



New Research Counters Economic Arguments for Right-To-Work Laws

Since the 1947 passage of the Taft-Hartley amendments to the National Labor Relations Act, which allowed states to ban agreements stipulating that all employees represented by a union had to pay dues, 22 states have passed these so-called “right-to-work” laws. Proponents of right-to-work laws claim that they enable a more business-friendly environment and lead to economic growth for states and their residents.¹

Lonnie Stevans, Professor of Information Technology and Quantitative Methods at Hofstra University, tested this claim by comparing the business formation and economic growth of right-to-work states with non-right-to-work states using recent data from the U.S. Small Business Administration.² Stevans controlled for variables like education levels, population changes, and type of employment in the states to accurately measure the relationship between right-to-work laws and economic growth.

Stevans found that a state’s right-to-work law:

- Has no impact on economic growth
- Has no influence on employment
- Has no influence on business capital formation (the ratio of firm ‘births’ to the number of firms)
- Is correlated with a decrease in wages

Stevan’s analysis of right-to-work states also yielded the following observations:

- The average real state GDP growth rate of right-to-work states is not significantly different than non-right-to-work states
- The average per capita income in right-to-work states is lower than in non-right-to-work states

Stevans concluded his analysis with the following observation:

“...From a state’s economic standpoint, being right-to-work yields little or no gain in employment and real economic growth.”

¹ Right to Work Frequently-Asked Questions. (2010). Retrieved August 25, 2010, from National Right to Work Legal Defense Foundation, Inc. website, <http://www.nrtw.org/en/b/rtw_faq.htm>. Frequently Asked Questions. (n.d.) Retrieved August 25, 2010, from National Right to Work Committee website, <<http://www.nrtwc.org/about/frequently-asked-questions/>>. Johnson, R. et al. (2008). *Is unionization the ticket to the middle class? The real economic effects of labor unions*. Washington, DC: U.S. Chamber of Commerce.

² Stevans, L.K. (2009). The effect of endogenous right-to-work laws on business and economic conditions in the United States: A multivariate approach. *Review of Law & Economics*, 5(1), 595-612.