

# RIGHT TO WORK

UPDATED TRENDS AND IMPLICATIONS  
FOR NEW HAMPSHIRE



**AMERICANS FOR  
PROSPERITY**

NEW HAMPSHIRE

# **RIGHT TO WORK**

UPDATED TRENDS AND IMPLICATIONS  
FOR NEW HAMPSHIRE

## **I - EXECUTIVE SUMMARY**

Since 2014, an additional two states, Wisconsin and West Virginia, have passed legislation that advances worker freedom by eliminating the requirement that employees be forced to pay union dues as a condition of employment. By electing to protect the freedom of workers in their states to associate freely, Wisconsin and West Virginia have increased the number of Right to Work states nationally to 26. The choices by these two states have tipped the balance nationwide towards a new majority view that is focused upon the protection of the freedom of association for employees.

This report will aim to analyze the existing literature regarding worker freedom legislation, in addition to updating some of the findings of the 2014 Americans for Prosperity Foundation's report "Analyzing the Effects of Right to Work Legislation in New Hampshire."

Herein, this investigation will briefly summarize some of the particularly salient points of data regarding worker freedom legislation and its impacts. Over long term periods of analysis, states that have adopted and implemented policies that promote worker freedom have seen employment grow faster than states that do not have such regimes in place, in addition to seeing faster economic recoveries, higher GDP growth and higher levels of employment in the manufacturing, mining and construction sectors.

Should New Hampshire adopt legislation that frees employees from being required to join a union or pay an agency fee as a condition of being employed, the state could expect to see employment growth and state GDP growth that would be about .5 percentage points above current projections. Critically, this would allow for additional job and wage growth that would create opportunities for the thousands of New Hampshire residents that leave the state to find employment.

Lastly, there will be preemptive rebuttals to some of the more common arguments that opponents of worker freedom legislation commonly adopt.

## **II - INTRODUCTION AND PURPOSE**

The purpose of this paper is to illustrate and reinforce for the reader the extant literature regarding the economic and demographic effects of Right to Work legislation, in addition to rebutting the prevailing counter narrative in support of union security agreements throughout the country. Additionally, this work will undertake an endeavor to demonstrate the empirical effects, both long term and short, of worker freedom legislation. Ideally, this paper will serve as a literature review of sorts that aims to clarify the published findings regarding worker freedom legislation, with the additional aim of anticipating the arguments and canards of the opponents of worker freedom legislation and addressing them.

In some sense, this paper serves as a sequel to Americans for Prosperity Foundation - New Hampshire's 2014 report "Analyzing the Effects of Right to Work Laws in New Hampshire." That paper was a focused analytical work, with Indiana serving as both a case study for how the passage of "clean" worker freedom legislation impacts the economic fortunes of a state as well as provided a point of comparison for what would reasonably be expected to happen should New Hampshire adopt legislation that promotes worker freedom.

The passage of pro-growth reductions in the erstwhile punishing rates of business taxation with four pieces of legislation that have reduced business taxes in 2015-16 have made a tremendously positive contribution to New Hampshire's economy, reducing unemployment to below 3 percent at the time of writing, which has the side effect of rendering the projections of that particular paper moot, at least in regards to the initial projections. As such, this paper will serve to be a work that aims to demonstrate positive effects delivered by economic and worker freedom, and the benefits that would be expected to appear should the state of New Hampshire elect to adopt legislation that advances the freedom of workers.

### III - HISTORY AND RECENT TRENDS IN WORKER FREEDOM

This section of the report will describe several developments, both recent and historical which will serve to illustrate the progress of worker freedom in the United States. The first portion of this section will describe the historical events that have led to the current operating framework in advancements in worker freedom. The second portion will address, summarize and update in parts the Americans for Prosperity Foundation - New Hampshire report on the potential impact of Right to Work laws in New Hampshire, should they be adopted. The third portion is a discussion of the importance of differentiating between correlation and causation.

#### *THE PATH LEADING TOWARDS A RIGHT TO WORK MAJORITY*

At the present, worker freedom is on the march and advancing steadily across the United States. At present time, there are 26 states in the United States that are Right to Work states, with four of these states having adopted worker freedom legislation within the past half-decade.

Most of the states that have adopted these statutes are situated in the American South, Southwest, and Midwest. The Pacific states, the Mid-Atlantic and Northeast are the primary holdouts against the gradual spread of worker freedom legislation.

Before one considers the more recent developments in the advance of worker freedom, a trip back in time to trace out the origins of worker freedom is in order to allow for a more complete grasp of the subject for the reader, and to make for a more informed discussion about the effects and benefits of Right to Work.

The current framework for worker freedom can first be traced back to the National Labor Relations Act of 1935, which is more informally known as the Wagner Act, signed by President Franklin Delano Roosevelt. While this Act dealt with many aspects of labor-management relations, the key points of the Act for the purposes of this paper are how the Act codified the structure of an agreement between management and employees regarding the composition of a given shop. The four types of shops that the Wagner Act legalized were open shops, agency shops, union shops and closed shops.

In an open shop, employees cannot be forced to join a given labor union, nor can they be coerced to pay the equivalent of union dues in the form of agency fees. Conversely, and very importantly, if an employee elects to join a labor union through their own choice, they are not allowed to be released from their employment as a result of their decision to join a labor union. Clearly, from a viewpoint of worker freedom, an open shop should be the preferred choice for any person who is even tangentially concerned with worker freedom.

Agency shops are a more restrictive framework. In an agency shop, an employee is not necessarily required to join a union as such, but they can still be compelled to pay the equivalent of union dues in the form of a so-called "agency fee." This arrangement is supposed to combat the issue of having non-union members benefitting from the union-negotiated contract. This particular argument will be deconstructed at a later point in this paper.

The next form of shop authorized under the Wagner Act, and the third step in an increasingly coercive conception of union representation, is the union shop. Under a union shop, non-union employees may be brought on board in a given firm, with the stipulation that at some point they are required to join the union that has bargained with the particular firm that brought the employee on board. This approach to establishing a shop is problematic if one is concerned with employee freedom, but also if someone is concerned about the right of free association that is guaranteed in under the protections of the First Amendment.

The last form of shop that is governed by the Wagner Act is the closed shop. In a closed shop, employment is conditional upon being a member of a union. If an individual for any reason ceases to be a card-carrying union member, their employment can be terminated, even in the absence of any infringement of any regulations that were put in place by an employer. There is not a great deal of imagination required to conjure scenarios where closed shops could be used in all manner of distasteful ways, from the crowding out of racial minorities in a given field, to the suppression of dissenting political views within the shop itself.

After the Second World War, there was a labor crisis that stuck nationwide. The origins of the labor crisis go back to how labor was constricted during the war itself.

During the Second World War, fully a quarter of the United States' workforce was a member of a labor union during the course of the war. In order to keep labor relations smooth, and to ensure that the arsenal of democracy was able to continue to churn out the millions of tons of materiel, weapons and assorted items that were crucial to the Allied war effort, various concessions were made to organized labor. These concessions originated from the second iteration of the National War Labor Board, which served as a mediator and a means by which to prevent any disputes that may have arisen between labor and management, and potentially derailed the production of war goods as a consequence of a labor dispute.

To help prevent strikes and labor stoppages, labor unions were tasked with keeping labor strike-free in exchange for closed shop policies. After the conclusion of the war, there was obviously less demand for tanks, heavy bombers and machine guns, and consequently the artificial bubble of a war economy popped, leading to, among other things, waves of strikes from steel workers, miners, railroad workers, and many others. To be sure, there were many other factors that led to the labor unrest in the immediate aftermath of the Second World War, but the end of the war economy was arguably the greatest proximate contributor to the labor crisis. Congress' response to the labor crisis laid the foundation for the current legislative regime under which worker freedom in the United States operates.

As a response to the labor strikes and disruptions of 1945-1946, Congress enacted the Labor Management Relations Act of 1947, more commonly referred to as the Taft-Hartley Act. The primary policy result of the Taft-Hartley Act was the prohibition that was placed upon closed shop policies and contracts.

However, the Taft-Hartley Act left the figurative doors open for other arrangements between management and labor, including the forms discussed previously. After the passage of the Taft-Hartley Act, and the subsequent override of President Truman's veto of the Act, states began to pass legislation that aimed to prevent labor unions at firms that were covered by collective bargaining agreements from requiring employees to join a labor union in order to procure gainful employment – the first wave of worker freedom legislation. The passage of worker freedom laws at the state level occurred in waves, with the initial passage in the South occurring in roughly the first decade following the passage of Taft-Hartley, with some Midwestern states following a decade or so later. After the initial flurry of state worker freedom legislation, with a few notable exceptions such as Idaho and Oklahoma, the advancement of Right to Work was mostly stagnant until 2012.

Between 2012 and 2016, four additional states adopted worker freedom legislation: Indiana, Wisconsin, West Virginia and, crucially, Michigan. In contrast to many of the prior states that adopted worker freedom legislation, these states, and in particular Michigan, have a long and at times tumultuous relationship with organized labor.

The precise reasons why four Rust Belt and coal country states have adopted Right to Work legislation is beyond the scope of this paper, but viable hypotheses include: the recession of 2008 and how worker freedom states tended not to be hit as hard as union security states, or the explosive growth in the manufacturing sector in Right to Work states like Georgia and Alabama. Regardless, the adoption of right to work in areas of the country that have had long histories and close ties with organized labor is noteworthy and an important step in advancing economic freedom and the rights of workers to be able to choose how they want to work.

## **INDIANA - SUMMARY OF THE AFPP-NH REPORT'S FINDINGS**

AFPP-NH's 2014 report on the potential impacts of the passage of Right to Work legislation in New Hampshire contained an exploration of the impacts that the passage of worker freedom legislation had in Indiana, using Indiana as both a case study in and of itself, as well as serving as a basis of comparison to another state in the region that has since become a state with worker freedom legislation, Wisconsin. The methodology, results and interpretations from the 2014 AFPP-NH report is summarized below.

As was mentioned previously, Michigan adopted worker freedom legislation in the most recent wave of states adopting worker freedom legislation, passing such legislation in 2012. However, the legislation that was passed in Michigan was not a "clean" passage of worker freedom legislation, in that it was piecemeal and incremental, and as such would not provide a clear departure point from which to draw reasonable conclusions about

the impacts of the passage of worker freedom legislation. Indiana passed worker freedom legislation in 2012 as well, and the clean nature of the passage of the legislation, coupled with the more comparable size of Indiana in relation to New Hampshire made the choice of Indiana as a point of comparison and analysis a relatively easy choice.

In order to ascertain what impact the passage of worker freedom legislation had in Indiana, two time frames were examined: one year prior to the passage of Right to Work legislation in Indiana, and the following two years. This was done to establish baselines on either side of the passage of worker freedom in Indiana as to the state of economic affairs in the state.

In addition to the requisite use of data from the Bureau of Labor Statistics as to employment levels, total labor force and unemployment rates, the AFPP-NH study also used a metric from the Chicago Federal Reserve Bank called the Midwest Economic Index, or MEI. To properly understand both what the MEI is, and why it was used in the analysis an exploration into what exactly the MEI is needs to be conducted.

In addition to the overarching Federal Reserve Bank, there are regional banks that are responsible for monitoring the economic conditions within their respective regions. Each regional Federal Reserve Bank has their own proprietary analytic measurement that they use to track the economic state of their particular region.

As an example, the Boston Federal Reserve Bank is responsible for the New England region of the United States, and uses different metrics for gauging the economic health of the region than the Federal Reserve Bank of San Francisco. The Federal Reserve Bank of Chicago is the Federal Reserve Bank that serves much of the northern portions of Illinois, nearly all of Indiana, lower Michigan, most of Wisconsin, and all of Iowa. The analysis that comprises the MEI does take into account economic activity in the state as a whole, irrespective of the geographical area that the Chicago Fed covers.

The MEI itself is weighted average of 134 economic indicators from both the region, and the states themselves. These averages are then compiled and compared to historical rates of growth in the region. As such, when comparing measured growth rates to historical averages, an MEI score of 0 would indicate that growth rates in the area measured by the Chicago Fed are consistent with historically observed trends in growth. Conversely, a negative MEI would indicate slower than normal rates of economic growth, and a positive MEI would indicate faster than normal rates of growth in the region.

Pivoting back to the AFPP-NH paper's analysis of Indiana, going back to the earliest date that there was data available from the Chicago Fed, February 2011, through the passage of worker freedom legislation in January of 2012, the Chicago Fed recorded a total MEI of -.29 in the state of Indiana. In the following two years of data collection following the adoption of worker freedom legislation in Indiana, the state of Indiana posted a cumulative MEI of .42. While isolating the effects of the passage of worker freedom legislation is for all intents and purposes impossible, as the review of the extant literature will demonstrate later on in this paper, a reasonable correlation can be drawn from the adoption of worker freedom legislation and Indiana's faster than expected economic growth in the wake of the passage of those laws. As an additional note, in the intervening two years, Indiana has posted an overall cumulative MEI of .8, which would appear to be indicative of a continuing and sustained period of economic growth in the wake of the implementation of a new legislative regime that promotes and values worker freedom.

As noted earlier in this paper, Wisconsin has adopted worker freedom legislation in the intervening years since the publication of the AFPP-NH paper analyzing the impact of Right to Work legislation. A side by side comparison with Indiana showed that Wisconsin had a lower MEI than Indiana at the initial time of comparison. However, looking at the MEI reports that have been put out since then by the Chicago Fed shows that Wisconsin too has posted better than average rates of economic growth, posting a cumulative MEI of 1.54 in the two years since the analysis contained in the AFPP-NH paper.

Clearly, simply focusing upon the MEI, while a valuable tool for specialists, economists, and those with an interest in such metrics, does not truly impress the impacts of Right to Work. The MEI, while a useful and informative measuring tool for the specialist, describes what is an abstract average of other statistical measures. As such, the AFPP-NH report turned to statistics from the Bureau of Labor Statistics to first establish a preliminary basis for analysis, and then to observe, record and interpret the data that was collected.

## **5.** RIGHT TO WORK: UPDATED TRENDS AND IMPLICATIONS FOR NEW HAMPSHIRE

For the 2014 AFPP-NH report, four types of employment data from the Bureau of Labor Statistics were used to establish the general, macro level economic health of the state: the total labor force in the state, the total number of employed persons in the state, the total raw unemployment numbers in the state, and lastly the total unemployment rate in the state. These four economic indicators are valuable measures of economic health in that they are easily digestible and highly informative without having to dive into the more arcane measures that the BLS sometimes uses to report on economic measures.

The 2014 report began its tracking of the changes in Indiana's BLS statistics at the start of 2012, when the state adopted worker freedom. With the necessary disclaimer that correlation is not the same thing as causation, the results of the AFPP-NH report's findings are as follows: Firstly, at the beginning of the time period that the AFPP-NH report covered (January 2012), the total labor force in the state of Indiana increased by nearly 47,000 persons, changing from approximately 3,178,000 persons to nearly 3,225,000 persons at end of the period of analysis. Secondly, the total number of employed persons in Indiana stood at approximately 2,910,000 persons. Tracing the data along a simple line graph, several interesting data points present themselves to the astute reader. After an initial dip in employment throughout the first half of 2012, from the second of 2012 and moving forward, the raw employment numbers in Indiana were on a constant upward trajectory, with a slight leveling off at the end of the period of time being analyzed. Raw employment in Indiana increased from about 2,910,000 persons in January 2012 when worker freedom legislation was adopted to just about 3,045,000 persons at the end of the AFPP-NH reports analytical time frame, showing a net increase of nearly 135,000 persons entering, or even re-entering Indiana's labor market in the aftermath of the passage of worker freedom legislation.

The area where changes can be seen in the aftermath of the passage of worker freedom legislature in Indiana is in the raw number of unemployed persons in Indiana. At the beginning of the AFPP-NH reports analytical time frame, there were close to 260,000 unemployed Indianans, and following the extant data, at the end of the examined time span, the raw unemployment number in Indiana was near 180,000 persons, showing a drop of nearly 80,000 people in less than two and a half years. Indiana's unemployment rate demonstrated a similar, and given the respective directions of the other economic indicators, expected, trajectory as well. The unemployment rate in January 2012 in Indiana was approximately 8.1 percent, and by the end of the examined time span, the unemployment rate had plunged to level off at near 5.8 percent at the end of the time frame.

Since the publication of the AFPP-NH report on Right to Work legislation in New Hampshire used Indiana as a case study and point of comparison for New Hampshire, in the interest of education and conceptual symmetry, an updated, and brief, inquiry into Indiana's economic indicators is worthy of undertaking to fully flesh out some of the observed economic trends in a state similar to New Hampshire in the aftermath of the passage of worker freedom legislation. To allow for a clear comparison, the same four economic metrics used in the 2014 AFPP-NH report will be used, namely total labor force, total employment, total unemployment and unemployment rate.

At the time of writing (August 2016), the total labor force in the state has increased by nearly 120,000 people since the publication of the 2014 AFPP-NH report on Right to Work legislation and total employment stands at 3,360,000 people at present time. Simply put, since the state of Indiana adopted laws that protected and advanced worker freedom in January of 2012, the total labor force in the state has increased from approximately 3,180,000 people to nearly 3,337,000 people an increase of 157,000 workers, and an increase of approximately 5.5 percent in 4 years.

The change in employment in the state is also remarkable. In January of 2012, employment in Indiana stood at approximately 2,914,000 persons, and at present stands at roughly 3,200,000 people, and increase of more than a quarter million workers, and a positive growth in employment of more than nine percentage points.

Raw unemployment and the unemployment rate in Indiana have also continued their downward trends in the intervening two years since the publication of the AFPP-NH report on Right to Work legislation. Raw unemployment has dropped by more than 100,000 people, from 272,000 people in January 2012 to 168,000 people presently. The unemployment rate, which sat at 8.6 percent in January of 2012, stand at 5.0 percent presently, a drop in the unemployment rate of 3.6 percent.

From all of these data points and observed trends, and given that the adoption of worker freedom legislation was the major legislative change that occurred in Indiana in the last four years, it is not an unreasonable assumption to declare that there is indeed some correlation between the adoption of worker freedom legislation in Indiana and the expansion of employment and the corresponding drop in unemployment in the state. That being said, there are important and crucial caveats that need to be addressed regarding such assumptions. They will also lead into the next section of this paper, which will be concerned with an examination of the extant literature on Right to Work legislation.

## ***CORRELATION AND CAUSATION - IMPLICATIONS FOR RESEARCH***

As has been mentioned previously in this section, and brought up repeatedly in the 2014 AFPPF-NH report, correlation is not the same thing as causation. Simply because certain policies are correlated with certain outcomes does not mean that they necessarily follow one another. In many cases, the two can be very easily confused for one another, leading to not only erroneous conclusions, but frequently asserting things that are only tangentially related to each other. Maintaining awareness that one is not the same as the other is absolutely vital in maintaining intellectual and academic discipline. Keeping the distinction between correlation and causation present in the mind is particularly important when discussing worker freedom legislation, which will become readily apparent when the existing literature surrounding the topic is addressed in the following section.

## **IV - ECONOMIC IMPACTS OF WORKER FREEDOM - REVIEW OF LITERATURE**

### ***TWO BROAD AREAS OF ANALYSIS - EMPLOYMENT/OUTPUT AND UNION MEMBERSHIP***

The existing literature surrounding the impact of worker freedom legislation can be divided into two broad areas of analysis: the analysis of the impact of worker freedom legislation upon economic outcomes, namely employment and economic outcomes such as wages, wage growth, and changes in employment. The second area of focus, the impact of worker freedom legislation upon the prevalence of union membership, is a much simpler affair.

### ***WORKER FREEDOM AND ECONOMIC OUTCOMES***

As mentioned in the “Correlation and Causation” section in the preceding portion of the paper, conflating a correlation with a causal effect is an undesirable outcome to be avoided if in any way possible. This is especially important when analyzing and considering the potential impacts of worker freedom legislation.

Given the breadth and the depth of the issue area being studied, there is no unifying study that can adequately and sufficiently explain the relation between the adoption of worker freedom legislation and observed economic effects. A given researcher, or often a given team of researchers, may adopt different metrics, regression formulations, and variables, and may arrive at conclusions that are worlds apart from each other, even when the same state and time frame are being analyzed, and before other factors are controlled and accounted for.

This has led to the development of two theories regarding the impact of Right to Work legislation upon economic outcomes, each theory informed by a wealth of data from a battery of studies. The first school of thought holds that worker freedom legislation is an important factor in creating a favorable business environment, and serves as a proxy of sorts for a business culture that nurtures and grants individual firms and industries the flexibility to be adaptable in hiring, wage-setting and discharging of employees, as well as allowing for pension agreements to be easier to negotiate.

The second school of thought finds fault with the first, and holds that Right to Work, or worker freedom legislation, is not the primary driver of business decisions, but rather acts in concert with other economic factors



such as subsidies, regulatory environments, tax structures and the supply of local labor in animating business policy. The truth is very likely somewhere in between these two schools of thought. In order to analyze and interpret the impacts of worker freedom on economic outcomes, the 2014 Congressional research Service Report on Right to Work legislation will be consulted, much as it was in the 2014 AFPP-NH report.

In January of 2014, the Congressional Research Service released a report that aimed to educate Congressional policymakers on the broader issue of Right to Work legislation, specifically what the issue meant at the national level. Of particular note are the data contained in Table 4 of the report, which presents two general trends in employment that are very much of interest when inquiring into the economic impacts of worker freedom legislation. Firstly, the table and the CRS show that from 2002 through 2012, there was a combined net change in employment of 2.7 percent across the entire of the work force in the United States. Within this data point however, is the fact that states that had frameworks that protected and advanced worker freedom posted a net increase of 6.6 percent in employment over this decade, in contrast to an increase in employment of .3 percent in states that did not have such frameworks in place.

Of additional note is that during the doldrums of the recession that struck the United States in 2007 and 2008, Right to Work states suffered a lesser reduction in employment on average than states that did not, with Right to Work states posting an employment contraction of -2.2 percent from 2007-2012, in contrast to an employment decline of -3.0 percent in states that were not as protective of worker freedom.

While keeping in mind the caution about confusing correlation and causation, the data collected by the Congressional Research Service would appear to indicate that in many cases, states with worker freedom legislation on the books recovered and rebounded from the late 2000s recession with more alacrity than states that did not have such legislation. To close out this section on the Congressional Research Service's report on the economic impact of Right to Work legislation, it bears repeating that there is no study or survey that has been able to completely isolate the effects of Right to Work legislation on economic outcomes, though the presence of such legislation can be taken into account and considered to be a proxy for a state's general business climate, which can most assuredly be a factor in how quickly individual states can bounce back from economic shocks.

Another tremendous source of data regarding the impacts of worker freedom legislation comes from a study published by West Virginia University in 2015. Before the details concerning the report's findings will be addressed, a necessary detour into exploring the circumstances surrounding the study will be briefly undertaken.

In the lead-up to the passage of legislation that protected worker freedom in West Virginia, the state legislature commissioned the Bureau of Business and Economic Research at West Virginia University's Business School to perform a neutral and non-politicized inquiry into what the passage of Right to Work legislation would mean for the state. The report first delved into what the national observed impacts of the proliferation of Right to Work legislation have been, and then pivot to what the predicted results would be for the state of West Virginia would be, should the state legislature adopt worker freedom legislation.

West Virginia University Study on Right to Work

The first group of findings in the West Virginia University report on Right to Work legislation in West Virginia focused firstly upon the broader national trends in economic indicators as they relate to the presence or absence of Right to Work legislation within states. Some of the findings of the WVU report are astonishing in their forcefulness.

The researchers at WVU found, unsurprisingly, that from the time period of 1950 through 2014, the proportion of workers who were a part of a union was constantly lower in states that had adopted a policy of promoting worker freedom. While this would seem to be a fairly elementary thing to assume, nevertheless, the observed tendency would seem to validate the idea that when given the choice of whether or not to pay a union, many workers choose the latter.

The second finding was that state Gross Domestic Product grew faster by a factor of 7.8 in states that had enacted worker freedom, in comparison to states that had not embraced such legislation, where state GDP grew by a factor of 5.3 in the same time period from 1963 to 2013. Employment also grew at a much faster rate in states that promoted worker freedom from the period of 1950 through 2014, with employment in Right to

Work states growing at nearly double the rate in states that did not have legal protections that protected worker freedom.

The study also found that employment in sectors commonly associated with organized labor, like mining, construction, and manufacturing, all had stronger growth in Right to Work states than in states where workers did not possess the freedom to choose whether or not to pay a union. The authors also found that wages and salaries in Right to Work states were lower than in non-RTW states. This is a point that will be addressed in a later section.

After discussing the nationally observed trends as they relate to economic outcomes and Right to Work legislation, the authors describe the anticipated results of the passage of worker freedom legislation in states that adopt such legislation.

They found that Right to Work would lead to a reduction in private sector unionization of about 1.9 percent. Given that the unionization rate in the United States is about ten percent, the adoption of worker freedom legislation would lead to a reduction by about a fifth in the private sector unionized workforce within a state. While this may seem to be a steep drop as a result of a single policy change, this is in many ways simply a continuation of longer term observed trends in union membership. The rate of private sector unionization has been falling for decades, and this would merely be an acceleration of a broader trend. Long term employment growth would also be expected to be .4 percentage points higher in states that adopt worker freedom legislation in comparison to states that do not have such laws on the books. Similarly, long term state GDP growth would be expected to be .5 percentage points higher in a Right to Work state than in a state that elected not to embrace worker freedom.

## **IV - WEST VIRGINIA UNIVERSITY REPORT - FINDINGS FOR WEST VIRGINIA**

In line with what the authors found in the broader national trends regarding economic outcomes as they relate to worker freedom legislation, the authors found that both state level GDP growth and employment growth in West Virginia would be higher than an expected baseline should the state adopt worker freedom legislation. Following along the regression analysis curve, the authors of the study found that the overall slope or trajectory of growth would be the same, while the actual amount of growth would be higher.

## **V - IMPLICATIONS FOR NEW HAMPSHIRE**

Adopting worker freedom legislation in New Hampshire would most likely mean that economic outcomes, principally GDP growth, would follow the observed tendencies in other states that have adopted such legislation recently. New Hampshire's economy is relatively strong, though the raw data does mask some unpleasant realities of New Hampshire's economy. Foremost among the misleading aspects of New Hampshire's economy is the commuter focused nature of much of the southern portion of the state.

Each workday an estimated greater than 100,000 people commute down from New Hampshire into Massachusetts for work. The adoption of worker freedom legislation in New Hampshire, when combined with the newly lowered business taxes in the state, would very likely lead to many businesses choosing to relocate to New Hampshire.

Enacting and passing legislation that protected the freedom of workers in New Hampshire would very likely mean that the state would experience growth in employment and GDP .5 percentage points above currently projected models. This would be following what the researchers at West Virginia University found as a general trend in the wake of the implementation of worker freedom laws throughout the United States. It is important to note that the impacts could be even greater in New Hampshire, given the substantial distance to other Right to Work states compared to other states that recently passed Right to Work, which each had at least one adjoining state that had already embraced worker freedom.

## VI - FINAL NOTES AND CONSIDERATIONS

Nothing in this report should be taken as a denigration or denouncing of an individual's Constitutionally guaranteed right to associate freely, whether that takes the form of joining a bowling league, a fantasy football league, or electing to join a labor union at one's place of employment. The fundamental and pressing issue is whether someone should be coerced against their will into joining and paying a labor union.

The adoption of worker freedom legislation would require labor unions to earn the dues of their members, and require them to efficiently and effectively represent their members rather than simply collect dues from employees as a matter of course. At present, an argument can be made that since dues are mandatory as a condition of employment, unions lack accountability.

Additionally, while many opponents of worker freedom will point to evidence of lower wages in Right to Work states, this is a simplistic analysis that ignores, willfully or not, the very real differences between states, both in history and economic development. Many states that adopted or have adopted worker freedom legislation were relative late comers to industrialization and economic modernization. This simple view of worker freedom legislation also ignores the significant differences in cost of living between the states. As an example, a \$40,000 per year manufacturing job in Tuscaloosa, Alabama will go a great deal further than a \$40,000 per year manufacturing job in almost any northeastern state, including New Hampshire.

## VII- ADDENDA

### *RED HERRINGS, "FREE RIDERS," AND A MISUNDERSTANDING OF HISTORY*

This section will be concerned with addressing three of the primary arguments that union proponents commonly throw at any attempt to free workers from the clutches of unions. The first argument to be addressed will be the specious "Right to Work for Less" canard, next the so-called "free rider" problem and lastly, the misconceptions regarding the history of the labor movement, particularly in the present arguments regarding wages and Right to Work laws.

### *"RIGHT TO WORK FOR LESS"*

At most anti-RTW demonstrations, there is the distinct possibility that an eagle-eyed observer will see many signs and placards that will have some variation of "RTW = RIGHT TO WORK FOR LESS". This is the argument that is most likely to be brought up whenever there is talk of passing worker freedom legislation. However, the argument betrays a glaring ignorance of the development of organized labor throughout the country.

The states that passed worker freedom legislation in the immediate aftermath of the Taft Hartley Act in 1947, or in the years before, were all Southern states with the exception of Nevada. None of these states in 1947 had anything that was comparable to the built in and built up presence of organized labor that many of the more industrialized states in the North had. Many of their economies were still predominately agricultural in nature, with correspondingly lower costs of living and wages. These states took longer to emerge as post-industrial economies in comparison to the older unionized states, and also took longer to have their wages rise. The cause of this however, is not the presence of Right to Work legislation, but rather the fundamental characteristic of labor unions as cartels.

If in a simple conception, the labor market is made of employers and employees, in any given industry, a labor union acts as a cartel that bargains with an employer. In the economic literature, cartels exist to first maintain high prices, and secondly to restrict competition. Unions, particularly in the Northern states,

conspired to keep the price of labor high, in addition to the wages of their members (often through violence and threats of disruptive strikes), and actively sought to restrict competition in their respective fields.

The word “cartel” does have negative connotations, and this is not meant to conflate modern labor unions with them, although there is a long and ugly history of racial and ethnic violence in the labor movement. Rather, the use of the word “cartel” is meant to accurately describe how labor unions artificially increase the cost of employment, and restrict access and competition in their given industries.

For proponents of organized labor to argue that a further cartelization of the labor market is a good thing for workers is facetious, and motivated primarily by the desire to increase the ever declining membership in labor unions by force of legislation. If this were truly the case, they would not need to make union membership mandatory as a condition of employment.

### **THE “FREE RIDER” PROBLEM**

Another popular counter argument to Right to Work legislation is the problem of “free riders” in a shop that has union representation. The argument will typically proceed along the lines of “if there’s someone in an agency shop that doesn’t want to pay union dues, they’re being a free rider and benefitting from the hard won benefits that the union has bargained for, and as such they should be forced to pay agency fees.” This argument completely ignores the party that is most injured in this conception, the person who does not want to join a union.

For someone in an agency shop, being forced to pay agency fees as a condition of being gainfully employed imposes only costs upon him, and provides no benefits. Freedom of association, and its corollary the freedom NOT to associate, is guaranteed in the First Amendment to the Constitution, and forcing someone to pay for something they don’t want as a condition of employment is fundamentally wrong and immoral.

In reality, these workers are not “free riders,” but “forced riders.” If a worker feels as though he or she could negotiate better wages and benefits than those in the collective bargaining unit, he or she should be free to do so. Workers should have two clear choices: join and pay the union and remain beholden to the union collective bargaining agreement, or else be free from all union obligations and negotiate on their own behalf.

### **MISREADING HISTORY**

Narratives are powerful things. A good narrative can affect how any issue is discussed, and can sometimes force people to argue points based on false premises. The popular narrative regarding the labor movement is that organized labor saved the United States from the depredations of the robber barons of the late Gilded Age. Almost every improvement in the lives of American workers will be attributed, no matter how tangentially, to the organized labor movement. The 40-hour work week, the end of child labor, rising wages, all of these are attributed to the organized labor movement. The narrative perpetuates itself.

This narrative can be found everywhere, from popular culture, to schools, to bumper stickers. Unfortunately, this narrative ignores the actual causes of the improvement in the lot of the average American worker. The real cause in the improvement of American workers’ lives came as a result of increased productivity. Once increased productivity had brought down the amount of time and work needed to make things, whether they were steel beams, garments, or anything else, employees no longer had a need to work sixty-hour work weeks. As more efficient means of mining coal were developed, there was a declining need for children to work in mines. Moreover, private sector entrepreneurs pioneered many of these reforms on their own.

Many of the great victories that were claimed by the labor movement were the results of things that they had no immediate part of. These misleading narratives should not have a place in a fact-based discussion of the merits of Right to Work and whether New Hampshire should make history by becoming the first state in the northeast to adopt this economically significant reform.