

What's Wrong with “Right to Work”?

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University of Oregon
September, 2011**

What is “Right to Work”?

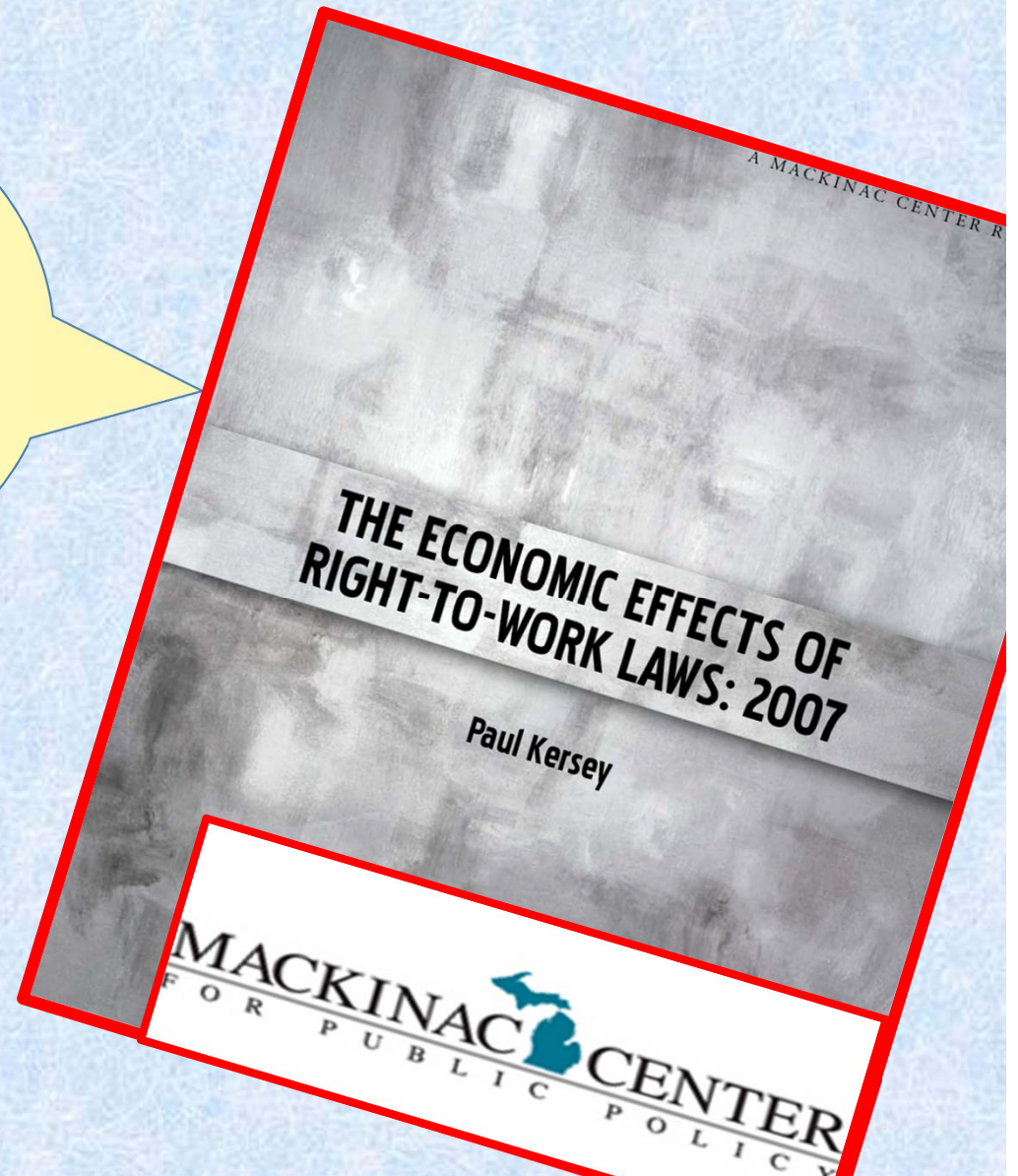
RTW makes it illegal for any group of employees to negotiate an agreement with their employer that requires everyone who benefits from a union contract to pay their share of the costs of administering that contract.

Key Findings

- RTW laws lower wages by \$1,500 per year – for both union and non-union workers alike.
- RTW decreases the odds of getting health insurance or a pension through your job, for both union and non-union employees.
- RTW has no impact whatsoever on improving job growth.

Misleading Claims

“Right to work states... have lower rates of unemployment.”



**No relationship
between
“right to work”
and state
unemployment
rates**

(RTW states in yellow)

State	Unemployment
Nevada	12.4%
California	11.8%
Rhode Island	10.8%
Florida	10.7%
South Carolina	10.5%
Michigan	10.5%
Mississippi	10.4%
Alabama	9.9%
Georgia	9.9%
North Carolina	9.9%
Tennessee	9.8%
Kentucky	9.6%
New Jersey	9.5%
Idaho	9.4%
Oregon	9.4%
Arizona	9.3%
Washington	9.3%
Connecticut	9.1%
Illinois	9.1%
Missouri	8.8%
Ohio	8.8%
Colorado	8.5%
West Virginia	8.5%
Indiana	8.3%
Texas	8.2%

State	Unemployment
Arkansas	8.1%
Delaware	8.0%
New York	8.0%
Louisiana	7.8%
Maine	7.8%
Massachusetts	7.6%
Pennsylvania	7.6%
Wisconsin	7.6%
Alaska	7.5%
Montana	7.5%
Utah	7.4%
Maryland	7.0%
Minnesota	6.8%
New Mexico	6.8%
Kansas	6.6%
Hawaii	6.0%
Iowa	6.0%
Virginia	6.0%
Wyoming	5.9%
Vermont	5.5%
Oklahoma	5.4%
New Hampshire	4.9%
South Dakota	4.7%
Nebraska	4.2%
North Dakota	3.2%

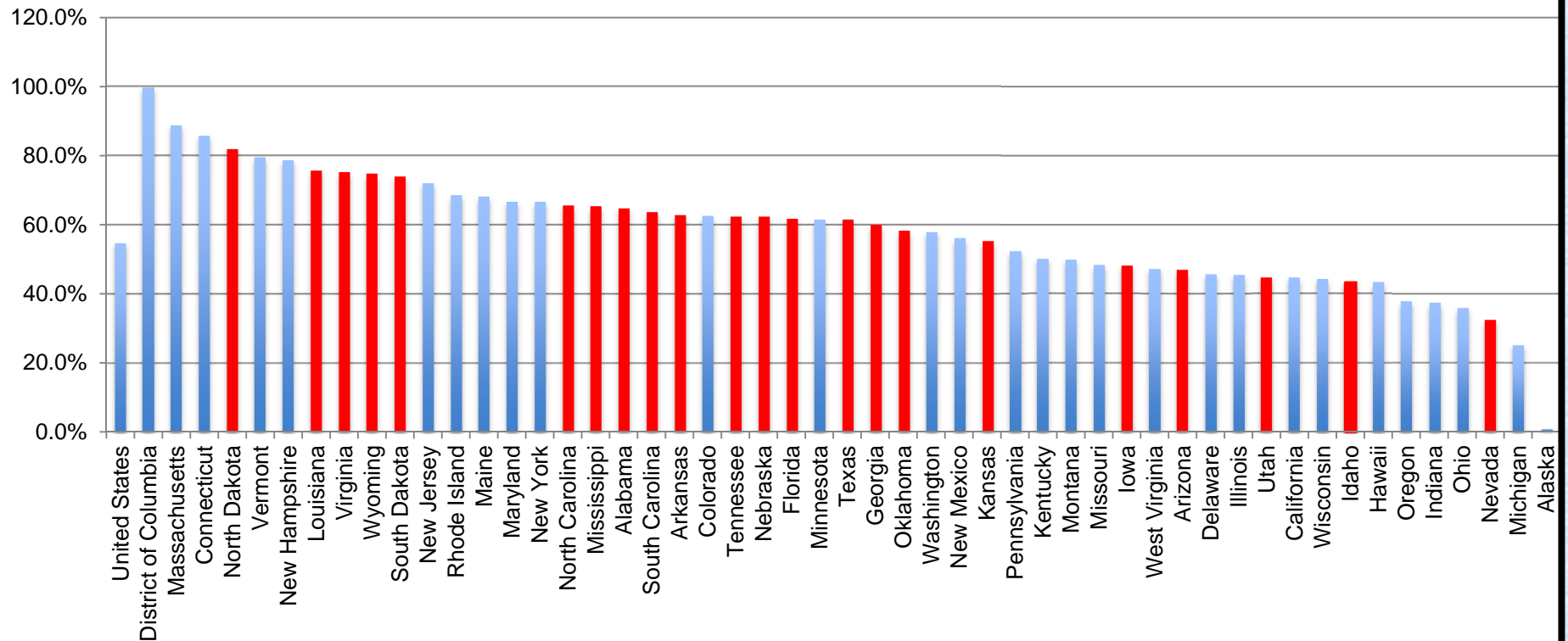
Misleading Claims

(Chamber of Commerce)

“States with RTW laws have experienced above average economic growth, while states without such laws have seen below average growth.”

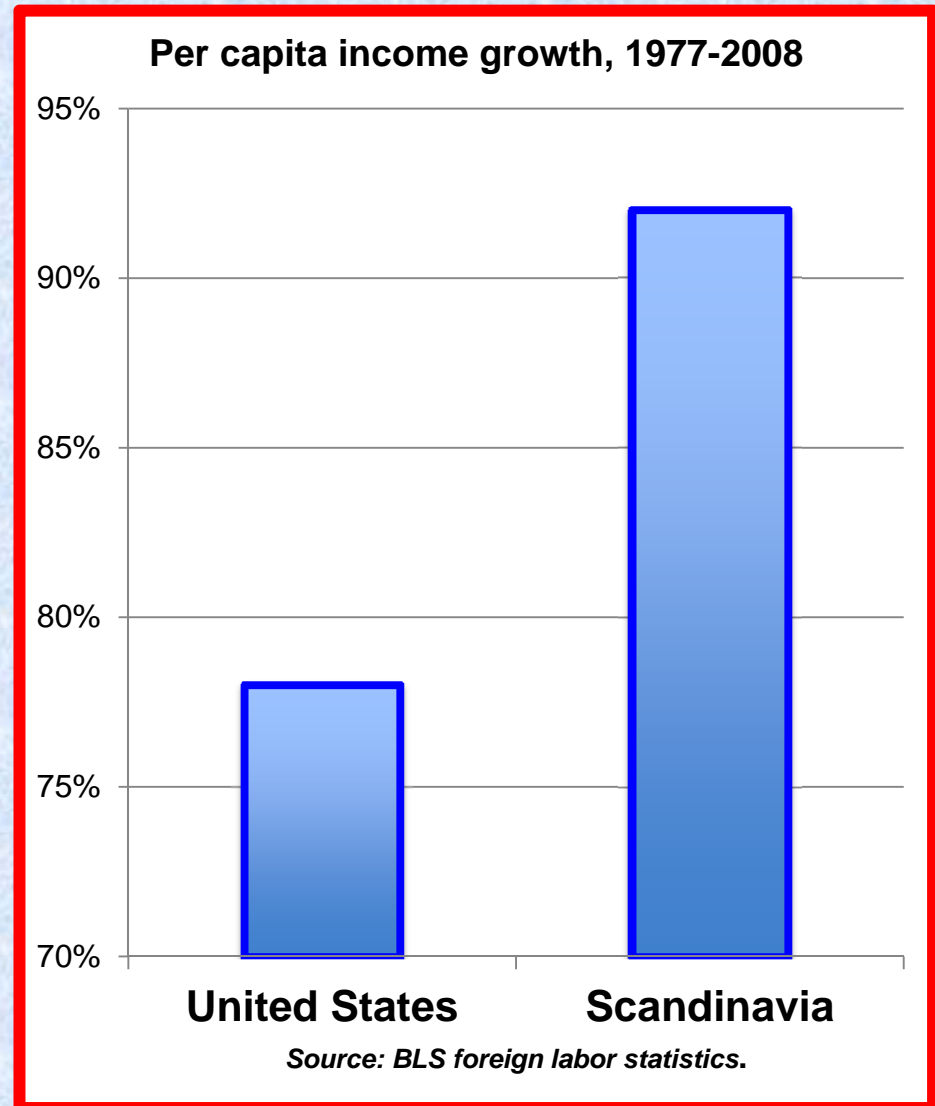


Growth in Per Capita Personal Income, by State, 1977-2008



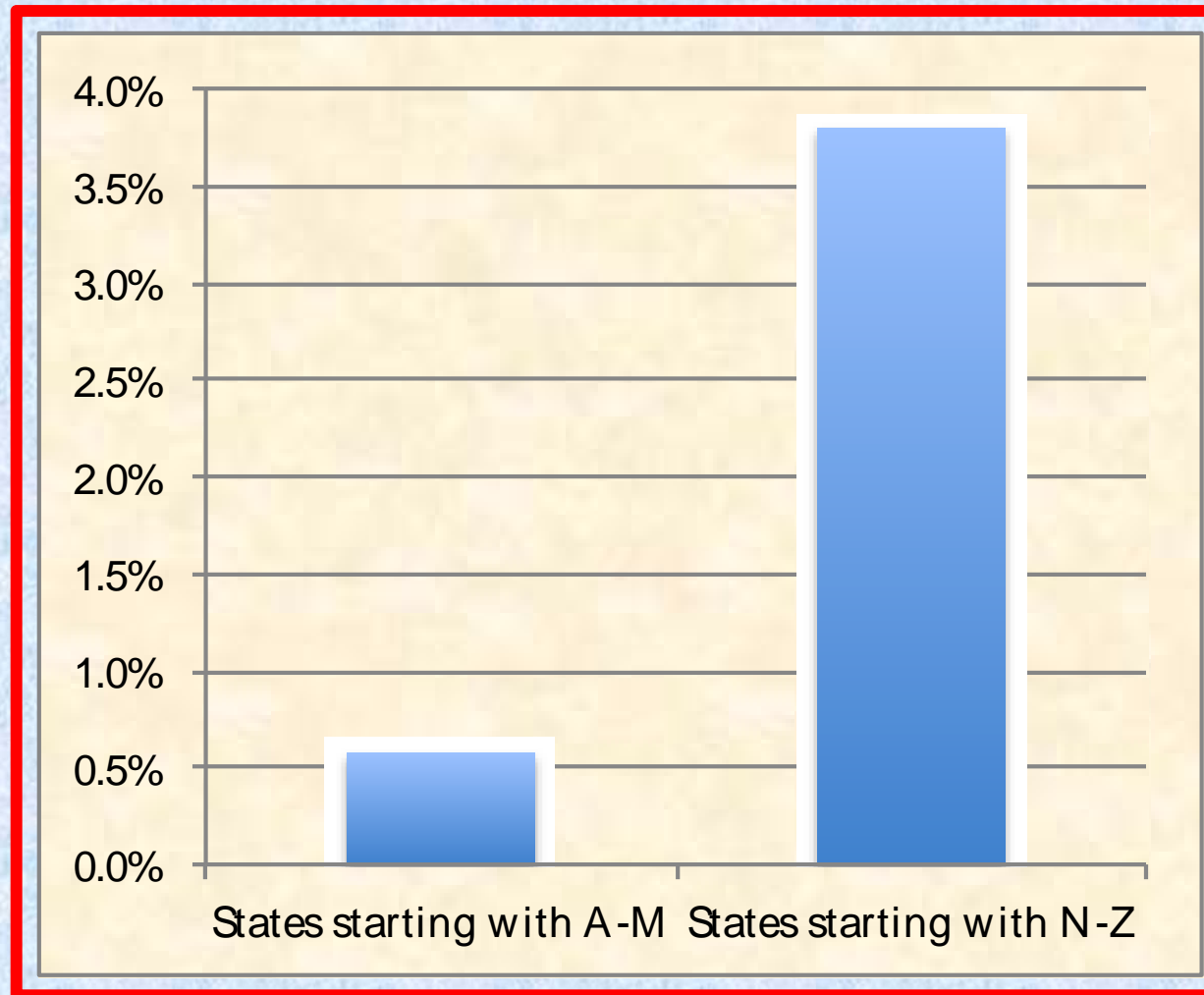
Data underlying Chamber of Commerce analysis shows no relationship between RTW laws and economic growth

If averages are all that matter, Is Scandinavia the model?



Why Averages Can't Tell You Much:

Job growth by state name, 2000-09



Average job growth, 2000-09. Source: US Bureau of Labor Statistics.

Explanations for Economic Growth?



❖ Michigan has 49 snow days a year; Texas has two, Florida none.

❖ Texas boasts 300,000 jobs in oil & gas; Michigan has 16,000.



❖ College tuition is over \$12,000 in Michigan; just \$5,000 in Florida.

❖ Michigan's gas tax is 41¢ per gallon; Texas' is just 20¢.



“Junk Science” versus Rigorous Analysis

Variables Controlled For in Estimating Impact of “Right to Work” Laws

	Economic Policy Institute (2011)	Chamber of Commerce (2011)	Right to Work Committee (2005)	Mackinac Center (2007)
Demographics				
Right to work indicator	x	x		
Union indicator	x			
<i>Race/Ethnicity</i>				
White non-Hispanic	x			
Hispanic	x			
Asian	x			
Other race/ethnicity	x			
Gender	x			
<i>Education</i>				
Some high school	x			
Some college	x			
Associates degree	x			
College degree	x	x		
Advanced degree	x	x		
Age	x			
Age Squared	x			
Married	x			
Hourly worker	x			
Full-time worker	x			
Metro area	x			
Industry				
Agriculture, forestry, fishing, hunting	x			
Mining	x			
Construction	x			
Manufacturing	x	x		
Transportation and utilities	x			
Information	x			
Financial activities	x			
Professional and business services	x			
Educational and health services	x			
Leisure and hospitality	x			
Other services	x			
Public administration	x			
Occupation				
Management, business and financial occupations	x			
Professional and related occupations	x			
Service occupations	x			
Sales and related occupations	x			
Farming, fishing, and forestry occupations	x			
Construction & extraction occupations	x			
Installation, maintenance and repair occupations	x			
Production occupations	x			
Transportation & material moving occupations	x			
Macro variables				
Unemployment rate	x			
Employment to population ratio		x		
Population growth		x		
Cost of living (PERI)	x			
Cost of living (Missouri)	x			
Age of state		x		

Impact of RTW on wages & benefits



- RTW lowers wages by an average of \$1,500 a year, after accounting for cost of living – for both union and non-union workers.



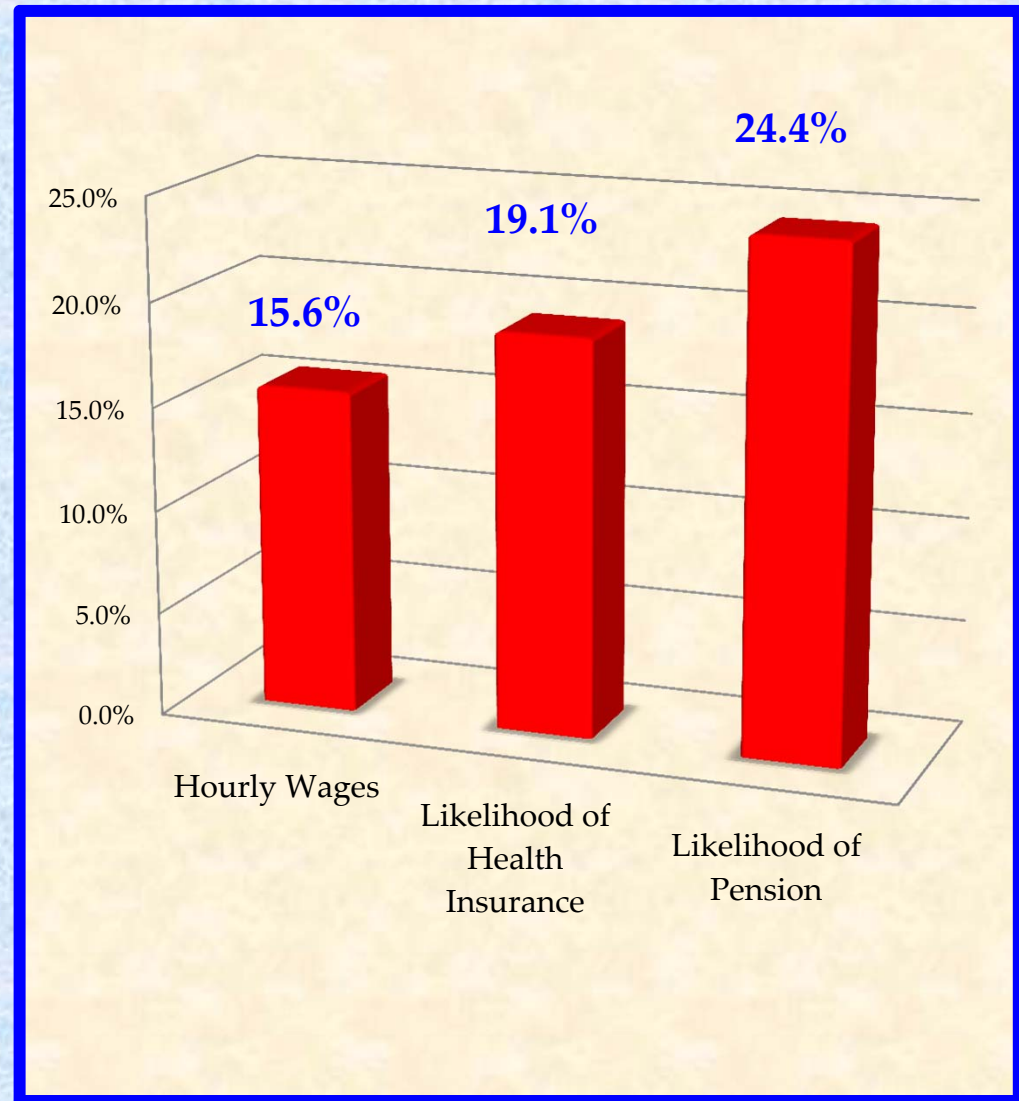
- RTW worsens the odds of getting employer-supported health insurance by 2.6% -- for both union and non-union employees.



- RTW decreases the chance of getting an employer-supported pension by 4.8% -- for both union and non-union employees.

Union impact on wages & benefits

Comparing union and non-union workers of the same industry, age and level of education.



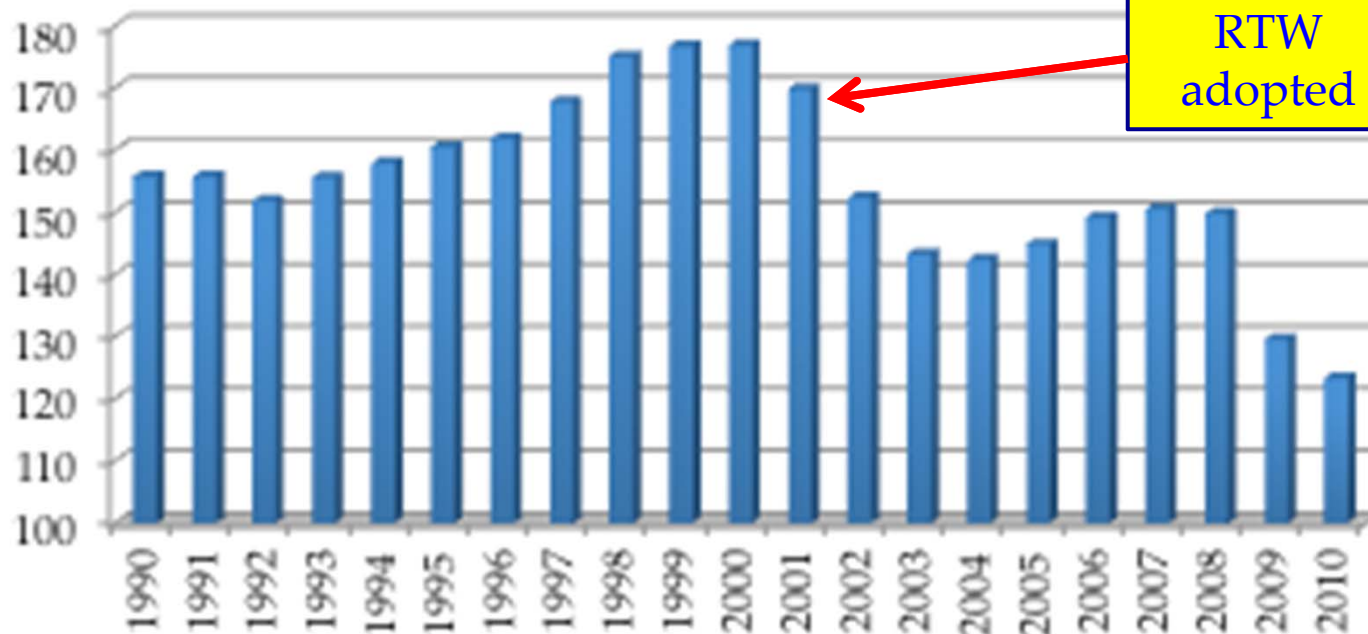
Source: Schmitt, Center for Economic and Policy Research, 2010

Since RTW was adopted, over 100 Oklahoma firms have closed their doors due to low-wage competition abroad.



Oklahoma manufacturing before and after “Right to Work”

Oklahoma Manufacturing Employment
(Thousands), 1990-2010



**Announced Openings of New Manufacturing and Service Facilities
Oklahoma, 1990-2010**

Year	<u>Manufacturers</u>		<u>Service Industries</u>		<u>Total, Mfg & Services</u>	
	Plants	Jobs	Facilities	Jobs	Facilities	Jobs
1990	62	2,461	15	795	77	3,256
1991	45	2,424	17	2,563	62	4,987
1992	50	3,066	11	1,717	61	4,783
1993	38	1,899	8	1,160	46	3,059
1994	45	4,211	21	4,917	66	9,128
1995	20	2,353	12	5,940	32	8,293
1996	37	1,926	23	5,612	60	7,538
1997	23	2,207	15	3,233	38	5,440
1998	24	1,399	19	3,797	43	5,196
1999	30	3,347	15	5,267	45	8,614
2000	13	1,806	18	6,055	31	7,861
2001	19	1,612	9	1,200	28	2,812
2002	23	1,865	8	1,510	31	3,375
2003	32	2,506	7	1,454	39	3,960
2004	24	2,629	12	3,841	36	6,470
2005	26	2,722	15	3,641	41	6,363
2006	30	5,106	12	2,251	42	7,357
2007	21	2,253	14	2,665	35	4,918
2008	9	388	7	1,855	16	2,243
2009	10	861	6	640	16	1,501
2010	16	1,657	19	1,780	35	3,437

Annual Average, Various Periods

1991-2000	▀	33	▀	2,464	▀	16	▀	4,026	48	6,490
2001-2010	▀	21	▀	2,160	▀	11	▀	2,084	32	4,244
2001-2005	▀	25	▀	2,267	▀	10	▀	2,329	35	4,596
2006-2010	▀	17	▀	2,053	▀	12	▀	1,838	29	3,891

Source: Oklahoma Department of Commerce

Announced New and Expanded Manufacturers and Services, 2010 Annual Report, January 2011.

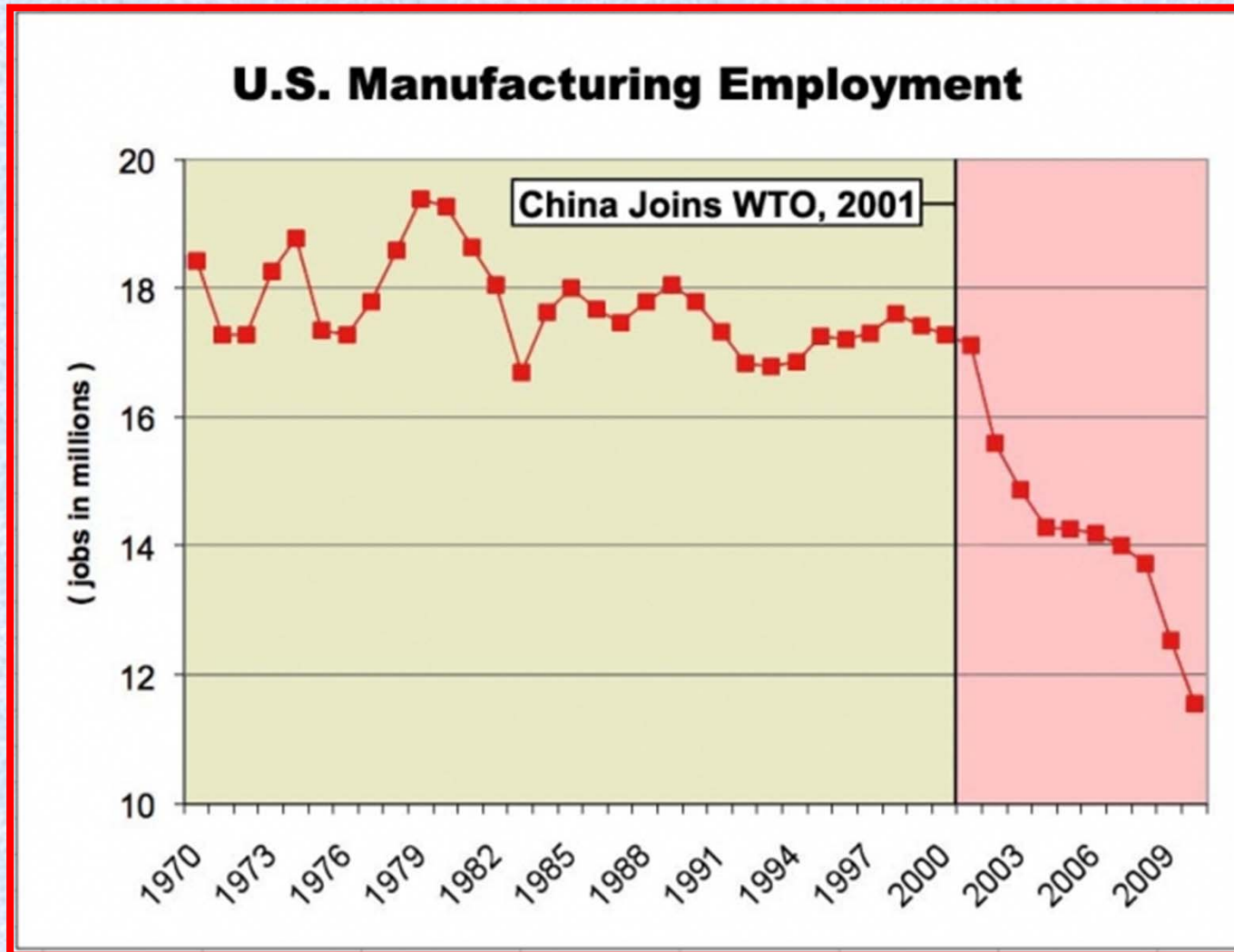
**The number
of new firms
coming to
Oklahoma
each year
has fallen by
one-third
since the
state passed
RTW.**

Top 20 states for high-tech companies

1. Massachusetts
2. Washington
3. Maryland
4. New Jersey
5. Connecticut
6. Delaware
7. California
8. Virginia *
9. Colorado
10. New York
11. New Hampshire
12. Utah *
13. Minnesota
14. Oregon
15. Illinois
16. Rhode Island
17. Michigan
18. Texas *
19. Georgia *
20. Arizona *

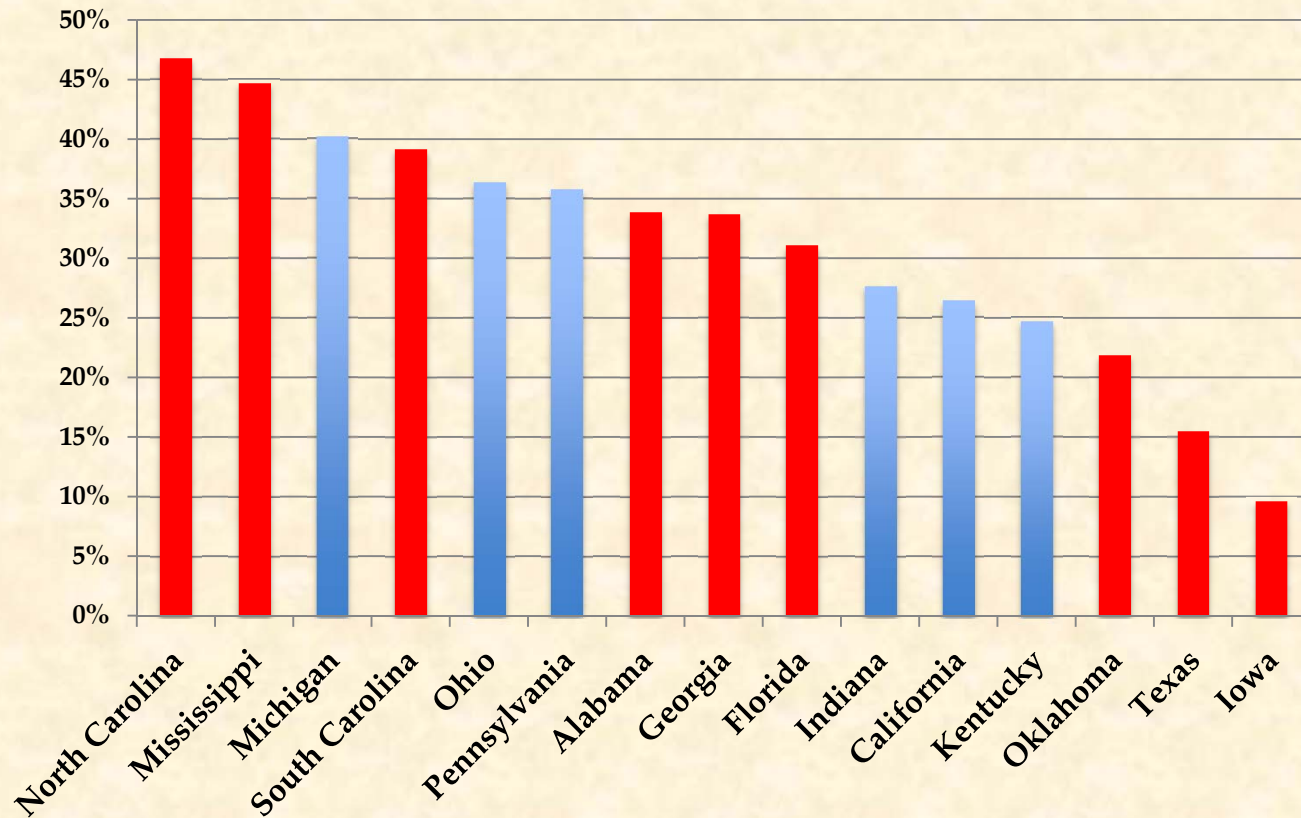


U.S. has lost 5 million manufacturing jobs since NAFTA



Since NAFTA, every state in the country has lost manufacturing jobs

Manufacturing Job Loss Since NAFTA



Net Loss, 1994-2010 (RTW states in red)

RTW not key for auto manufacturers



**Dennis Cuneo,
Director of North American
Site Selection**

Right-to-work
was neither
“a positive or a
negative” for
Toyota’s location
decisions.



RTW not a requirement for new auto industry investments



➤ Ralco Industries chose Michigan over Tennessee for stamping and welding assembly.

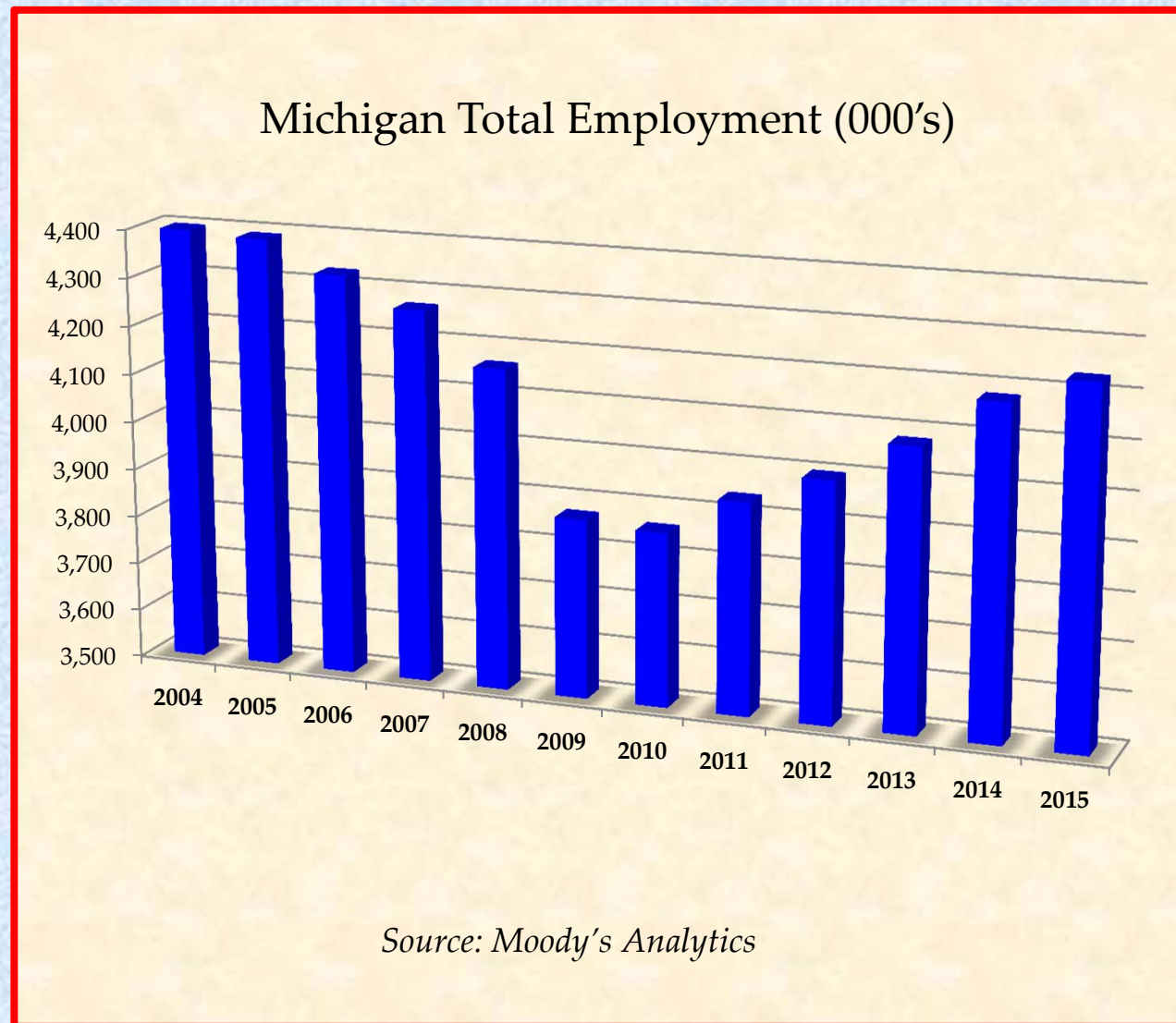


➤ ClydeUnion Pumps chose to invest in Battle Creek plant instead of in Texas or Louisiana.



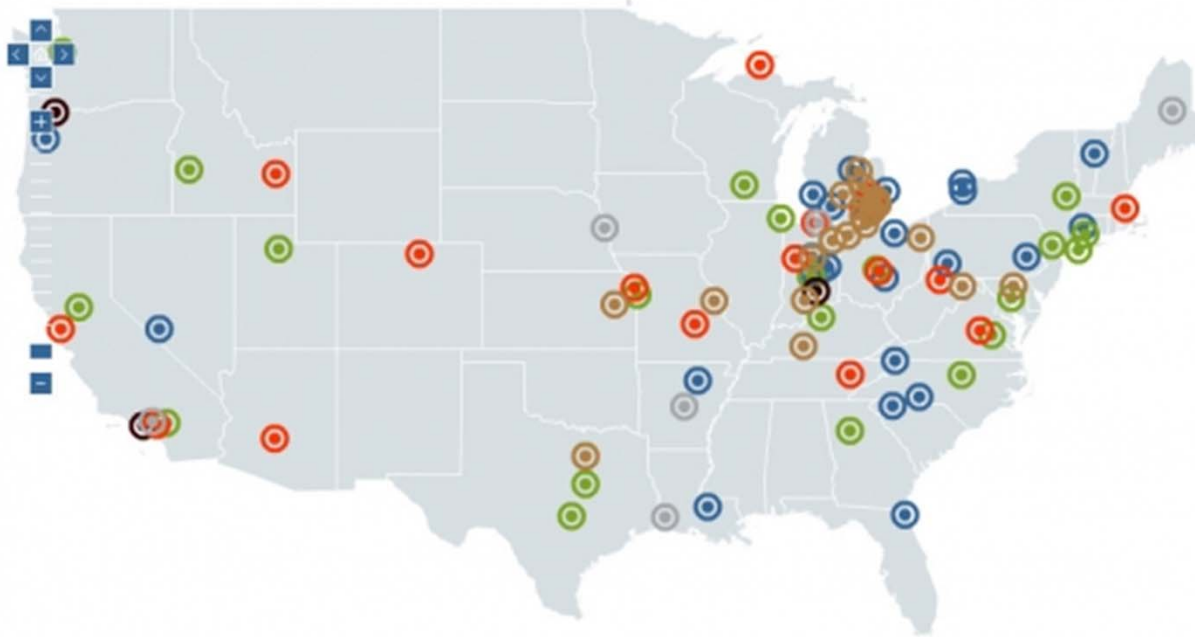
➤ Cascade Engineering is expanding in Grand Rapids rather than North Carolina or Texas.

A high-wage path forward for Michigan manufacturing



SUPPORTING the AUTO INDUSTRY of the FUTURE

● Battery Technology ● Green Vehicles ● SuperTruck ● Electrification ● Manufacturing Tax Credit ● Plant Expansion



- GM: 2nd generation rear wheel electric drive. MI, MD.
- Johnson Controls: nickel-cobalt-metal battery cells. MI, OR.
- A123 Systems: batteries, packs for hybrid and electric vehicles. MI.
 - Ener Dell: lithium-ion battery cells. IN.
- Tesla Motors & Fisker Automotive: electric cars. CA, DE.

Investing in Education

“Every economic development official in the competing states with whom we spoke indicated the single most important reason for their economic growth over the previous three to four decades was an emphasis on education and workforce development.”



Every \$1 million in wage cuts
results in an additional
six jobs lost
in the local economy.





The Mississippi Model?

- Highest poverty rate of any state in the country.
- Lowest median income of any state in the country.
- Worst child mortality rate in the country.
- Less than 20% of 8th graders read at grade level.