25 Years of Right to Work in Idaho: Perspective and Analysis

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Abstract

After the initial wave of states adopting Right to Work Laws in the 1940's and 1950's interest waned. Idaho became the 20th state to adopt Right to Work in the mid 1980's. There are now 25 states who have adopted Right to Work laws, the most recent occurring in 2012. It seems interest in right to work is increasing as more state legislatures navigate the way toward prosperity in what has largely been a jobless recovery. There are ample anecdotal stories in support or opposition of right to work. The rhetoric is fueled by passionate sentiments but little rigorous study.

This paper differs from typical studies by not comparing right to work states to non-right to work states. Right to work states are heterogeneous, so suggesting there are sufficient similarities within this group to draw a comparison to non-right to work states is unreasonable. Rather, the paper focuses solely on Idaho. Further, with now 25 years of data available since the passage of right to work in Idaho, the paper takes a historical approach analyzing wages and other economic trends. Not all of the changes in Idaho are solely the response to the enactment of right to work. It is still important to determine if the improved business climate would create the promised jobs. Further, the issue of the pattern of relative wages in Idaho is important.

While the study focuses on Idaho, the example provides lessons on the benefits and costs of right to work. States now contemplating becoming the next state to adopt right to work legislation may learn something from Idaho's experiences.

After the initial wave of states adopting Right to Work Laws in the 1940's and 1950's interest waned. Idaho became the 20th state to adopt Right to Work in the mid 1980's. The Idaho Legislature approved right to work legislation in 1985 and this was ratified in the general election in 1986. There are now 25 states who have adopted Right to Work laws. Indiana expanded right to work legislation to include private sector employees and Michigan adopted right to work legislation in 2012. It seems interest in right to work is increasing as more state legislatures navigate the way toward prosperity in what has largely been a jobless recovery. There are ample anecdotal stories in support or opposition of right to work. The rhetoric is fueled by passionate sentiments but little rigorous study.

This paper differs from typical studies by not comparing right to work states to non-right to work states. Right to work states are heterogeneous, so suggesting there are sufficient similarities within this group to draw a comparison to non-right to work states is unreasonable. Rather, the paper focuses solely on Idaho and uses as a comparison group the six states that border Idaho. Three of those states, Utah, Wyoming and Nevada all have adopted right to work laws, while the other three, Oregon, Washington and Montana are not right to work states. Further, with now 25 years of data available since the passage of right to work in Idaho, the paper takes a historical approach analyzing wages and economic trends. Not all of the changes in Idaho are solely the response to the enactment of right to work. It is still important to determine if the improved business climate would create the promised jobs. Further, the issue of the pattern of relative wages in Idaho is important.

This paper, while focusing on Idaho, should be viewed by other states contemplating adopting right to work legislation. While no state can expect to exactly mimic the experience that Idaho has traversed, there are some lessons to be learned from Idaho's experience. While anecdotal evidence, such as the fact that Idaho is the state with the highest percentage of minimum wage workers, is salacious, this paper will examine well established data.

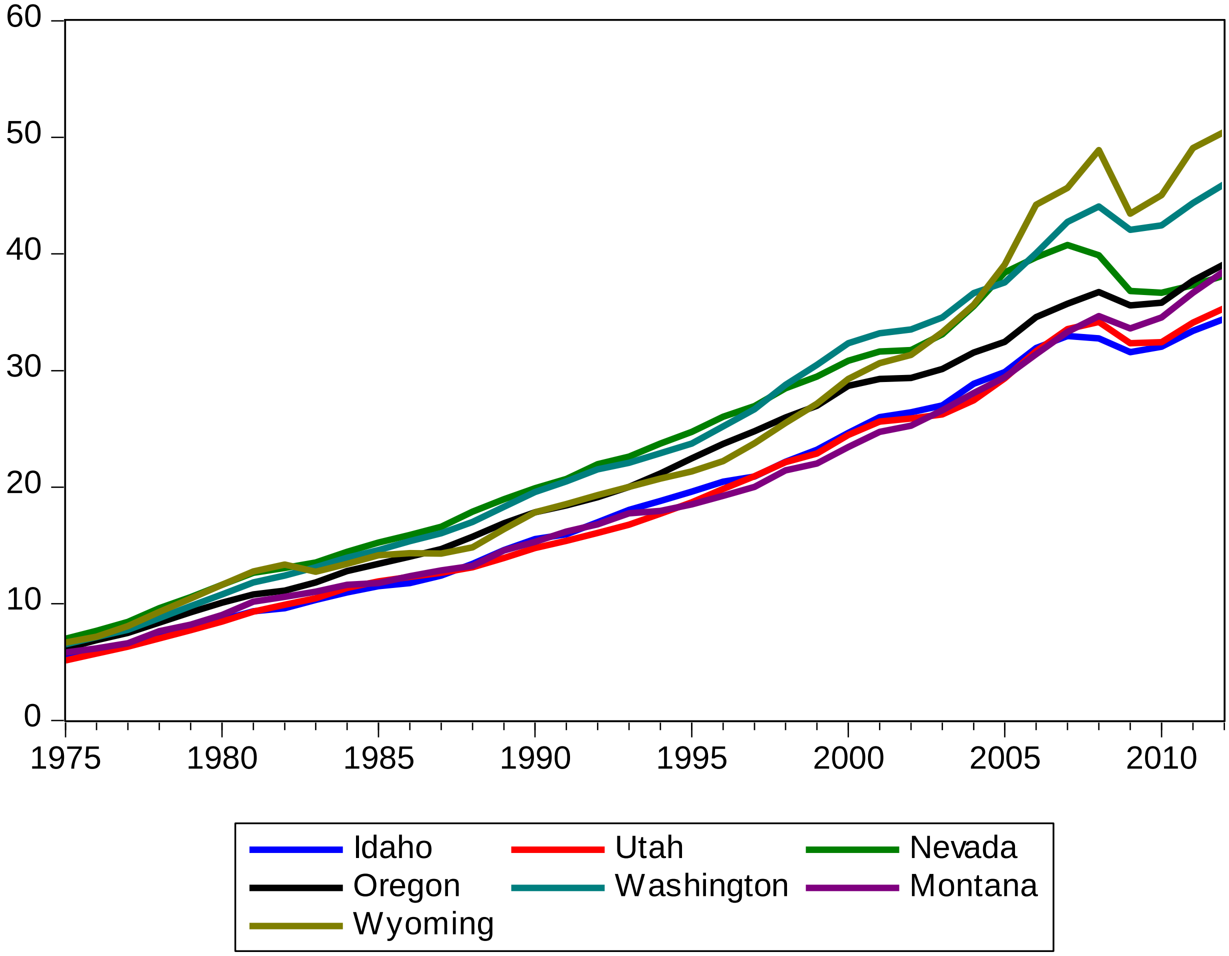
What Right to Work Means

There is some confusion as to the exact nature of what right to work means. The name, while evocative, does not guarantee any individual a job, nor does it make finding a job easier in a state that adopts the law. It has been sold as a job expansion act by proponents, and a way to eviscerate worker rights by opponents. Certainly right to work does unfetter the labor market to a degree. In essence, the right to work law allows individuals to reap the benefits of achievements by a bargaining agent without having to pay for this service. Before right to work laws were implemented, workers were often represented by unions advocating for wage and benefit packages and safety concerns. If a union did represent one or more workers in a firm, the union was obligated to advocate for all of the companies workers. Often unions required that all employees of such a firm become members of the union. Those workers who did not want to join the union would pay a fee in lieu of membership dues for the benefits received. Right to work laws disallow the fee for services that those nonunion members had been paying. With right to work laws in place, there is less incentive for unions to negotiate as actively as they would in states without such laws.

Proponents claim that the labor market will be more efficient once right to work laws are implemented. It is often sold as a method to create a better climate for business. It is assumed that this climate more conducive to business will result in more jobs and faster growth. Opponents often substitute the name "right to work for less" when discussing the law. It is perceived that working conditions will deteriorate, wages will not keep pace with other states, and a litany of other ills will ensue.

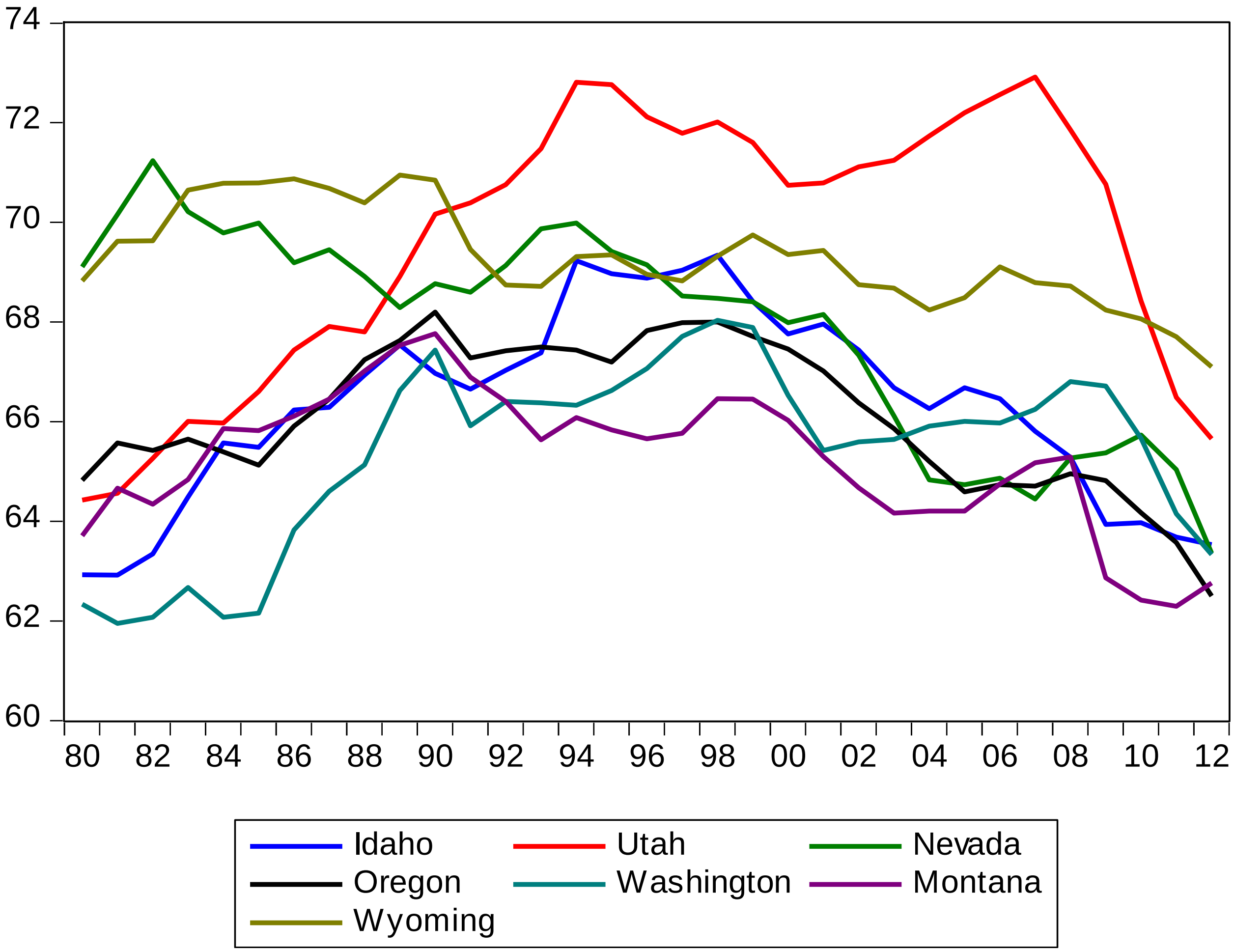
An initial comparison will be to portray data from 1975 through 2012 on personal income for seven states in the Pacific Northwest. Idaho has persistently been near the bottom of the seven states. Certainly the state has changed significantly, as is true of the nation. Utah, another right to work state has also been near the bottom. The adoption of right to work in Idaho does not seem to alter in any significant way the upward trend of per capita personal income. In fact, all of the right to work states in the region have general hovered in the middle of lower range. Nevada, with the hospitality industry did rise temporarily, but has fallen back with the recession. Wyoming recently has been seeing increases in per capita personal income due to the energy sector.

Per Capita Personal Income, 1975 – 2012, Thousands of Dollars



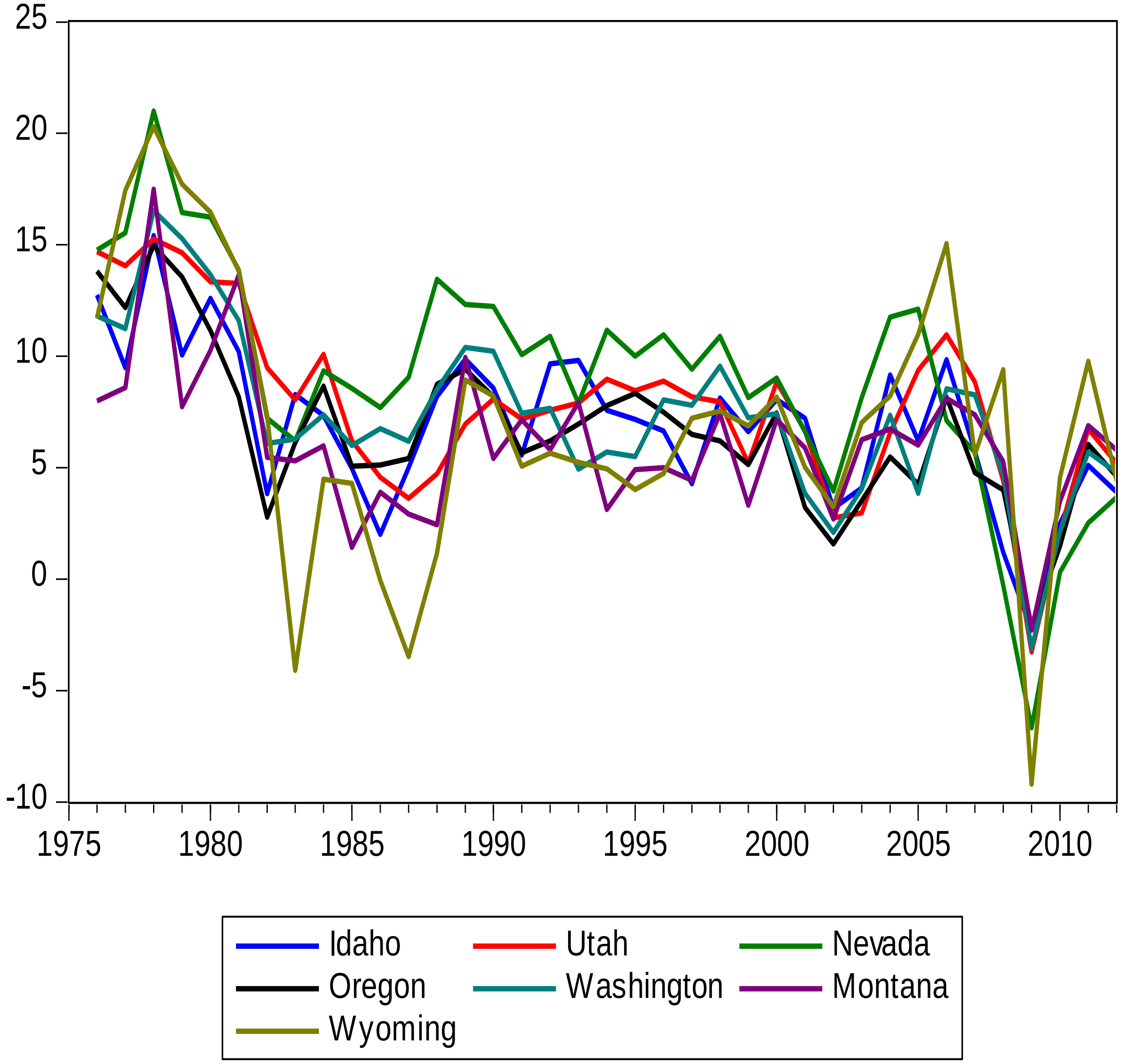
One possible explanation for the lower per capita personal income is a more traditional family structure, with only one worker per household. To ascertain the credibility of this concept, the labor force participation rate was analyzed. All states in the region demonstrate similar findings, and Idaho is generally in the middle to lower region of the range, but not by a level to explain the lower personal income. All states saw a decrease in the labor force participation rate as a result of the recession of 2007-2009.

Labor Force Participation Rate, Percent



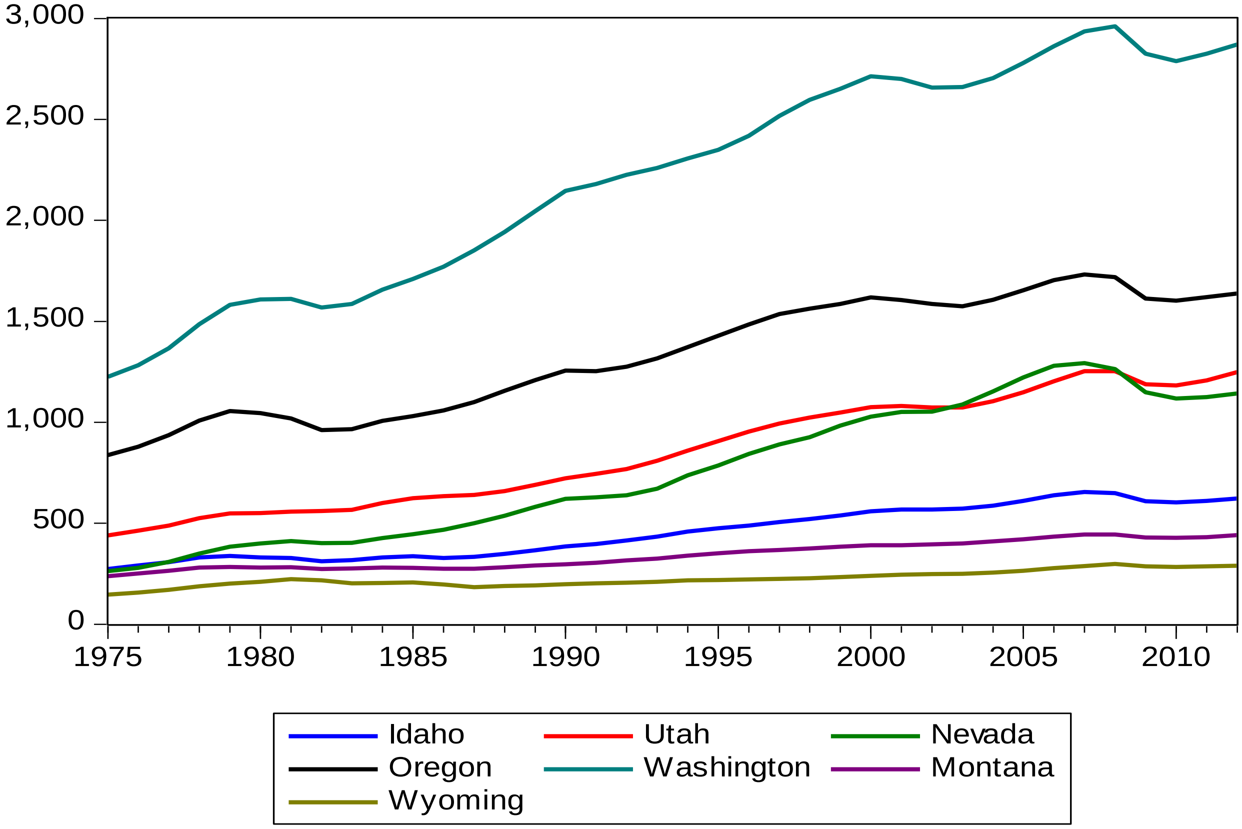
The growth rate of personal income is another metric to assess a state's performance. Personal income can increase because each resident is earning more income and if the state is more attractive to outsiders. Idaho has a large natural population growth which is augmented by in migration. The growth rates seem large, since nominal numbers were used. There is no apparent evidence that Idaho is performing better than its neighboring states. It is interesting that the states are so highly correlated. The generally downward trend is reflective of lower inflation. Idaho's position did not improve with the adoption of right to work in the 1980's, as each of the states can find bright spots in the history presented.

Growth Rate of Personal Income, Percent

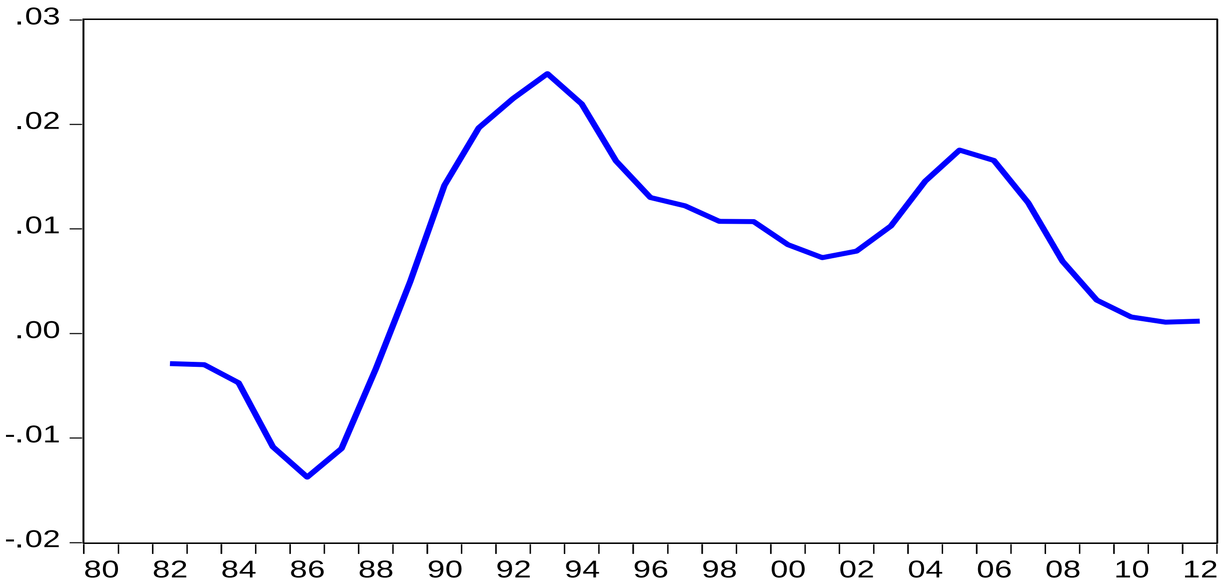


The issue of job creation is explored next. Certainly Washington and Oregon are larger, in terms of population and jobs, than the other five states. Once again cycles are coordinated, but to a lesser degree than previously observed. Idaho has experienced relatively steady job growth until the recession, and employment levels still have not returned to pre-recession highs. There does not appear to be a significant bump in employment with the adoption of right to work in Idaho. It could be said that right to work did not hurt the employment situation, but then again it did not improve on an ongoing trend.

Total Non-Farm Employment, Thousands of Jobs



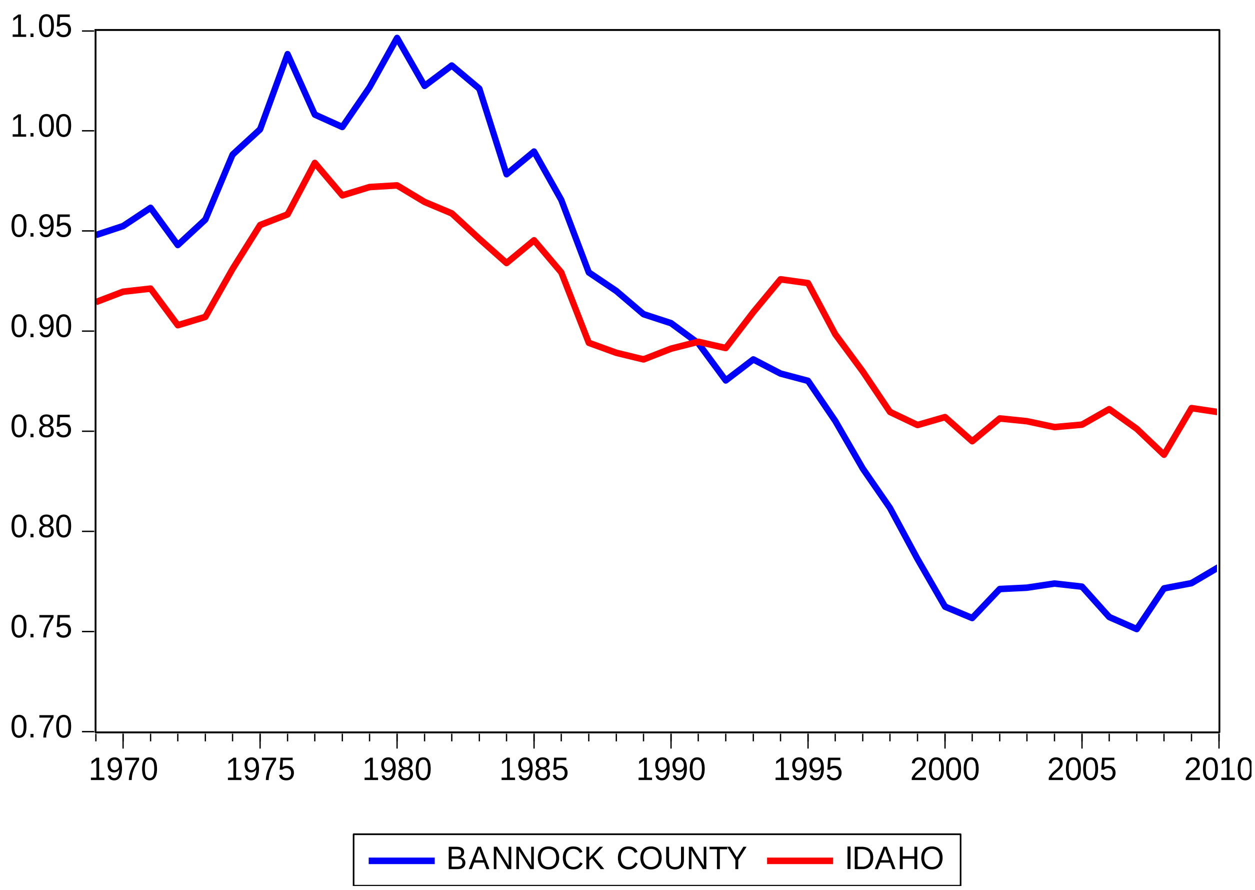
Idaho Net Migration as a Percent of the Population



Idaho's workforce is very mobile, as individuals move in to the state when there are jobs available, and exit when employment opportunities are limited. Idaho was experiencing out migration in the early 1980's, and the trend reversed in 1986. After a brief surge of in migration, there continues to be a positive inflow of newcomers to the state, but at a very modest pace. There is no evidence that passage of the right to work law is responsible for the reversal of the trend in net migration, but it is cavalier to suggest it is merely spurious.

The most compelling statistic is the average wage per job. The graph below shows the Idaho and Bannock County average wage per job relative to the United States. Bannock County, in south eastern Idaho, was the most unionized large county in the state of Idaho. In the 1980's the average wage per job was higher in Bannock County than the nation, and Idaho had an average wage per job above 95 percent of the U.S. Since that time the average wage per job has declined dramatically. Those who are opposed to adoption of right to work will find support in this graph. Those who support the right to work cause will not that the downward trend began a few years before the adoption of right to work. A more accurate story would be that the job market changed, and high paying jobs that were once available no longer exist there.

Average Wage Per Job Relative to the United States



Conclusion

The results present a mixed summary of evidence. No one knows what would have happened in Idaho if the right to work legislation had not passed in the 1980's. Clearly Idaho is not keeping pace with some other states in the Pacific Northwest, but is mirroring what is happening in the region in other ways. Certainly wages per job have gone down relative to the country as a whole. The union presence has waned. By some measures Idaho has a favorable business climate, with low taxes and relatively inexpensive labor and electricity. Power's (Power, 2001) suggests that the west has amenities that make the region attractive but that trend may be reversing. Education seems to have suffered to a degree. While the high school graduation rate is reasonably good, the progression to higher education is relatively low. The percent of persons in the 25 to 65 year age group with at least a 4 year college degree puts Idaho in or near the bottom 20 percent of the nation. Part of the aversion to higher education stems from the long standing opportunity for good paying jobs without a college degree, but those opportunities are disappearing. A second discouragement to pursuing higher education is the increase in relative costs, as less of the expense of higher education is being allocated by the government and more of the cost of education falls on the individual student and her family. Tuition costs for higher education have been increasing faster than the rate of inflation, and that trend is likely to continue given the revenue generation in the state of Idaho. Based on the experience in Idaho, I can not say that other states should adopt right to work legislation, as the promised jobs can not be effectively demonstrated but the decrease in relative wages seems apparent.

Bibliography

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