



FACT SHEET

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Negative Employment Growth Since November 2001

High-Unionization States Are Suffering a ‘Lost Decade,’ But, Even With Recent Setbacks, Low-Unionization States Have Gained Nearly 1.5 Million Private-Sector Jobs Since Last Recession

Early this month, *BusinessWeek* Economics Editor Michael Mandel bemoaned the fact that U.S. private-sector employment is currently lower than it was in the trough of the last nationwide recession. Citing preliminary August 2009 data for the nation as a whole, Dr. Mandel wrote:

[W]e are down 839K private jobs compared to the previous trough in November 2001. The only other negative trough-trough case was July 1980 to November 1982 – and many economists treat the 1980 and 1981-82 recessions as a single downturn.¹

Dr. Mandel and the numerous other economic pundits and economists who have since cited his September 4 blog post on “America’s lost decade for jobs” are calling attention to an important trend, but not the one that the media savvy Harvard-trained economist seems to think he is describing.

A closer look at the data cited by Dr. Mandel shows that, although he treats the U.S. as a monolith, just 22 of the 50 states actually have negative private-sector job growth since November 2001. Furthermore, a review of the state-by-state job data alongside state private-sector unionization data suggests that pro-monopoly labor policy, a factor not mentioned at all by Dr. Mandel, may be the principal reason why the job market has been so bad in nearly half the states.

U.S. public policy generally opposes monopolies, or at the very least purports to do so. But federal labor law and the labor laws of most states actually encourage union monopoly control over employees. This fact sheet focuses on federal labor law, which targets the overwhelming majority of private-sector employees and businesses across the country.

¹ See “10-Year Private Sector Job Growth Finally Goes Negative,” posted on the *BusinessWeek* web site September 4, 2009. (continued on page 2)

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Individual Workers Who Don't Wish To Join a Union Are Denied the Freedom to Bargain For Themselves

The 1935 National Labor Relations Act (NLRA) and the 1934 Railway Labor Act (RLA) amendments hand union officials the power to force millions of workers, union members and nonmembers alike, to accept a union as their “exclusive” (monopoly) bargaining agent in their dealings with their employer.

In concrete terms, government-imposed “exclusive” union bargaining means that individual workers in unionized workplaces who don't want a union are denied the freedom to bargain for themselves. Even if a number of employees in the so-called “bargaining unit” do not want the union to negotiate their contract, and the employer is willing to negotiate separately with them, union-free negotiations are not permitted.

The NLRA and the RLA authorize and promote union monopoly bargaining in all 50 states. However, state Right to Work laws banning forced union membership, dues and fees, now on the books in 22 states, to a certain degree impede union officials' efforts to exercise their federal monopoly-bargaining privileges. Largely because of Right to Work laws and other state policies inhibiting the spread of union monopoly bargaining, this workplace regime has long been substantially less common in private businesses in some states than in others.

As of 2001, the year of the last national recession prior to the current one, 9.7% of private-sector employees nationwide were under “exclusive” union representation. But in 16 states – Alaska, Hawaii, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, New Jersey, Nevada, New York, Ohio, Pennsylvania, Washington, West Virginia and Wisconsin – 11.0% or more of private-sector workers were unionized.²

From November 2001, the trough of the last recession, through June 2009, the most recent month for which non-preliminary, state-by-state payroll jobs data are available at this writing, these 16 heavily unionized states suffered an aggregate private-sector job loss of 990,000 – or 2.2% of their November 2001 total. Ten of the 16 states, or nearly two-thirds, had fewer private-sector jobs in June 2009 than they had had nearly eight years earlier.³

During the same period, as Dr. Mandel and others have noted, private-sector payroll jobs nationwide also declined, but by a much smaller amount. Nationwide private-sector employment, not seasonally adjusted, fell from 110.148 million to 110.104 million – a decline of well under one-tenth of one percent.

The reason why the nationwide job decline is relatively small is twofold: The overall job losses in states with average private-sector unionization were far smaller than in heavily unionized states, and the 16 states which had private-sector unionization of 6.0% or less in 2001 actually gained jobs.

² Visit <http://unionstats.com/> -- a web site maintained by Drs. Barry Hirsch and David Macpherson -- to obtain all the data on the unionization of private-sector employees nationwide and state-by-state cited in this fact sheet.

³ Data refer to private-sector payroll jobs, not seasonally adjusted. Visit <http://data.bls.gov/cgi-bin/dsrv?sm> to obtain historic and current monthly jobs data for each of the 50 states.

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These low union-density states are: Arizona, Arkansas, Florida, Georgia, Louisiana, New Hampshire, New Mexico, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Texas, Utah and Virginia. They gained an aggregate of nearly 1.5 million private-sector jobs from November 2001 through June 2009. That constitutes a 4.5% increase.

Even with recent setbacks taken into account, fifteen of the 16, or 94%, of the lowest union-density states have experienced net job gains since November 2001.

Furthermore, in today's globalized economy, it is highly unlikely that any significant share of these gains came at the expense of heavily unionized states that were collectively losing nearly a million jobs. States with good job climates are successfully competing with other potential sites for start-ups and expansions across the world, not just in the U.S. If the entire country came to have as bad a job climate as Big Labor strongholds like Michigan and Ohio already do, most job-creating businesses could and would invest abroad, exclusively.

Union Monopolists Hinder Creation of New, Productive Jobs

What explains the fact that, over the course of the most recent complete business cycle, private-sector employment increased significantly in the least-unionized states, decreased in more heavily unionized states, and suffered the worst decreases in the most heavily unionized states?

Part of the heavily unionized states' problem is that companies whose front-line employees are under a union monopoly create very few new jobs by comparison with union-free companies.⁴

Additionally, pervasive union monopoly bargaining helps union bosses build up giant political machines, which in most cases are fueled by workers' compulsory union dues and fees. Of course, it is union officials' status as employees' monopoly-bargaining agents that furnishes them with a pretext to demand that the employer agree in the first place to force employees to pay union dues or fees, or be fired.

Union officials wield their forced dues-fed political machines to bankroll state legislatures and governors who favor higher taxes and more heavy regulation of business. Consequently, businesses of all kinds create fewer jobs. And sharply expanding the number of private-sector employees under union monopoly control nationwide through enactment of legislation such as the cynically mislabeled "Employee Free Choice Act" (S. 560/ H.R. 1409) would surely greatly exacerbate the problem.

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Nothing here is to be construed as an attempt to aid or hinder the passage of any bill before Congress or any state legislature.

⁴ See, e.g., Dr. Hirsch's review article, "What Do Unions Do For Economic Performance?" It is available on pp. 193-237 of *What Do Unions Do? A Twenty-Year Perspective*, James T. Bennett and Bruce E. Kaufman, editors, Transaction Publishers, Brunswick, N.J., 2007.