

RESEARCH SUMMARY

Right-to-Work Laws and Labor Market Discrimination: Evidence from a Field Experiment

Much research shows that there is widespread hiring discrimination based on characteristics such as gender, race, and criminal history. But little is known about how government policies influence the nature and extent of that discrimination. In “Right-to-Work Laws and Labor Market Discrimination: Evidence from a Field Experiment,” Vitor Melo and Liam Sigaud consider how right-to-work (RTW) laws affect age discrimination in the labor market.

RTW LAWS MAKE LABOR MARKETS MORE EFFECTIVE AND EFFICIENT

While right-to-work laws exist in more than half of US states and exert substantial influence over labor markets, their effects on discrimination have not been previously studied. Because they give workers the freedom to choose whether to join a union in their workplaces, RTW laws have been hotly debated for decades. Yet disagreements often revolve around their effects on union membership, jobs, wages, and economic growth.

Melo and Sigaud examine a previously overlooked consequence of right-to-work laws: a sharp reduction in age discrimination by employers.

RTW LAWS ALLOW OLDER WORKERS TO ACCEPT LOWER LEVELS OF COMPENSATION

- Unions use their power to bargain for higher pay and more benefits than workers would have received in the absence of the union.
- By raising minimum worker compensation, unions discourage employers from hiring applicants the employer perceives as being less productive.
- By weakening unions’ ability to negotiate compensation above competitive levels, RTW laws make less productive workers more attractive to employers.

RTW LAWS DECREASE DISCRIMINATION IN HIRING

The authors find that right-to-work laws decrease discrimination against older applicants (especially women).

- RTW laws are associated with a decrease in age discrimination against older women by about 30 percent.
- Evidence for a similar decrease in discrimination against older men is weaker.
- The effect of RTW laws on labor market hiring is even larger than the effect of anti-age-discrimination laws.

Melo and Sigaud demonstrate how laws and regulations can play a significant role in reducing or contributing to hiring discrimination. As the age distribution of the US workforce continues to shift toward older workers, understanding the determinants of age discrimination in the labor market will become increasingly important. While the authors focus on older workers, additional work is needed to better assess how other policies may affect hiring discrimination.