

**Statement Before the Commerce Committee of the
New Hampshire Senate**
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Prof. Gordon Lafer
University of Oregon

Mr. Chairman, Members of the Committee, Thank you for the opportunity to participate in this hearing.

My name is Gordon Lafer, and I am a professor at the University of Oregon. I hold a PhD in Political Science from Yale University and have spent the past twenty-five years studying employment policy, including in 2009-10 serving as Senior Labor Policy Advisor for the U.S. House of Representatives' Committee on Education and Labor.

Most *recently*, I have studied the impact of "RTW" laws on employment and wages.

Advocates of "right to work" have suggested that if New Hampshire adopts such a statute, both the number of jobs in the state and the amount of money people earn would be significantly improved.

Unfortunately, I have to tell you that this suggestion has no basis whatsoever in scientific fact.

The most recent *scientifically rigorous* analyses show just the opposite:

- "Right to work" laws lower lowers wages for both union and non-union workers;
- they worsen the ability of both union and non-union workers to get job-based health insurance or pensions;
- and they do nothing at all to increase job growth.

What's wrong with the numbers you may have recently heard in this debate?

The National Right to Work Committee reports that average job growth was higher in “right to work” states than free-bargaining states.

This is true, but misleading, because it creates impression that *all* RTW states must have grown faster and *all* non-RTW states slower than average. This indeed would make sense if “right to work” were truly the key factor determining growth.

In reality, however, nothing could be further from the truth. There are a handful of high-growth, *unrepresentative* states that account for the “right to work” average. But truth is that job growth over last 10 years has actually been higher in New Hampshire than in a majority of RTW states.

To seriously measure the impact of “right to work,” you need to measure the policy’s impact while holding “all other things equal.” There are a huge number of factors that influence a state’s economic growth, and to gauge the effect of a single policy, you have to separate out the effects of all the others.

The study that found “right to work” lowers wages and benefits held 42 factors equal – compared with *zero* factors held equal in the National Right to Work Committee numbers.

When you conduct a serious study, holding other factors equal, the results show that workers in “right to work” states make \$1,500 per year less – *after* accounting for the cost of living.

Similarly, the most recent scientific studies show that “right to work” has zero impact on job growth.

The most important case is that of Oklahoma, the only new state to adopt a “right to work” law in the last 25 years, and a case that I have studied in depth.

The economy we live in today is fundamentally different from that of past decades, most importantly because of globalization. It may be that in the 1970s low wages lured manufacturers from Northeast to South or Southwest. But in 2011 companies looking for cheap labor are going to China or Mexico, not South Carolina.

Because Oklahoma is only state to adopt “right to work” in the post-NAFTA era, its experience is the most relevant for current debates.

Unfortunately, Oklahoma’s experience is not very encouraging. Manufacturing employment, which had been projected to increase upon passage of the law, has fallen steadily in the ten years since RTW was adopted. Unemployment has more than doubled since “right to work” was adopted.

Most importantly, as in New Hampshire, advocates told Oklahoma legislators and the public that many employers were refusing to locate in the state because it did not have a “right to work” law. It was claimed in legislative testimony that the number of companies considering locating in Oklahoma would increase by 90% if it went “right to work” – though no substantive data were ever supplied to back up this claim.

In reality, the number of new companies coming into Oklahoma has *fallen* since RTW was adopted, and is now one-third lower than when the law was passed.

The failure of “right to work” to spur job growth fits with what employers themselves say about what drives their location decisions.

In 2009, the annual survey of small manufacturers conducted by *Area Development* magazine found “right to work” ranked 14th as a factor in location decision -- behind such things as highway accessibility, available land, and construction costs. In the past five years in which this survey has been published, employers have never ranked “right to work” anywhere in the top 10 factors that shape their location decisions.

For higher-tech, higher-wage jobs, the 2010 State New Economy Index reports that all of the most attractive states are non-“right to work.” New Hampshire was ranked 11th in the country in this survey -- more attractive than all “right to work” states except Virginia.

Every state’s economy is different. New Hampshire doesn’t have Texas’ oil and gas industry, and is unlikely to attract the flocks of retirees seeking warm winters that go to Arizona or Florida.

Growth here has to be based on particular strengths of *this* state. Health care, for instance, forms a bigger part of New Hampshire’s economy than it does in “right to work” states. This is partly because the percentage of people who have health insurance here is one of the highest in the nation.

Overall, 85% of New Hampshire’s jobs are in service industries, led by retail sector.

If “right to work” is adopted, and wages & benefits reduced, it will undermine growth in these critical industries. For every \$1 million in direct wage cuts, an additional 6 jobs are lost as employees have less income to spend in local economy.

We’re told that RTW is needed to bring more jobs into the state. But New Hampshire already has a higher rate of new business openings than three-quarters of the RTW states.

New Hampshire’s median income is higher – and its poverty rate lower – than every single one of the RTW states.

In 2010, New Hampshire had one of the healthiest populations – and lowest crime rates – in the nation.

Its school system outperforms the national average in both reading and math.

By nearly every conceivable measure, RTW states should be figuring out how to be more like New Hampshire – not the reverse.

Why is such a failed policy being so aggressively promoted?

The biggest backers of “right to work” are corporate lobbyists, and perhaps they believe it will enable them to make higher profits by paying people less. It’s their right to pursue that goal – but that doesn’t make it sound policy.

There are also anti-union zealots who are personally ideologically opposed to unions, regardless of the economics. Again, that’s their right. But legislators have the right to straight information, so they can make decisions based on economic reality rather than ideological passions.

This issue is too important to be decided by rhetorical spin or numbers games. I hope the reports I have provided help to evaluate the issue based on the actual facts of economic reality.

Thank you again for the opportunity to be here today.