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Right to Work for Less Is the Wrong Choice for Maryland's Economy

Position Statement Opposing House Bill 531

Given before the House Economic Matters Committee

Maryland families need policies that will support our economy's continued strength and ensure that its growth benefits all of us, not just those at the very top. Our economy has improved steadily since the Great Recession ended nearly a decade ago, with the unemployment rate now standing at just over 4 percent.[i] However, most Marylanders have seen minimal improvements in their standard of living. A typical Maryland family still takes home less in inflation-adjusted terms than in 2007, and Marylanders in low-wage jobs have not gotten a meaningful raise in nearly 40 years.[ii] We ought to work to ensure that, as the economy grows, all families see their incomes grow along with it. House Bill 531 would do the opposite, weakening workers' voice on the job and ensuring stagnant wages in the years to come. For these reasons, the Maryland Center on Economic Policy opposes House Bill 531.

So-called "right-to-work" bills like House Bill 531 prohibit labor unions and employers from agreeing to contracts that require all employees to pay their fair share of the cost of collective bargaining. Without this requirement, employees are able to take advantage of the benefits of having a union—higher wages, better benefits, and a more even playing field in the workplace—without contributing toward the costs of negotiating these benefits.[iii] This makes it more difficult for workers to stand together in negotiations with employers, ultimately making all workers worse off—union members and nonmembers alike.

The declining strength of labor unions over the past several decades has coincided with lackluster wage growth for the majority of workers and a sharp increase in incomes for a small number of our nation's wealthiest families.[iv] This is no coincidence. A robust body of research shows that unions raise wages for both union members and nonmembers.[v] This is because, when a large share of workers in a particular industry or region belong to a union, workers' expectations regarding wages and benefits rise, meaning that nonunion employers must raise wages in order to compete. When the opposite happens—union membership falls and workers are increasingly on their own in negotiations with employers—businesses have less incentive to offer decent wages. This is one of the major reasons why incomes in Maryland and across the United States have failed to keep up with economic growth or with the rising cost of living. House Bill 531 would exacerbate this problem by making it more difficult for working people to effectively cooperate for better pay.

Meanwhile, many of the purported benefits of right-to-work laws are not supported by evidence. These laws are not an important determinant of where new businesses grow or where existing businesses locate. Business owners are more concerned with access to a highly skilled labor force than they are with labor costs, which also fall below modern transportation, a good quality of life, and real estate costs among executives' priorities.[vi] By reducing wages and stifling workers' voices on the job, laws like House Bill 531 could actually make Maryland less attractive to skilled workers, damaging our economy.

States that have already passed right-to-work legislation have not seen any benefits from doing so. For example, Indiana passed a right-to-work law in 2012, one year after New Hampshire's governor vetoed a similar bill. These states' economic performance in the years since show no signs that Indiana's choice is bearing fruit or that New Hampshire's choice is backfiring. Both states have created jobs at the same rate since 2012; personal income has risen at similar rates in both states; and New Hampshire's economy continues to outperform Indiana's overall.[vii] Meanwhile, data do show that workers in right-to-work states earn less than those in other states—according to the most recent data, the right-to-work penalty is more than $1,500 for a full-time worker.[viii]

While Maryland's economy continues to grow at a modest but steady clip, more effective policies are needed to ensure that our state's prosperity is broadly shared. If House Bill 531 passes, more Maryland workers will be on their own when they sit across from employers at the negotiating table, which will mean worse wages and lower-quality jobs. We should guarantee workers meaningful protections, not the right to work for less.

For these reasons, the Maryland Center on Economic Policy respectfully asks the House Economic Matters Committee to make an unfavorable report on House Bill 531.

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[i] "Economy at a Glance: Maryland," *Bureau of Labor Statistics*, 2017, https://www.bls.gov/eag/eag.md.htm.

[ii] MDCEP analysis of American Community Survey Data and Economic Policy Institute analysis of Current Population Survey data.

[iii] For a survey of literature on the benefits of union membership, see Lawrence Mishel, "Unions, Inequality, and Faltering Middle-Class Wages," *Economic Policy Institute*, 2012, http://www.epi.org/publication/ib342-unions-inequality-faltering-middle-class/.

[iv] Ibid.

[v] Ibid.

[vi] "Site Selection Factors/Strategy," *Area Development*, 2016, http://www.areadevelopment.com//corporate-site-selection-factors/.

[vii] Ross Eisenbrey and Teresa Kroeger, "A Tale of Two States (and What it Tells us about So-Called 'Right-to-Work Laws)," *Economic Policy Institute*, 2017, http://www.epi.org/blog/a-tale-of-two-states-and-what-it-tells-us-about-so-called-right-to-work-laws/.

[viii] Elise Gould and Will Kimball, "'Right-to-Work' States Still Have Lower Wages," *Economic Policy Institute*, 2015, http://www.epi.org/publication/right-to-work-states-have-lower-wages/.