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The Case for Right-to-Work in New Hampshire: Examining the Evidence in Oklahoma

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As the national economy struggles to put the "Great Recession" behind it, the quest to find public policies that will aid the economy becomes more urgent. One effective public policy, that won't cost the state a dime in revenue, would be to enact Right-to-Work (RTW) in New Hampshire. RTW simply means that a worker does not have to join or financially support a union as a condition of employment. RTW gives back to businesses and their employees the flexibility to create a better economic future.

To better understand the economic benefits of RTW, this study will explore Oklahoma's RTW experience—the most recent state to enact RTW—migration patterns in favor of RTW states and supporting academic literature.

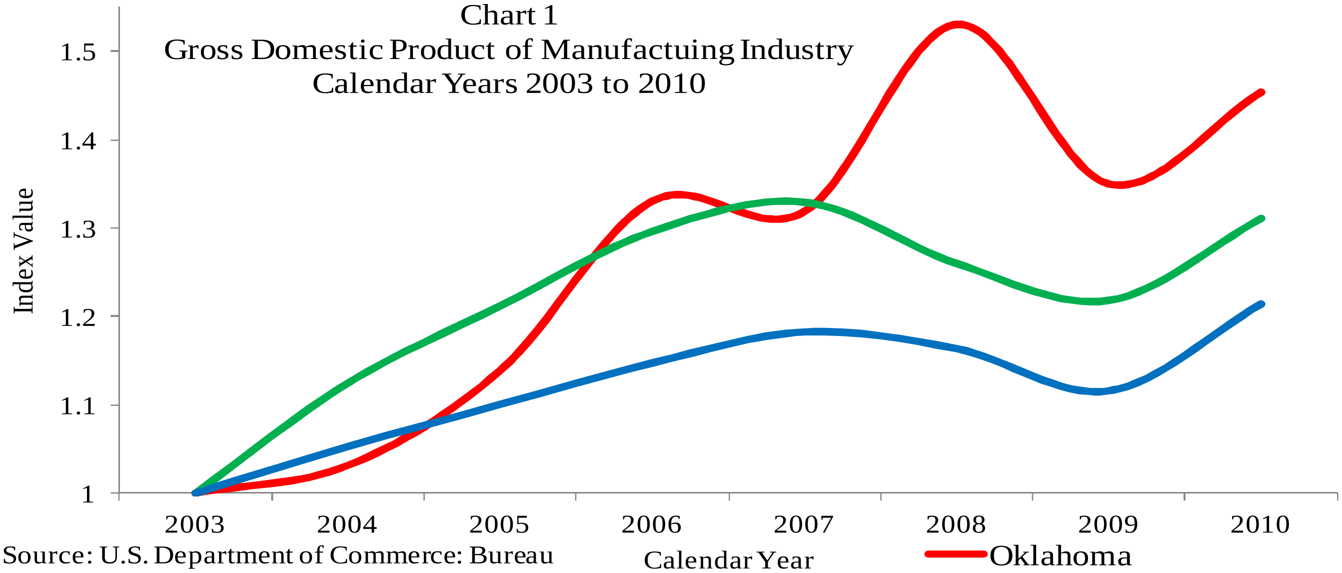
Oklahoma's Right-to-Work Experience

In September of 2001, Oklahoma's voters passed a Constitutional RTW Amendment that gave workers the choice to join or financially support a union. This made Oklahoma the 22nd state (and Guam) in the Union to join the ranks of other RTW states and, to date, the last state to do so.

However, it was soon challenged in court which rose all the way to the Oklahoma Supreme Court. It took another two years of legal wrangling before all the challenges were settled in 2003. After the dust settled, RTW remained in place along with the promise of greater economic performance.

Fast-forward to today, and opponents of the law are still at work. For instance, a recent study by the Economic Policy Institute (EPI) has claimed that RTW in Oklahoma has been a dismal failure.[1] One of their most important pieces of evidence is that manufacturing employment is lower today than it was before RTW. EPI's view on the economic impact of RTW is simply too narrow. RTW is about giving back to businesses and their employees the flexibility to create a better economic future. There are two ways to accomplish this. First, the company can hire additional employees to boost output or, secondly, the company

Chart 1
Gross Domestic Product of Manufactuing Industry
Calendar Years 2003 to 2010



Source: U.S. Department of Commerce: Bureau of Economic Analysis and New Hampshire Center for Economic Policy.

invests in new capital to boost output through higher productivity.

Just because manufacturing employment fell does not mean that Oklahoma's manufacturing sector is in a death spiral. In fact, the truth is quite the opposite. It is widely known that America's manufacturing industry has been shedding jobs thanks, in large part, to technological advancement. Today's American manufacturing worker is one of, if not the, most productive in the world.

Keep in mind that RTW is about more than just negotiating about wages and benefits since many other items often went into collective bargaining agreements — such as workplace conditions and even specific job posts. For example, one of the reasons why America's railroads were nearly crippled a few decades ago was because union contracts mandated needless laborers such as firemen to shovel coal on diesel-electric locomotives for decades thereby reducing productivity gains of capital investments.

As such, the EPI study did not consider whether or not Oklahoma's manufacturing industry may have gone in a different direction by choosing to boost productivity instead. Chart 1 shows the growth in Gross Domestic Product (GDP) of the manufacturing industry from 2003 to 2010 using a growth index.[2] Oklahoma's manufacturing GDP has grown 45 percent in that time period, outstripping that of the average manufacturing growth in RTW states (31 percent) and non-RTW states (22 percent).

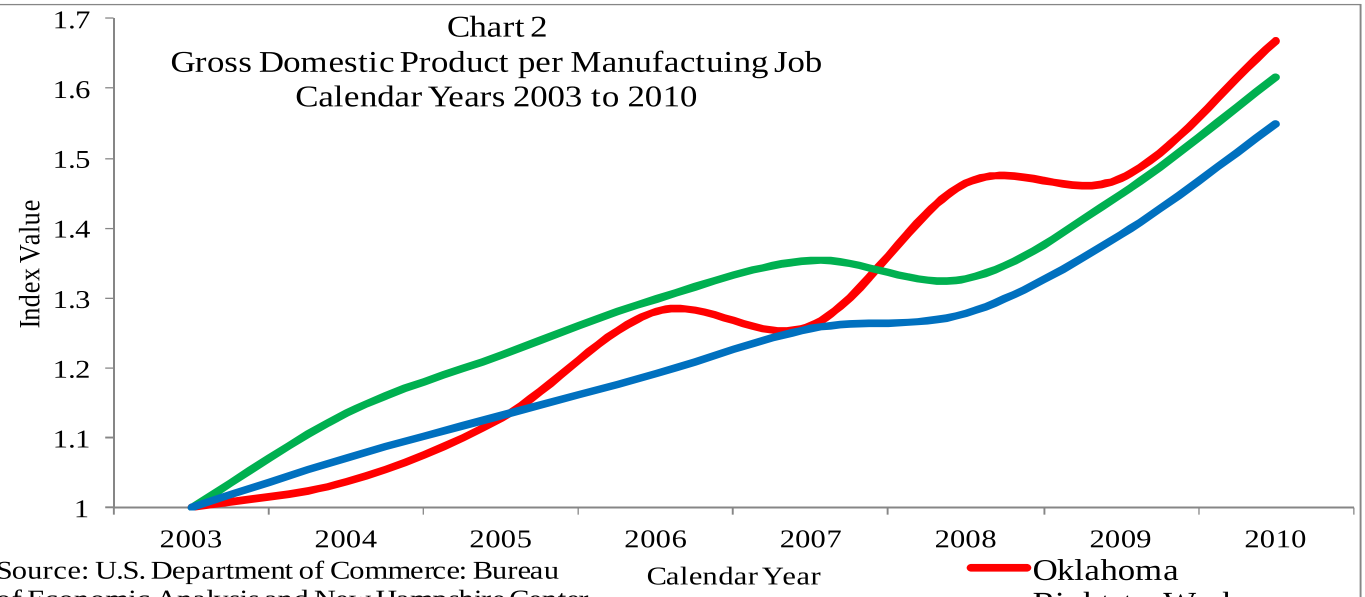
This growth in Oklahoma's manufacturing GDP is a direct result of an increasingly productive workforce. Chart 2 shows the amount of manufacturing GDP per job from 2003 to 2010. In only a few short years, Oklahoma's productivity growth (67 percent) soon outgrew non-RTW states (55 percent) and in the last few years has even outgrown RTW states (62 percent).

Over the long run, productivity growth is the best way to improve economic performance for two reasons. First, the higher productivity boosts the spending capacity of businesses and their workers which filters out to other parts of the economy via "multiplier effects."[3] Secondly, increased productivity frees scarce labor to pursue other economic activities. After all, the economy is better off today because Bill Gates is running Microsoft and not toiling away in an old-fashioned steel mill.

Voting RTW with Their Feet

More broadly, there is other evidence that RTW has been good to Oklahoma's economy such as looking at how people are "voting with their feet." Using data from the Internal Revenue Service, Chart 3 shows the net migration in Oklahoma of households (as proxied by taxpayers), people (as proxied by exemptions) and income (as proxied by adjusted gross income) between 1995 and 2008.

Chart 3 shows that prior to RTW, Oklahoma struggled to attract residents from other states. In fact, between 1995 and 2002, Oklahoma lost 10,681 households, 3,461 people and over $1 billion in income. From 2003 to 2008, however, Oklahoma has gained 13,215 households, 40,693 people and $99 million in income. More impressively, the trend line is on the way up, suggesting this in-migration will continue into the foreseeable future.



Source: U.S. Department of Commerce: Bureau of Economic Analysis and New Hampshire Center for Economic Policy.

Additionally, another illustrative way to look at this data is to see where these net in-migrants are coming from. Table 1 breaks-down the net in-migration between RTW states and non-RTW states since 2003. In relation to RTW states, Oklahoma is experiencing some gains in households (1,567) and people (9,326) but is losing income ($285 million). However, in relation to non-RTW states, Oklahoma is booming with 11,648 new households, 31,367 new people and $385 million in new income.

As shown in Table 2, New Hampshire's migration patterns show the same effect between 1995 and 2008. Net migration from non-RTW states has all been positive: households (44,776), exemptions (108,053) and AGI ($4.4 billion). However, New Hampshire has been losing people to RTW states: households (-27,602), exemptions (-48,076) and AGI (-$1.5 billion).

New Hampshire's migration losses to RTW states are more significant given that the closest RTW state is Virginia with the majority of RTW states even further south. With migration, distance is one of the most important factors so it's no surprise given that all of New Hampshire's regional neighbors are non-RTW states that most of the net in-migration comes from those states. However, it is surprising for New Hampshire to have such large out-migration to RTW states given their significant distance from New Hampshire.

Supporting Evidence from Academia

The migration to RTW states has been happening more broadly, not just in New Hampshire. Richard Vedder, the Edwin and Ruth Kennedy Distinguished Professor of Economics at Ohio University, examines the national movement of people and economic growth toward RTW states and concludes:

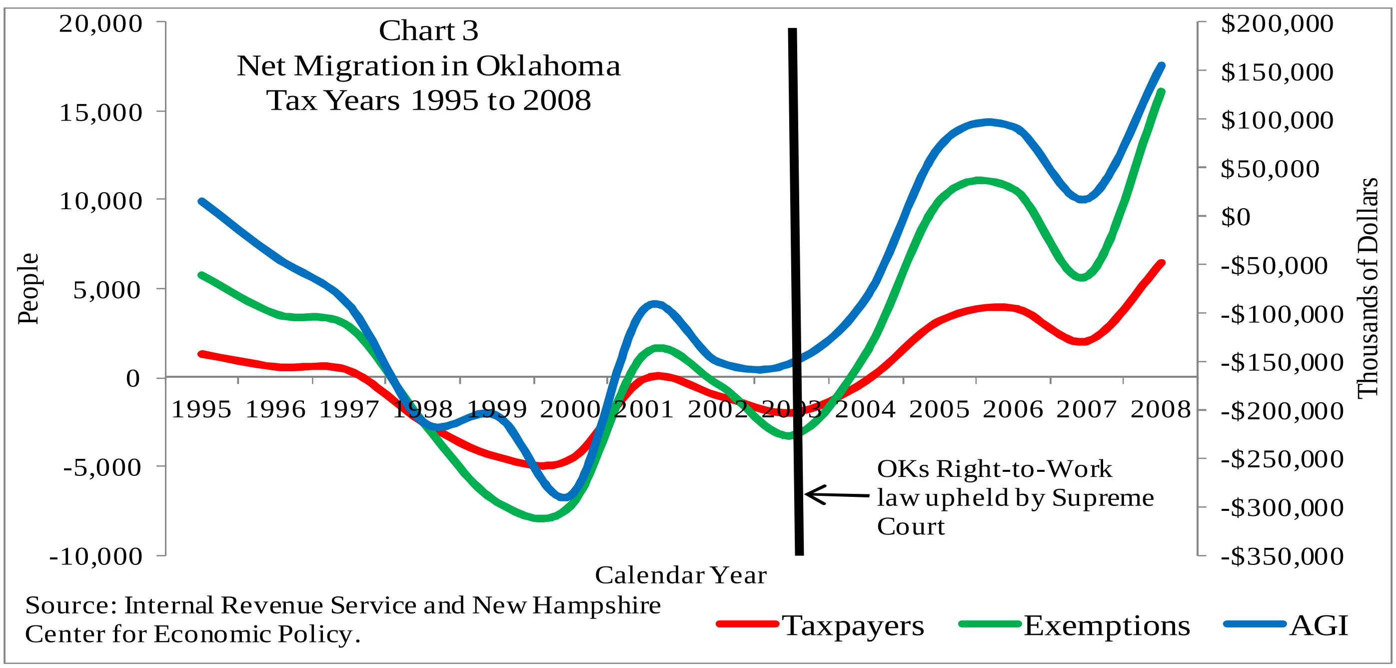
> *"The proportion of Americans living in right-to-work states has risen noticeably over the years, and only a small part of that is driven by new states adopting such laws. People move in extraordinary numbers to right-to-work states from states where union pressure has prevented the adoption of such laws. Moreover, the greater flexibility for workers and employers offered where right-to-work exists has contributed to higher rates of economic growth rates in the right-to-work environment."*[4]

Along the same lines, two studies by W. Robert Reed have found that RTW leads to both greater employment and higher wage growth—both of which significantly increase the attractiveness of a state to domestic migrants.[5] [6]

Conclusion

Overall, this study presents important economic evidence that RTW has been a boon for Oklahoma.[7] Manufacturing output and productivity have outgrown all competition and folks from non-RTW states are voting with their feet by moving to Oklahoma in increasing numbers.

Additionally, Granite Staters are also voting with their feet in favor of RTW states. Despite the great distance of most RTW



states, New Hampshire has experienced persistent, net out-migration to RTW states.

This evidence should help convince New Hampshire policy-makers that RTW is, in fact, good economic policy. In particular, RTW would help New Hampshire's manufacturing sector and probably eliminate New Hampshire's out-migration to RTW states, among other benefits, providing a timely and cost-free boost to the economy.

Table 1
Net Oklahoma Migration to/from Other States
Tax Years 2003 to 2008

State	Taxpayers	Exemptions	AGI (in Thousands)
Total Right-to-Work	1,567	9,326	(285,416)
Total Non-Right-to-Work	11,648	31,367	384,589

Source: Internal Revenue Service and New Hampshire Center for Economic Policy

Notes and Sources:

[1] Allegretto, Sylvia and Lafer, Gordon, "Does 'Right-To-Work' Create Jobs? Answers from Oklahoma," Economic Policy Institute, EPI Briefing Paper #300, March 16, 2011. http://www.epi.org/page/-/BriefingPaper300.pdf

[2] The comparative growth indices were created by setting the base year (2003) equal to one and then multiplying each successive year by the growth rate. This makes it easier to visualize the relative growth differentials without worrying about the differences in starting values.

[3] A multiplier effect occurs when money earned in one sector of the economy is spent in another. A manufacturing worker may use part of their raise to eat-out more often which, in turn, boosts the income of the restaurant.

[4] Vedder, Richard, "Right-To-Work Laws: Liberty, Prosperity, and Quality of Life," Cato Journal, Vol. 30, No. 1, Winter 2010, pp. 171-180. http://www.cato.org/pubs/journal/cj30n1/cj30n1-9.pdf

[5] Reed, W. Robert and Wilbanks, James R., "The Impact of Right-To-Work on State Economic Development: Evidence from Ohio," Presented at the Western Economic Association Meetings, San Francisco, CA, 2001. http://www.econ.canterbury.ac.nz/personal_pages/bob_reed/Papers/RTW_Paper.pdf

[6] Reed, W. Robert, "How Right-To-Work Laws Affect Wages," Journal of Labor Research. http://www.econ.canterbury.ac.nz/personal_pages/bob_reed/Papers/RTW_Wages_Paper.pdf

[7] Of course not all of this improvement in Oklahoma's economy can be attributed to right-to-work. For instance, since 2003, there has been a tremendous increase in oil and gas prices that has boosted Oklahoma's oil and gas industry.

Table 2
Net New Hampshire Migration to/from Other States
Tax Years 1995 to 2008

State	Taxpayers	Exemptions	AGI (in Thousands)
Total Right-to-Work	(27,602)	(48,076)	(1,457,265)
Total Non-Right-to-Work	44,776	108,053	4,393,387

Source: Internal Revenue Service and New Hampshire Center for Economic Policy

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