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A Widening Compensation Advantage For Employees in Right to Work States

In States With Longstanding Right to Work Laws in 2015, Cost of Living-Adjusted Annual Pay and Benefits Per Private-Sector Employee Were $45,657, or Nearly $1200 More Than the Forced Unionism-State Average

By Stan Greer

Today roughly 49% of Americans live in one of the 26 states with a Right to Work law on the books prohibiting the termination of employees for refusal to pay dues or fees to an unwanted union. Twenty-two states have had such a statute for at least a decade and a half. Four states (Indiana, Michigan, Wisconsin, and West Virginia) have adopted Right to Work protections for employees since the beginning of 2012. And in 24 states forced union dues and fees are still legally authorized and promoted.

By the time the first Right to Work laws were approved during the mid-1940's, federal labor policy had already long prohibited so-called "yellow-dog" contracts -- that is, contracts under which a worker agreed as a condition of employment not to join and financially support a union.[1]

The ban on "yellow-dog" contracts was and is supported by the vast majority of Americans, including Right to Work champions. That makes sense. Pro-Right to Work citizens emphatically believe that the individual employee should be free to choose which private organizations, if any, he or she financially supports, regardless of what the business owner or other employees think.

State Right to Work laws simply specify that the personal freedom of association guaranteed for the employee under federal policy must be genuine and evenhanded. After all, as U.S. Supreme Court Justice William Brennan's 1984 majority opinion in *Roberts v. Jaycees* acknowledged, "Freedom of association . . . plainly presupposes a freedom not to associate." [2]

The question of whether employees should be legally protected from coerced membership in or financial support for a labor organization does not, and should not, hinge on economics.

[1] The federal ban on "yellow-dog" contracts is part of the Norris-LaGuardia Act of 1932.

[2] 468 U.S. 609.

However, proponents of compulsory unionism have focused heavily on economics in waging their public campaigns against Right to Work measures.[3] Right to Work advocates must periodically respond to an array of Big Labor claims regarding supposed negative economic effects of laws prohibiting forced union dues and fees in order to clear the air.

Forced-Unionism States Were on Average 25.0% More Costly to Live in Than Right to Work States in 2015

There is absolutely no doubt about the fact that Right to Work status is positively correlated with faster growth in jobs and aggregate employee compensation. There is also no doubt that in recent decades Americans in their "peak earning" years (aged 35-54) and their families have been far more apt to move from a forced-unionism state to a Right to Work state than from a Right to Work state to a forced-unionism state.[4]

And U.S. Census Bureau statistics regarding private health-insurance coverage trends in the 50 states show that <u>Right to Work states have a far superior record of creating and sustaining jobs that either directly furnish employees with health-insurance benefits or pay sufficiently well to enable employees to buy their own private insurance</u>.

From 2008 (the earliest year for which comparable data are available) through 2015, the 22 states with longstanding Right to Work laws added roughly 6.04 million people, net, to the ranks of the privately insured, whereas the 25 states that lacked Right to Work laws for the entire time saw their ranks of privately insured people shrink by nearly 130,000.[5]

Very likely because the overall data on growth in employment, compensation and benefits, regardless of how you slice them, are not helpful to propagandists for compulsory unionism, they are rarely even discussed in analyses of the economic impact of Right to Work laws propounded by union officials or Big Labor-allied academics.

Instead, forced-unionism champions tend to furnish snapshots of per employee wage-and-salary data, or other data pertaining to incomes and benefits, for one particular year. Generally ignoring income and compensation growth trends, they assert living standards are lower in Right to Work states than elsewhere.

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[3] See, e.g., Kirk Shelley, "How Oklahoma Was Won: Lesson's From One State's Fight For the Right to Work," *Labor Watch* (Capital Research Center), April 2002, esp. pp. 4-5.

[4] See "Right to Work States Benefit From Faster Growth, Higher Real Purchasing Power – Summer 2016 Update," National Institute for Labor Relations Research, July 2016.

[5] U.S. Bureau of the Census, "Health Insurance Coverage in the United States: 2015," Table HIC-4, "Health Insurance Coverage Status and Type of Coverage by State: All Persons: 2008 to 2015."

Frequently, state wage, salary, and other income data cited by officers of unions and union front groups as grounds for their opposition to Right to Work measures do not incorporate interstate differences in the cost of living in any way.[6] This is a serious flaw.

The fact is, nonpartisan analysts such as the Missouri Economic Research and Information Center (MERIC), a state government agency, consistently find that compulsory-unionism states as a group have a substantially higher cost of living than do Right to Work states as a group.

MERIC's data show that the 25 states that had Right to Work laws on the books as of 2015 had a population-weighted cost of living that year of 94.2, 5.8% below the national average. The forced-unionism states combined (excluding New Mexico, for which MERIC was unable to assemble annual 2015 cost-of-living data) had a population-weighted cost of living of 117.8, or 17.8% above the national average. In short, forced-unionism states were on average 25.0% more costly to live in than Right to Work states in 2015.

(MERIC itself does not weight states based on population size in calculating its indices. For that reason, the national average for population-weighted states not equal 100.)

Back in 2010, Right to Work States' Cost of Living-Adjusted Compensation Advantage Was Just $110 Per Private-Sector Employee

According to the U.S. Commerce Department's Bureau of Economic Analysis (BEA), in 2015 there were 76.306 million full-time and part-time private-sector employees (including contract workers and the self-employed as well as employees on company payrolls) located in the 25 states that had Right to Work laws on the books last year.

<u>After adjusting for regional differences in the cost of living with the help of MERIC's indices for 2015, private-sector employees in Right to Work states earned a total of $3.514 trillion in cash compensation and benefits such as health insurance that year. That comes to $46,057 per employee</u>.

Meanwhile, the 85.622 million private-sector employees in forced-unionism states took in a total of $3.808 trillion in cash compensation and benefits, or $44,475 per employee.

Cost of living-adjusted compensation per private-sector employee is thus, according to the most recent available data, nearly $1600 higher in Right to Work states. And the Right to Work advantage has greatly widened over the course of the past few years.

Considering just the 22 states that have had Right to Work laws on the books since 2001, in 2010, using MERIC's indices for that year to adjust for cost-of -living differences, compensation per private-sector employee in states prohibiting compulsory unionism was $40,661, compared to

[6] See, e.g., "Deceptive Right to Work Laws Hurt Everyone," a page in the "Legislation & Politics" section of the national AFL-CIO's principal web site.

$40,551 in states permitting it. (Indiana, Michigan and Wisconsin are excluded from this analysis and those that follow in the next three paragraphs.)

Subsequently, the cost of living-adjusted compensation advantage for these same 22 states over non-Right to Work states rose to $185 in 2011, $255 in 2012 and $548 in 2013.

In 2014, the compensation advantage for states with longstanding Right to Work laws was $547, holding roughly steady.

But in 2015, cost of living-adjusted annual pay and benefits per employee in states with longstanding Right to Work laws rose to $45,467, or nearly $1200 more than the average for the remaining forced-unionism states.

‘Dismissing Correlation Entirely, as if It Does Not Imply Causation,’ Is a ‘Fallacy’ That Would ‘Dismiss a Large Swath of Important Scientific Evidence’

Academic apologists for compulsory unionism such as University of Oregon labor-studies professor Gordon Lafer reflexively pooh-pooh evidence showing Right to Work status is correlated with faster growth in employee compensation and higher cost of living-adjusted compensation.

At times, Lafer has implied that, unless every single Right to Work state outpaces every single forced-unionism state according to a particular economic gauge, a strong positive correlation between Right to Work status and growth means nothing.[7]

As the cliché goes, correlation is not causality, but this truism hardly means correlation is irrelevant to the question of whether one phenomenon causes another. <u>Establishing whether or not two phenomena are correlated is a necessary step toward making a scientific assessment of causation.</u>

Steven Novella, a prominent clinical neurologist and professor at the Yale University School of Medicine, pointed out in a brief 2009 analysis of correlation and causation in medical research that “dismissing correlation entirely, as if it does not imply causation,” is a “fallacy” that would “dismiss a large swath of scientific evidence.”[8]

The fact is, given the unfeasibility of genuine controlled experiments in economics and the complexity of state economies, it is probably impossible to measure with any precision what impact Right to Work laws have on job and compensation growth.

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[7] See, e.g., “What’s Wrong With Right to Work: Chamber’s Numbers Don’t Add Up,” a March 2011 policy memorandum by Lafer for the Washington, D.C.-based and AFL-CIO-founded Economic Policy Institute.

[8] “Evidence in Medicine: Correlation and Causation,” posted on the Science-Based Medicine web site, November 18, 2009.

But there is ample evidence “implying” Right to Work laws promote faster economic growth, and no meaningful evidence that Right to Work laws cause employee compensation to fall or slow the rate of employee compensation growth.

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