Right-to-Work Law

Historically, Indiana union membership has fluctuated dramatically within narrow timeframes—more dramatically than gains and losses nationwide. (*See Figure 2*.) Such dramatic swings make it difficult to gauge the effect of Indiana's right-to-work law on the percentage of union membership in the state. For example, although union membership dropped dramatically in 2012, the year the right-to-work law was passed, that drop was comparable to the steep decline in membership from 2008 to 2009. In 2014, just two years after the right-to-work law took effect, Indiana's union membership skyrocketed to record heights and brought Indiana's unionization closer to the national average than it had been since 2008. (See *Figure 3*.) Far from "union busting," Indiana's right-to-work law preceded a historic boom to the union growth rate and a rise in unionization.

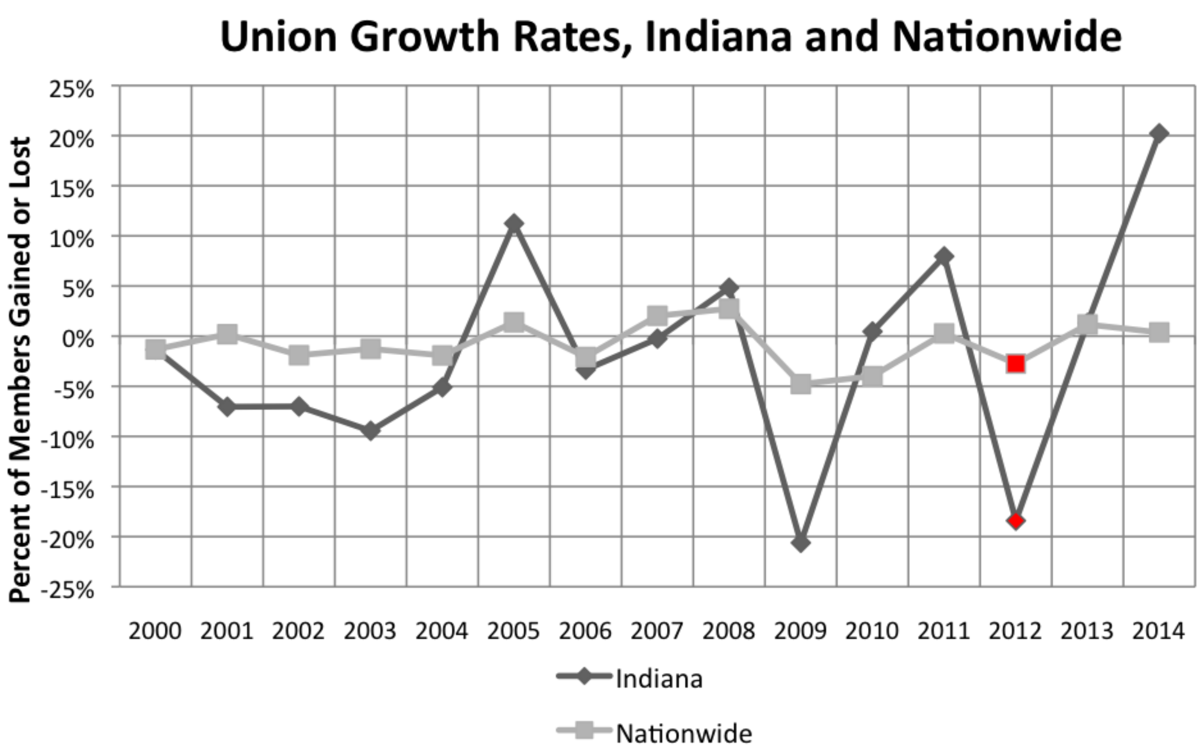

Figure 2: Percentage gains and losses in membership for Indiana unions and unions nationwide before and after Indiana passed its right-to-work law in 2012.

Sources: United States Census Bureau and Bureau of Labor Statistics, *Union Membership and Coverage Database from the CPS*, Barry Hirsch and David MacPherson, accessed September 3, 2015, http://www.unionstats.com/.

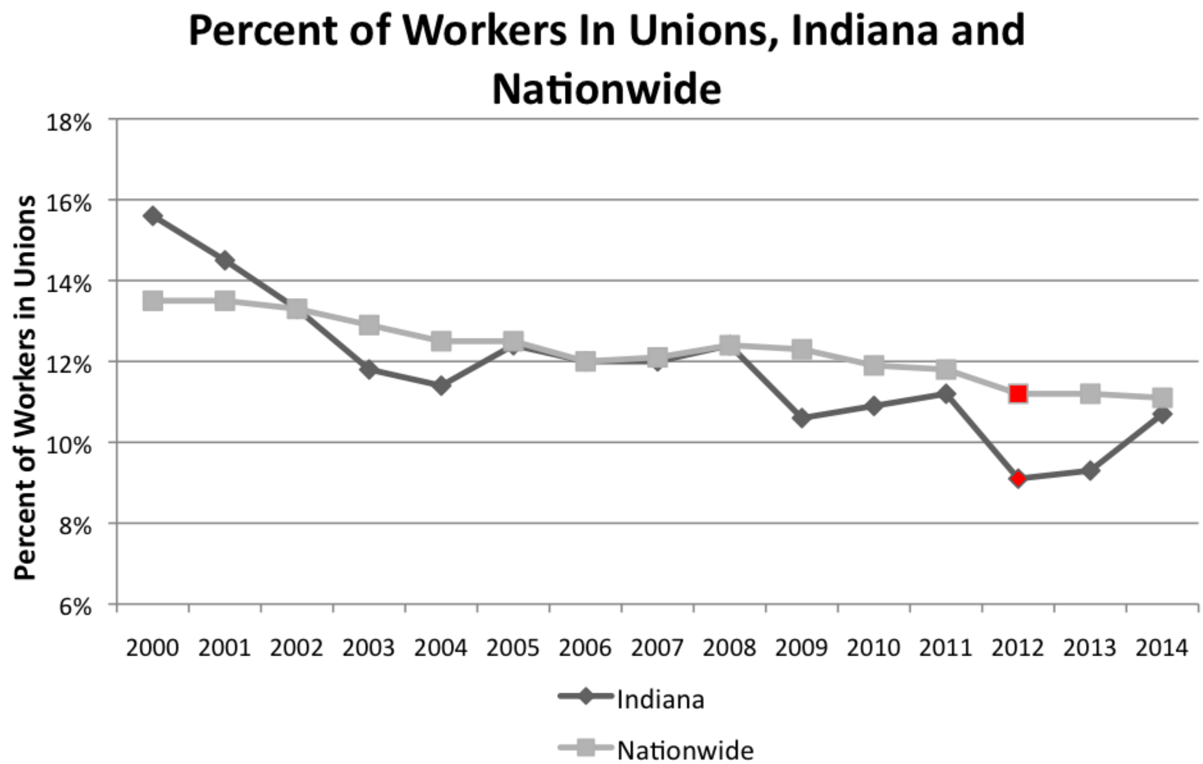

Figure 3: Percentage of workers that are members of unions in Indiana and nationwide before and after Indiana passed its right-to-work law in 2012.

Sources: United States Census Bureau and Bureau of Labor Statistics, *Union Membership and Coverage Database from the CPS*, Barry Hirsch and David MacPherson, accessed September 3, 2015, http://www.unionstats.com/.

Indeed, union membership continues to decline nationwide, but it is declining more rapidly in states *without* right-to-work laws.[5] Since becoming a right-to-work state, Indiana has followed this national trend. Its union membership has continued to ebb and flow at rates largely in line with its own labor history, and nothing in the data collected so far suggests that Indiana's right-to-work law has harmed unions' ability to recruit or maintain members.

The labor data out of Indiana becomes somewhat less surprising when considered in the light of Oklahoma's similar experience with right-to-work legislation passed in 2001. Oklahoma saw its union membership rise sharply the same year that it enacted its own right-to-work law, followed by a sharp drop in membership over the following two years. Since

5 Benjamin Collins, "Right to Work Laws: Legislative Background and Empirical Research," Congressional Research Service, accessed September 3, 2015, https://www.fas.org/sgp/crs/misc/R42575.pdf, p.10.

2001, average union growth rates in Oklahoma have been 42% higher after the state passed the right-to-work law than before,[6] taking its growth rate from below the national average to above the national average.[7] (See *Figure 4*.)

Oklahoma has been less unionized than the nation overall since at least 1984, and is following the national trend of a de-unionized labor force. (See *Figure 5*.) Oklahoma's right-to-work law has not stopped this trend, but it has slowed it. Since 2001 Oklahoma has been losing union members at a slower rate than the national average. Thus, both Indiana and Oklahoma have witnessed their right-to-work laws having a *positive*, not negative impact on union membership trends.

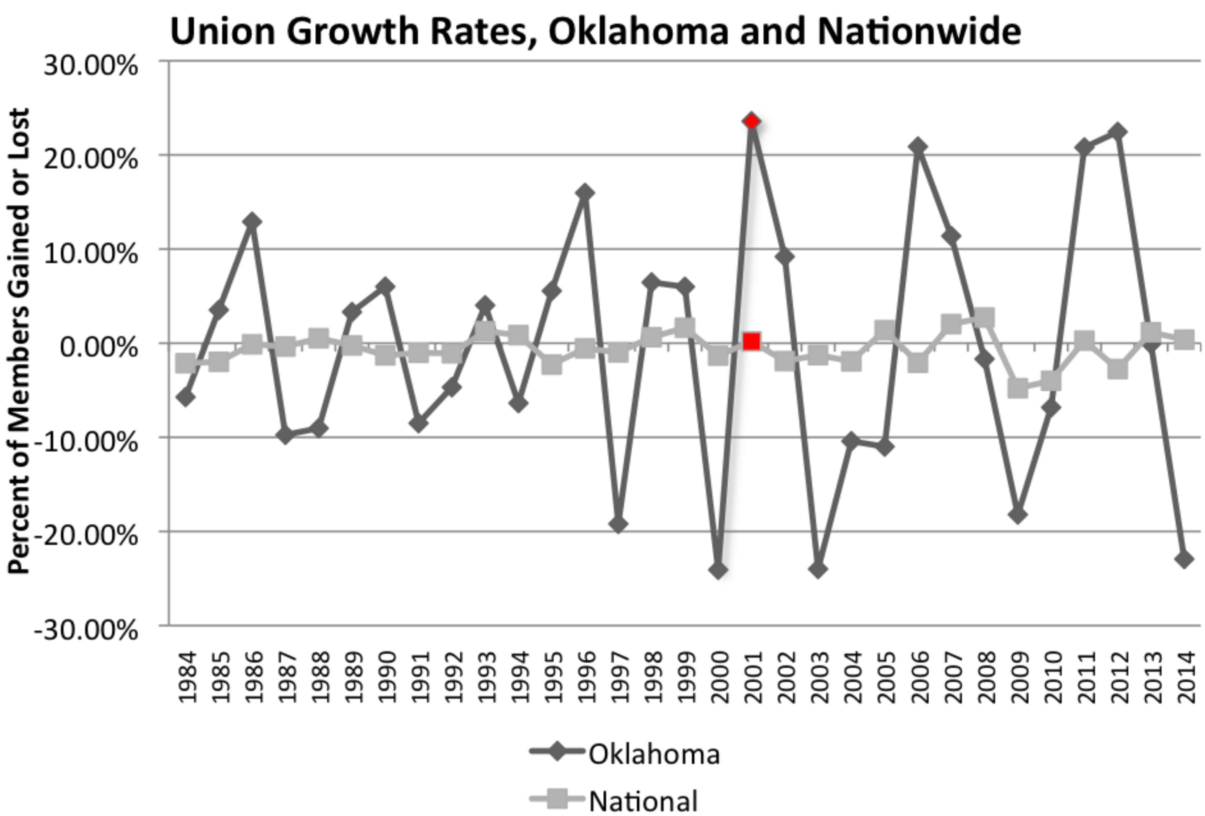

Figure 4: Percentage of members gained or lost by Oklahoma unions and unions nationwide before and after Oklahoma passed its right-to-work law in 2001.

Sources: United States Census Bureau and Bureau of Labor Statistics, *Union Membership and Coverage Database from the CPS*, Barry Hirsch and David MacPherson, accessed September 3, 2015, http://www.unionstats.com/.

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6 United States Census Bureau and Bureau of Labor Statistics, *Union Membership and Coverage Database from the CPS*, Barry Hirsch and David MacPherson, accessed September 3, 2015, http://www.unionstats.com/. (2001 was excluded from both averages.)

7 *Ibid*.

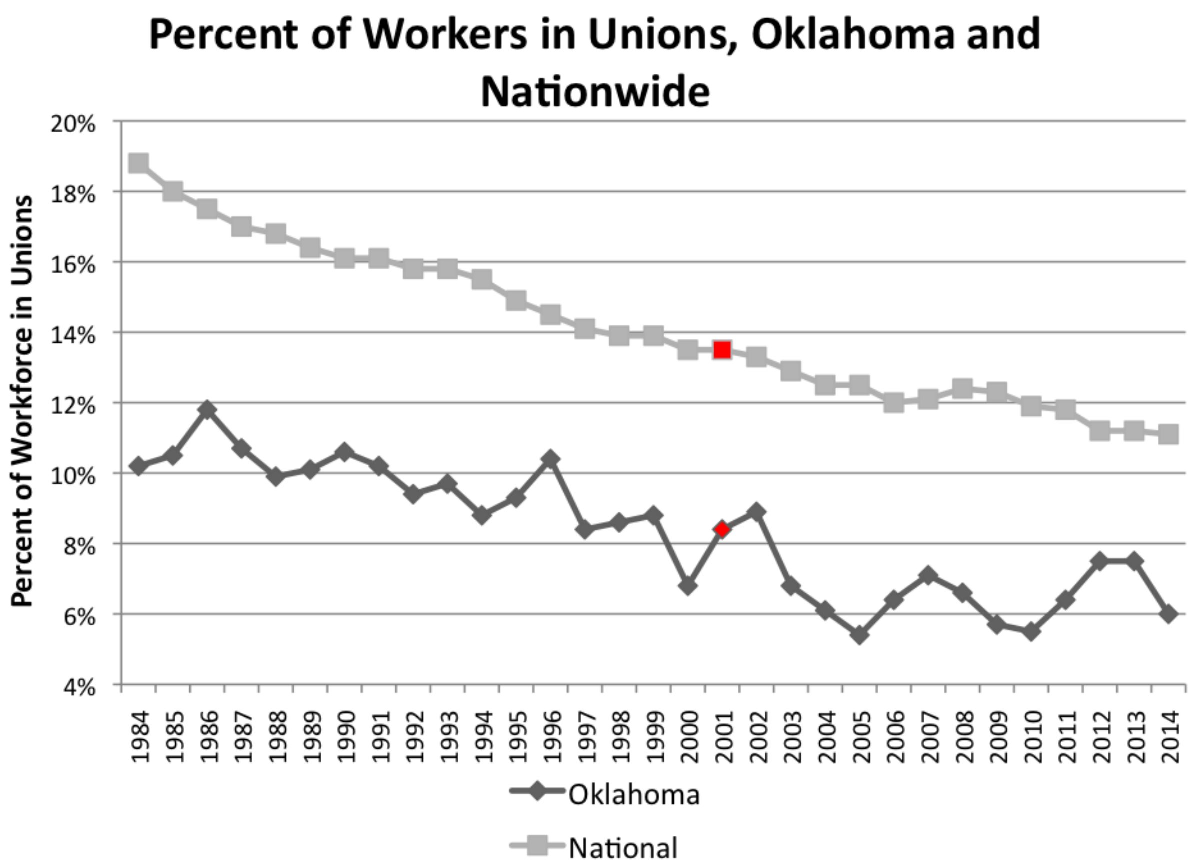

Figure 5: Percentage of workers that are members of unions in Oklahoma and nationwide before and after Oklahoma passed its right-to-work law in 2001.

Sources: United States Census Bureau and Bureau of Labor Statistics, *Union Membership and Coverage Database from the CPS*, Barry Hirsch and David MacPherson, accessed September 3, 2015, http://www.unionstats.com/.

Conclusion

The rather unexpected data from Indiana and Oklahoma indicate that unions have been able to maintain their membership and spending priorities even in right-to-work states. Both states have seen overall rates of union membership increase since enacting their right-to-work laws, and losing the mandatory non-member agency fees has not disrupted or prevented unions from performing their operations in the normal course. By making unions more efficient and more competitive in the labor market, right-to-work laws in these states may even be having a small but surprisingly positive effect for unions and their members. As the nation continues to de-unionize and right-to-work laws gain political traction, the surprising results in Indiana and Oklahoma have delivered some good news: states can protect non-union workers from paying coerced agency fees without harming unions or their members.

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