Posted January 12, 2017 at 11:37 am by **Ross Eisenbrey** and **Teresa Kroeger**

A tale of two states (and what it tells us about so-called “right-to-work” laws)

In 2011 and 2012 two states, New Hampshire and Indiana, debated the same bill: so-called “right-to-work” legislation, pushed by corporate lobbyists and the American Legislative Exchange Council (ALEC), designed to weaken unions financially and pave the way for greater corporate dominance of state politics. New Hampshire’s governor vetoed the bill in 2011. Indiana, by contrast, enacted it in 2012. It is instructive to compare the two states. By almost any measure, the economy of New Hampshire is stronger and its citizens are better off, on average, than the citizens of Indiana. Right-to-work did not improve the Indiana economy relative to New Hampshire’s, and no one should be fooled into thinking that passing right-to-work now will improve the New Hampshire economy.

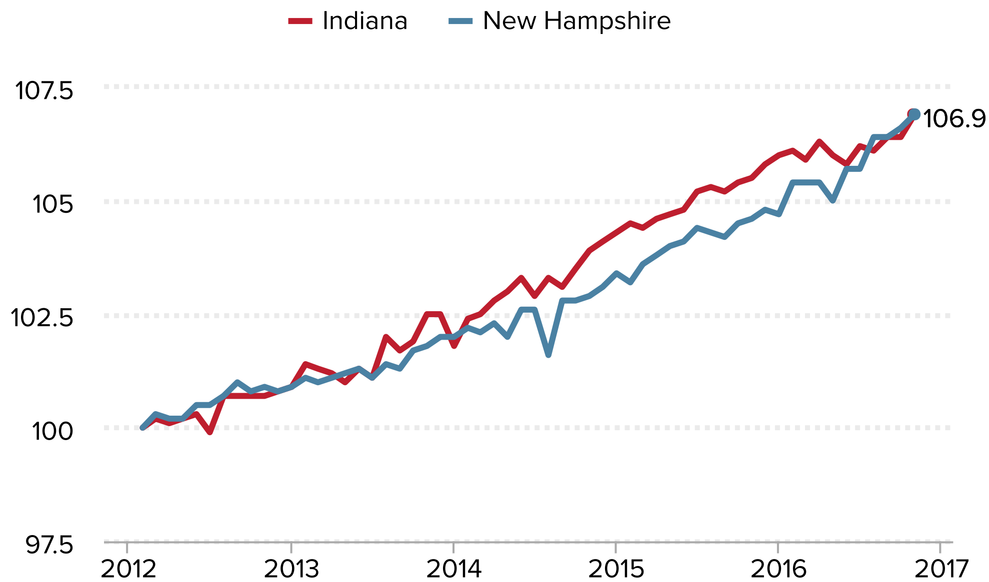
So-called “right-to-work” laws prohibits unions and employers from agreeing to collective bargaining agreements that require employees covered by the agreement to pay their fair share of the costs of negotiating and enforcing it. The only right that “right-to-work” creates is the right for free riders to get the benefit of higher union wages and protections against unfair discipline without contributing any dues or fees for that privilege.

EPI published two reports critical of the New Hampshire legislation, **one** in 2011 and **another** in 2012, pointing out that the only real purpose and effects of these laws are lowering wages and weakening unions. As the figure below suggests, such laws do nothing to create jobs, and they don’t give anyone a right to work, but **they are associated with lower wages**—lower on average by more than 3 percent, or $1,500 per worker.

Now, New Hampshire’s legislature is once again debating a right-to-work bill. The bill’s sponsors make claims it will improve New Hampshire’s business climate and bring new jobs to the state, but there is no truth to this. Job growth in Indiana since it passed right-to-work has been no better than in New Hampshire.

FIGURE A

Indexed change in payroll employment in Indiana and New Hampshire, February 2012–November 2016



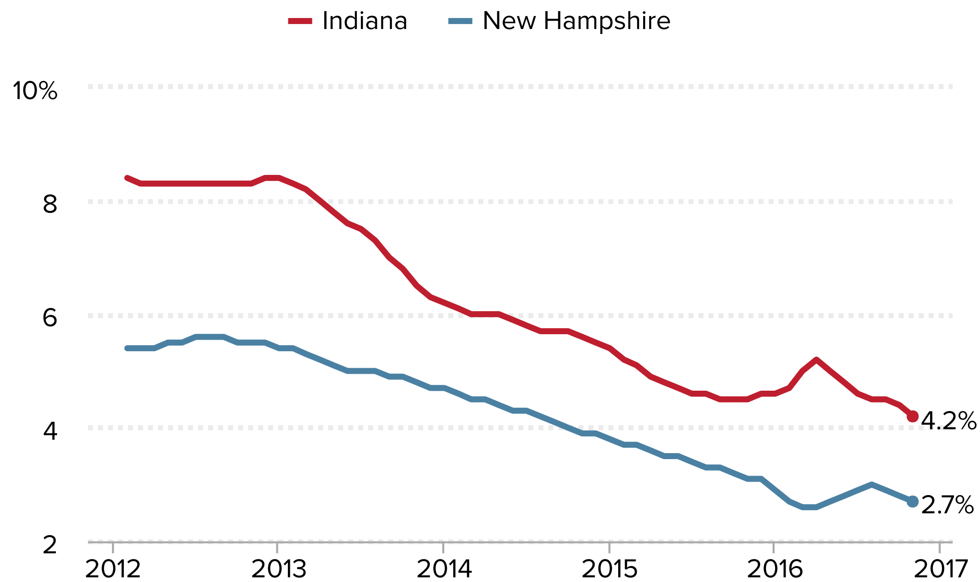
Note: Data indexed to February 2012.

Source: Author's analysis of Bureau of Labor Statistics Current Establishment Survey data

At 2.7 percent, New Hampshire has the nation's lowest unemployment rate. Indiana's unemployment rate is 4.2 percent.

FIGURE B

Unemployment rate in Indiana and New Hampshire, February 2012–November 2016

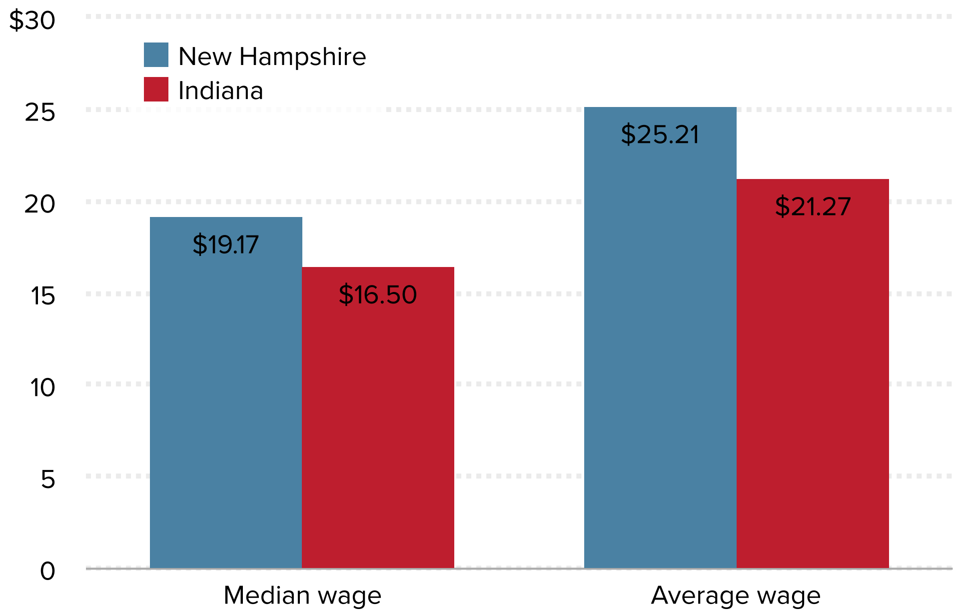


Source: Author's analysis of Bureau of Labor Statistics Local Area Unemployment Statistics data

Wages are far higher in New Hampshire than Indiana. The median hourly wage was $16.50 in Indiana and $19.17 in New Hampshire over the first 11 months of 2016. The mean hourly wage was $21.27 in Indiana but $25.21 in New Hampshire.

FIGURE C

Median and average hourly wages, 2016*



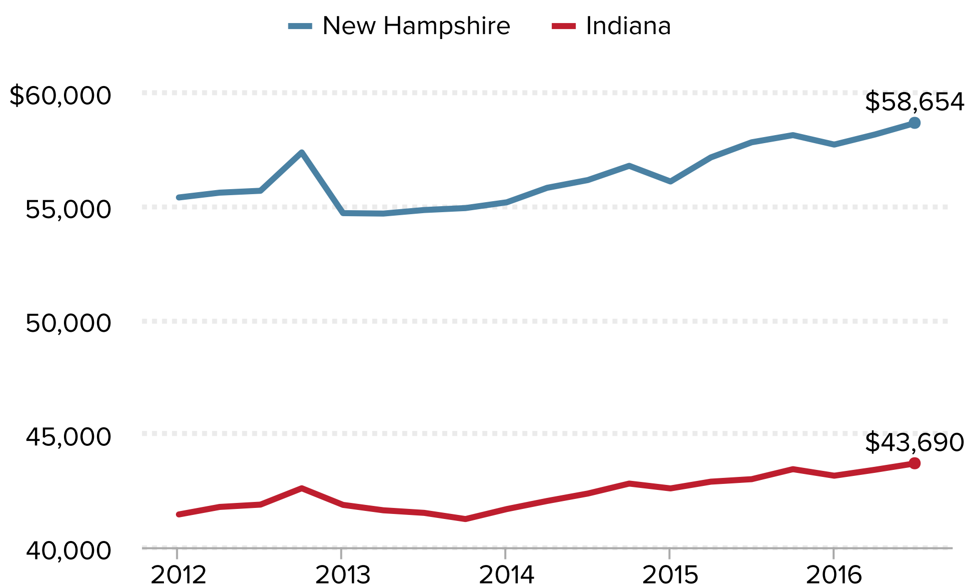
* Data are an average for the first 11 months of 2016.

Source: Author's analysis of Current Population Survey microdata

New Hampshire has the lowest poverty rate in the country: 8.2 percent. Indiana's poverty rate is 14.5 percent, and ranked 26th. According to the U.S. Department of Commerce Bureau of Economic Analysis, in 2015, Indiana had a per capita personal income (PCPI) of $41,940. This PCPI ranked 36th in the United States and was 87 percent of the national average, $48,112. New Hampshire's per capita income was 33 percent higher than Indiana's: $55,905, ranked 9th in the nation, and 116 percent of the national average.

FIGURE D

Per capita personal income in Indiana and New Hampshire, 2012–2016



Note: Personal income is in real dollars (2016Q3). Data are quarterly from 2012 quarter 1 to 2016 quarter 3. As defined by the Bureau of Economic Analysis, per capita personal income is total personal income divided by total quarterly population estimates.

Source: Author's analysis of the Bureau of Economic Analysis Regional Data tables

It is important to consider whether right-to-work is somehow an advantage to a state with regard to the economy of the future, which most economists agree will be a knowledge-driven economy. The Kauffman Foundation and the Information Technology and Innovation Foundation have been ranking states in a **New Economy Index** for many years based on factors such as economic dynamism, employment in high-value-added manufacturing, educational attainment of the workforce, and technological innovation capacity. Measured before and after Indiana passed its right to work law, Indiana's rank fell from 35th in the nation in 2010 to 38th in 2014. New Hampshire ranked number 11 in both 2010 and 2014. Only two of the top 15 states are right-to-work.

Why anyone would want to use Indiana as a model for New Hampshire is a question worth asking, given that on almost any measure, the quality of life and the economic outcomes for the citizens of New Hampshire are superior to Indiana's. In fact, **Americans are voting with their feet**: from 2012–2015, net migration into New Hampshire was +10,034. Net migration in Indiana over the same period was negative 697.

Governor Sununu wants the public to believe that weakening unions is the key to getting businesses to move to New Hampshire, but the facts are otherwise, as revealed by ***Area Development*** magazine's annual survey of corporate executives:

> The top three location selection factors for corporate users rarely tend to change from year to year:
>
> - Labor — quality and availability
> - Cost — employees, real estate, overall occupancy (including taxes, 1x costs, etc.)
> - Accessibility — logistics and supply chain networks, access to markets, and inputs/employees, etc.
>
> The continuing war for talent: Skilled labor availability, typically the number-one ranked issue annually, ranked even higher than previous years. It also ranked significantly higher than just cost of labor, which is particularly true for knowledge-based industries.
>
> Right to work and union profile are both down in importance. Why? This is generally less of an issue for companies with a higher ratio of skilled employees.

The corporate executives **identified the top ten factors** that influence site selection, and right-to-work wasn't even listed.

Simply put, there's no rationale for passing this legislation, except to weaken unions politically and decrease the ability of workers to bargain for higher wages and stronger workplace protections. It's obvious why the Republican Party and big business support the bill, but the people of New Hampshire should not.