OPPORTUNITY Ohio

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Right-to-Work States Show More Promise of Income Growth

By Matt A. Mayer

Back in 1940, America was just five years into the pro-union Wagner Act of 1935 and still seven years away from the passage of the Taft-Hartley Act of 1947 that would allow states to opt-out to become right-to-work states.

As the annual income data shows, the states that would remain forced unionization states were already far ahead of the states that would become right-to-work states after 1947.

That large income difference, as detailed in the book, *Taxpayers Don't Stand a Chance*, was due to the poor condition of the southern states before the Civil War—heavy dependence on slavery and agriculture, the decimation of those states during and after the Civil War, and the lack of freedom for African-Americans until after the passage of the Civil Rights Act of 1964 and forced desegregation by the federal government.

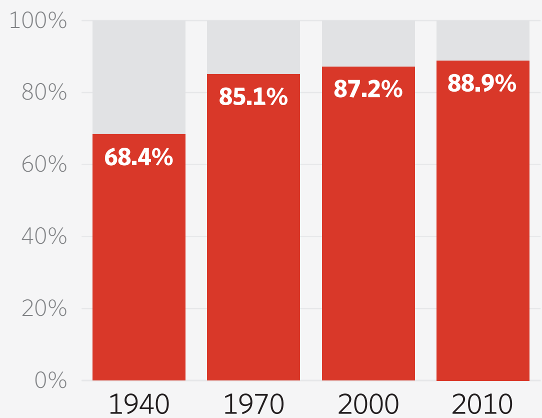
As the data shows, the annual income gap between the two categories of states closed significantly from 1940 to 1970 going from 68 percent to 85 percent, as the southern states began to attract more businesses and workers.

From 1970 to 2000, as the northern states faced the full forces of globalization, the annual income gap closed even more, with the historically poorer right-to-work states finally reaching 89 percent of the annual income of forced unionization states.

Over the past eight years, the forced unionization states clawed back some of those gains, but those claw backs were largely due to explosive income gains

CLOSING THE GAP

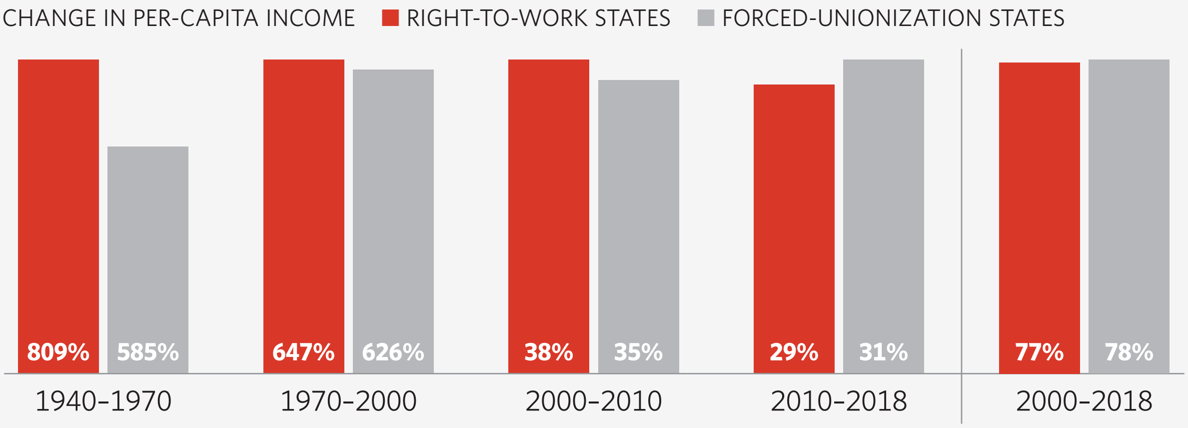
In 1940, the average per-capita income in right-to-work states was 68 percent that of forced-unionization states. In the decades to follow, the gap has narrowed.



SOURCE: BUREAU OF ECONOMIC ANALYSIS.

INCOME GROWTH HIGHER IN RIGHT-TO-WORK STATES

Unions claim that unionization raises incomes, but per-capita income growth was higher in right-to-work states in the decades following the passage of the Taft-Hartley Act. Since 2000, income growth has been nearly identical.



NOTE: CALCULATIONS ARE BASED ON CHANGES IN NOMINAL DOLLARS.
SOURCE: BUREAU OF ECONOMIC ANALYSIS.

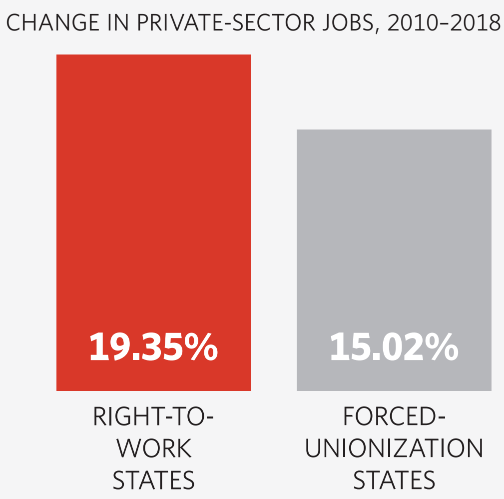
in the technology and financial services sectors in a handful of states, not unionized workers. When just four forced unionization states are excluded, the annual income growth average in forced unionization states is the same (29 percent) as right-to-work states.*

During those same eight years, however, right-to-work states averaged 19.35 percent net private sector job growth to 15.02 percent in forced unionization states.*

This greater job growth will create more competition for workers in the coming years, which should result in faster income growth.

* Data do not include states that became right-to-work in 2012.

HIGHER JOB GROWTH IN RIGHT-TO-WORK STATES



SOURCE: BUREAU OF ECONOMIC ANALYSIS.