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# FACT SHEET

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## National Institute for Labor Relations Research

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## Union Monopoly Linked to Lower Purchasing Power

### Cost of Living-Adjusted Earnings and Disposable Incomes Are Highest in Least-Unionized States

United States Senate Majority Leader Harry Reid (D-Nev.) is expected, as soon as next month, to bring to the Senate floor legislation designed to help Organized Labor increase, sharply and across the country, the share of private-sector employees who are compelled to accept a union as their “exclusive” bargaining agent in their dealings with their employer.

Mr. Reid’s vehicle for promoting union monopoly-bargaining power over workers and businesses could be the cynically mislabeled “Employee Free Choice Act” (S. 560), introduced March 10 by the late Sen. Ted Kennedy (D-Mass.) and Big Labor Sen. Tom Harkin (D-Iowa). This measure, simultaneously introduced in the U.S. House as H.R. 1409 by Congressman George Miller (D-Calif.), would accomplish its pro-union monopoly goal by effectively ending secret-ballot elections in union organizing campaigns.

However, this “card-check” provision in S. 560/H.R. 1409 is so flagrantly anti-worker and unpopular with the public that even some of Big Labor’s normal allies on Capitol Hill have sought recently to distance themselves from it. Therefore, Mr. Reid will more likely seek a floor vote on yet-to-be-introduced legislation that is now being crafted behind closed doors by Mr. Harkin and a handful of other Big Labor senators.

Though the precise mechanisms Mr. Harkin’s “Plan B” legislation will use are as yet uncertain, it will very likely rewrite workplace election rules to tilt them even more steeply in union organizers’ favor.

The unexamined, and false, premise of both S. 560/H.R. 1409 and of Mr. Harkin’s still-emerging “Plan B” is that current policy doesn’t do enough to help Big Labor acquire monopoly power to negotiate the terms of employment for all front-line workers at business after business.

Government-authorized union monopoly bargaining violates the freedom of the individual employee. In a recent majority opinion upholding that a union monopoly-bargaining agent can, under federal law, negotiate a contract forcing workers to arbitrate claims arising under the Age Discrimination in Employment Act, even if the workers don’t want to arbitrate, U.S. Supreme Court Justice Clarence

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Thomas bluntly acknowledged that monopoly bargaining “necessarily demands” the “sacrifice of individual liberty.”<sup>1</sup>

Typically, monopoly bargaining also harms workers’ economic interests. A National Institute for Labor Relations Research study published this February cites several examples of how monopolistic unionism makes workers poorer.<sup>2</sup> This new fact sheet furnishes relevant updated information on cost of living-adjusted average weekly earnings and per capita disposable income.

### **Real Weekly Earnings Negatively Correlated With Union Monopoly**

As of 2008, according to economists Barry Hirsch and David Macpherson, 8.4% of private-sector employees nationwide were under “exclusive” union representation. But in 15 states -- Alaska, California, Hawaii, Illinois, Indiana, Michigan, Missouri, New Jersey, Nevada, New York, Ohio, Pennsylvania, Washington, West Virginia and Wisconsin --10.0% or more of private-sector workers were unionized.<sup>3</sup>

Since the cost of living varies substantially from state to state, and union density is positively correlated with a higher cost of living, it is necessary and appropriate to adjust for cost of living when comparing earnings and incomes in these high-union-density states with earnings and incomes in the rest of the country.

In this fact sheet, earnings and incomes are adjusted for cost of living with the help of an index created by the nonpartisan Missouri Economic Research and Information Center (MERIC). The cost of living index for each state used here is based on MERIC’s indices for the four quarters of 2008. The highest and lowest indices for each state are excluded. The index used is the average of the two remaining indices.

In 2008, cost of living-adjusted average weekly earnings<sup>4</sup> in the states with 10.0% or more of private-sector employees subject to union monopoly bargaining were \$770.

That’s \$48 less than the average in the states with private-sector unionization of 5.0% or less. (These low-union density states are: Arkansas, Florida, Georgia, Louisiana, New Hampshire, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah and Virginia.) That comes to a roughly \$2500-a-year disadvantage for full-time workers in states with high monopoly-bargaining density.

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<sup>1</sup> *14 Penn Plaza LLC v. Pyett*, 129 U.S.C. 1456, 1472-73 (2009).

<sup>2</sup> See Stan Greer, “Helping Big Labor Corral More Workers Into Unions: An Economic Anti-Stimulant.” A copy may be obtained at <http://www.nlrr.org/node/87> on the Institute web site.

<sup>3</sup> Visit <http://unionstats.com/> -- a web site maintained by Drs. Hirsch and Macpherson -- to obtain all the data on the unionization of private-sector employees nationwide and state-by-state cited in this fact sheet.

<sup>4</sup> For unadjusted mean weekly earnings in the 50 states, see Hirsch and Macpherson, *Union Membership and Earnings Data Book: Compilations from the Current Population Survey (2009 Edition)*, Bureau of National Affairs (BNA), Washington, D.C., 2009, pp. 30-35. This analysis also uses BNA data found on these pages, rather than Labor Department data, for the total number of private-sector employees in each state.

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Aggregate cost of living-adjusted weekly earnings for states with private-sector union density of 5.1% to 9.9% were \$783, or, for full-time workers, nearly \$700 a year more than in the highest-union-density states, but more than \$1800 a year less than in the lowest-union-density states.

### **Cost of Living-Adjusted Disposable Income Data Tell the Same Story**

The U.S. Commerce Department's 2008 disposable income per capita data for the 50 states, similarly adjusted for interstate differences in cost of living with the help of MERIC's indices, tell basically the same story as the real weekly earnings data.

The average cost of living-adjusted disposable income in 2008 for a resident of one of the states with private-sector union density of 5.0% or less was \$34,804. That's roughly \$2000 more than the average real disposable income (\$32,808) in the states with private-sector union density of between 5.1% and 9.9%.

And it's roughly \$2650 more than the average (\$32,149) in the states with private-sector union density of 10.0% or more.

The negative correlation between Big Labor coercive power and real purchasing power is consistent. This evidence is devastating to S. 560/H.R. 1409 proponents' oft-repeated claims that expanding the number of employees under union monopoly control is key for restoring and maintaining economic prosperity. Furthermore, an array of indices that measure growth indicate that the economic damage inflicted by forced unionism is far more severe than purchasing power data alone would reveal.<sup>5</sup>

The record shows that compulsory union membership and dues as well as union monopoly bargaining are correlated with lower real earnings and incomes, higher living costs, slower growth in jobs and job benefits, and higher unemployment. But the forced-unionism issue is fundamentally one of freedom: Should federal labor law respect the ability of each individual employee to choose whether or not to be represented by and furnish financial support for a labor union?

Poll after poll has shown that nearly four out of five Americans support the individual employee's Right to Work regardless of his or her union affiliation.<sup>6</sup>

Union officials who disagree should at least be willing to offer a straightforward explanation why that's based on principle, instead of making unsupported and false claims about the economic impact of union monopoly control over the workplace.

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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.*

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<sup>5</sup> For more information, see the Institute study cited in Footnote 2.

<sup>6</sup> See, e.g., "Right to Work's Public Support Hits New High" ([www.nrtwc.org/nl/nl-53.pdf](http://www.nrtwc.org/nl/nl-53.pdf)), *National Right to Work Newsletter*, April 2004, p. 3.