

“Right to Work” Could Lower Wages & Benefits for All Missourians

“Right to Work” (RTW) would reduce wages and benefits like health insurance coverage for all workers – both union and non-union. Because of its negative impact on the middle class and quality jobs, the Missouri Budget Project urges Missourians to vote NO on Proposition A on the August 7th ballot.

Right to Work laws prevent a group of unionized workers from requiring that all employees who benefit from union representation pay their share of the cost of negotiating and overseeing contracts.

This effectively limits the collective power of workers to negotiate for higher wages and more benefits by limiting union resources while still requiring those unions to extend the benefits of negotiated contracts to those who do not contribute financially (including providing legal representation to non-members at no charge).

The Economic Policy Institute (EPI) estimates that across the nation, wages in RTW states are 3.1 percent less than wages in non-RTW states, even after accounting for differences in cost of living, industry composition, and worker characteristics.¹

Wages Lower in Neighboring RTW States

In fact, the wages of Missouri workers are substantially higher than the average wage of workers in Missouri’s neighboring RTW states.²

***By limiting the power of unions,
RTW erodes industry and regional standards,
driving down wages and benefits for ALL workers
(both union and non-union).***

Right to Work Would Hurt All Working Missourians

Because unions set norms for wages and benefits that extend to non-union workers, evidence demonstrates that the passage of RTW legislation could reduce the ability of low and moderate income families in Missouri to make ends meet by eroding wages and reducing access to affordable health insurance over time for all workers in Missouri.

- The average weekly wage in Missouri in 2017 was \$911.
- The average weekly wage in neighboring RTW states in 2017 was \$874.
- Missouri workers earned 4% more than workers in neighboring RTW states, or \$1,924 more annually.

Recent research from EPI shows that this earnings differential is found across the nation and among a range of demographic groups, but is particularly pronounced among men and people of color.³

Missourians Likely to Lose Employer-Sponsored Health Insurance Under RTW

In addition to wage erosion, workers in RTW states face a substantial “compensation penalty” on benefits as compared to similar workers in non-RTW states. *This penalty exists even after accounting for geographic differences between states in worker characteristics, industry composition, and cost of living.*⁴

- Rates of employer-sponsored health insurance among workers are 2.6 percentage points lower in RTW states.
- Rates of employer sponsored pensions among workers are 4.8 percentage points lower in RTW states.

76,125 fewer Missouri workers (union and non-union) would be covered by employer sponsored plans (a reduction of 3.7%) if Missouri had similar rates of health coverage to RTW states.

- Over three-quarters of these workers are parents who live with at least one child, suggesting that a substantial number of Missouri children could lose access to employer-sponsored health insurance as well.

On balance, RTW legislation has the potential to further erode the middle-class in Missouri by lowering wages and reducing access to affordable health insurance.

Workers in RTW states have lower wages and are less likely to be covered by employer-sponsored health insurance and pensions.

Based on these differences, MBP estimates that **76,125 fewer workers would be covered by employer sponsored insurance plans under RTW:**

- Over 2 million Missouri workers receive their health benefits through Employer Sponsored Health Insurance (ESI) plans, accounting for over 70% of all workers ages 18-64.⁵
- Assuming that rates of health insurance would be 2.6 percentage points lower if Missouri were RTW, MBP estimates the “compensation penalty” on insurance coverage in Missouri and finds that

RTW Would Further Strain Missouri’s Ability to Strengthen Its Communities

In addition, lower wages would reduce Missouri’s already diminished tax base, limiting Missouri’s ability to invest in quality education & healthcare, access to child care, transportation infrastructure, and workforce training and development – all of which would more effectively pave the way to better jobs and a stronger state economy.

NOTES

1. Gould, E., & Kimball, W. (2015). ‘Right-to-Work’ States Still Have Lower Wages. Economic Policy Institute
2. Missouri Budget Project analysis of Bureau of Labor Statistics data
3. Jones, J. & Schierholz, H. (2018). Right-to-work is wrong for Missouri. Economic Policy Institute
4. Gould, E., & Shierholz, H. (2011). The compensation penalty of ‘right-to-work’ laws. Economic Policy Institute
5. U.S. Census Bureau; American Community Survey (ACS), One-Year Public Use Microdata Sample (PUMS), 2016