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State Comparison of Worker Freedom

We have noted on many occasions that economic growth—as measured primarily by private, non-farm employment and real output gains—is strongly correlated with economic freedom, which is created by having an environment that is business friendly, has low taxes, where government relies on the free market to drive the economy and limits spending to the core functions of government. Thus defined, economic freedom in Pennsylvania is quite low compared to many states and, not surprisingly, the Commonwealth continuously records slower than national economic growth and trails faster growing states by a very wide margin.

A key element of economic freedom is worker freedom—the ability of workers to enter freely and unrestricted into mutually agreeable employment arrangements with an employer for whom they wish to work and who wishes to hire them. The Alliance for Worker Freedom has just published their initial release of the state by state Index of Worker Freedom. This index is comprised of ten measures the Alliance believes have a significant impact on the freedom of workers including: whether a state is a Right to Work state, has prevailing wage, paycheck protection, and collective bargaining; where the state ranks relative to the Federal minimum wage; the percentage of total union membership in the workforce as well as the percentage of public sector unionization; whether there is a defined contribution pension system; the rate of entrepreneurial activity; and the rate of workers' compensation payments.

While the list is quite exhaustive, there are some flaws in the methodology. First, each variable is given equal weight, receiving one point for each positive measure of freedom. Thus, a state with 10 points would possess the greatest degree of worker freedom—as measured by the index. But here is the problem: the index implies that a Right to Work law—arguably the single most important component of worker freedom as it means not having to join a union or pay dues as a condition of employment—carries the same weight as the other nine variables. It also means that the absence of a prevailing wage law carries the same weight as whether a state has a defined contribution pension plan for government employees. Clearly, the impact of these two indicators on worker freedom is very different.

Second, awarding one point or a zero just does not work well for some measures, particularly those with a range of numeric values. For instance, a state gets one point if it has a minimum wage below the Federal minimum wage of \$5.85, even if it is only a few cents under. Likewise, a state a few cents above the Federal minimum gets a zero. The index does not have a graduated scale for states far above or far below the Federal level, and does not take into account the fact that entry level wages in some states are well above the Federal and state minimums. The arbitrary nature of a cutoff around a national average also affects rankings based on union membership, workers' compensation and entrepreneurial activity.

In view of these concerns we have modified the Alliance’s Index to attempt to get a truer picture of comparative worker freedom among the states. We made two modifications to the measurement:

1. Instead of using ten indicators, we used three—Right to Work, prevailing wage, and whether the state permits public sector strikes. The first two variables were in the index, the third came from our work in a previous *Policy Brief (Volume 7, Number 66)*. These are chosen because state governing bodies have direct control over whether these contributors to freedom are in place or not. These are “either/or” situations. A state’s position on these indicators makes a strong statement about how a state values true worker freedom as opposed to granting union control over labor markets and denying worker freedom.

2. Instead of weighting the measures equally, we weighted them according to what we believe to be the relative importance of each in terms of impact on worker freedom, to wit; Right to Work (5 points), no prevailing wage law (3 points), and prohibiting public sector strikes (2 points). Having to join a union as a condition of employment determines whether or not a person can work at a place of their choosing, prevailing wage essentially shuts non-union labor out of public construction, and public sector strikes such as those staged by transit workers, teachers, or office and clerical workers can affect other workers’ ability to get to work, get kids off to school in order to get to work, obtain permits, etc. In short, this is an undeserved power over other people’s lives and certainly curtails their freedom.

Much like the Alliance Index, the states with the highest degree of worker freedom would receive ten points, the states with the least degree zero. Table 1 below shows a comparison of number of states falling into the various ranking categories for the Alliance Index and our modified version.

Table 1--Worker Freedom Measurements

Score	Number of States, AWF Index	Number of States, Re-Tabulation
10	0	15
9	1	0
8	4	1
7	5	7
6	10	0
5	4	1
4	2	0
3	8	1
2	5	16
1	5	0
0	6	9

In our re-tabulation, (see Table 2 at the end of the *Brief* for complete listing) fifteen states received a perfect score of ten points: these states have the most worker freedom, with a Right to Work Law, no prevailing wage, and no public sector strikes. The next tier of freedom can be found in states with a score of eight or seven points. Louisiana is an anomaly. It is a Right to Work state with no prevailing wage requirements, but does permit its public sector unions to strike.

The highest score for a non-Right to Work state was a five, received by New Hampshire, which has no prevailing wage law and prohibits public sector strikes.

The twenty-six states with a score of three or lower have a long way to go if they want to create the type of worker freedom that other states possess. Interestingly, of this group, only one state (Colorado) does not have a prevailing wage law. However, ten of these low scoring states do prohibit public sector strikes.

Re-tabulating the index makes measuring worker freedom clearer—there is not a lot of middle ground. The index rankings could be made closer by adjusting the weights somewhat for the three measures but there would be little change in the overall ranking order. Two-thirds of the Right to Work states have the two other attributes of worker freedom. Conversely, if a non-Right to Work state has any degree of worker freedom, it is a prohibition on public sector strikes. They have yet to take the bolder steps.

Let's be clear. Having perfect worker freedom as captured by the index does not guarantee a state will have strong economic growth. Mississippi, Iowa and Kansas demonstrate that. Worker freedom is only a part of the equation necessary for growth. Other factors such as resources, geography, history, climate and other business environment issues can make a difference. Still, worker freedom should be the guaranteed right of every American because it is inherently and morally justified under our Constitution and values. Every state should actively insure that freedom.

Sadly, Pennsylvania is one of three states receiving a zero in both the original AWF Index and our modified version. While some other states might have lost a point by our narrowing of the ten measures, Pennsylvania never made it on the board.

The AWF study stated that “with no where to go but up, Pennsylvania has some serious strides to make in protecting worker freedom”. However, there is little evidence that Pennsylvania is ready to make any strides in this area, instead continuing its marriage to government-directed economic handouts that don't produce growth and a strong commitment to limiting worker freedom by granting unions too much power over labor market transactions.

Merry Christmas from the Allegheny Institute

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Table 2—Individual State Rankings

AWF Score	State	Re-Tabulation	State
10	None	10	AL
9	UT	10	AZ
8	CO	10	FL
8	ID	10	GA
8	MS	10	ID
8	SC	10	IO
7	GA	10	KS
7	IN	10	MS
7	ND	10	NC
7	VA	10	ND
7	WY	10	OK
6	AL	10	SC
6	AR	10	SD
6	AZ	10	UT
6	KS	10	VA
6	LA	9	None
6	NC	8	LA
6	NE	7	AR
6	OK	7	IN
6	SD	7	NE
6	TX	7	NV
5	FL	7	TN
5	IO	7	TX
5	NM	7	WY
5	TN	6	None
4	WA	5	NH
4	WV	4	None
3	KY	3	CO
3	MD	2	CT
3	MI	2	DE
3	MO	2	IL
3	MT	2	KY
3	NH	2	MA
3	NV	2	MD
3	OR	2	ME
2	AK	2	MI
2	ME	2	MO
2	OH	2	NJ
2	VT	2	NM
2	WI	2	NY
1	CA	2	OH
1	DE	2	RI
1	IL	2	WA
1	MA	2	WV
1	NJ	0	AK
0	CT	0	CA
0	HI	0	HI
0	MN	0	MN
0	NY	0	MT
0	PA	0	PA
0	RI	0	WI