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Right to Work Kansas Is Eating Forced-Unionism Missouri's 'Economic Lunch'

Border-County Data Strengthen Case That Right to Work Law Would Boost Missouri's Private-Sector Job Growth

By Stan Greer

This winter, grass-roots proponents of making Missouri America's 25th Right to Work state are facing off against union officials and other supporters of the current policies that empower Organized Labor to get employees fired for refusal to bankroll a union they don't want, and never asked for.

The battle is fundamentally over a matter of principle. Should private organizations -- labor unions specifically -- have the legal power, either explicit or tacit, to tax people who don't wish to join them? Most Missouri citizens say "no," while union bosses and their allies say "yes." But economic considerations are also playing an important role in the debate.

Pro-Right to Work Missourians can point to a wide array of data reported by federal agencies such as the U.S. Department of Labor and the U.S. Commerce Department showing that long-term economic growth is substantially faster in the six Right to Work states neighboring Missouri than it is in the "Show Me" State and its non-Right to Work neighbors. (On its northern, western and southern sides, Missouri is surrounded by Right to Work Iowa, Nebraska, Kansas, Oklahoma, Arkansas and Tennessee, while forced-unionism Illinois and Kentucky lie to the "Show Me" State's east and southeast.)

From 2002-2012, Missouri Had a Statewide Private-Sector Employment-Growth Deficit of 4.6 Percentage Points, Relative to Its Right to Work Neighbors

For example, from 2002 to 2012, private-sector payroll employment in Missouri's neighboring Right to Work states increased by 3.0%, compared to a decline of 1.5% for Missouri, Illinois and Kentucky combined, and a 1.6% decline for Missouri alone.[1]

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[1] See the State and Metro Area Employment, Hours & Earnings page located on the web site of the U.S. Bureau of Labor Statistics.

Of course, although portions of Right to Work Iowa, Nebraska, Kansas, Oklahoma, Arkansas and Tennessee are located very near to various portions of Missouri, these six states in their entirety differ substantially from the "Show Me" State in multiple ways that aren't tied to public policy.

To get a clearer picture of whether the slower employment, compensation and other income growth experienced by Missouri over the years relative to its Right to Work neighbors stems from policy differences, it makes sense to look only at its border counties, rather than the entire states.

Forty-six Missouri counties are adjacent to counties located in other states.

Thirty-one counties (Andrew, Atchison, Barry, Barton, Bates, Buchanan, Butler, Cass, Clay, Dunklin, Harrison, Holt, Howell, Jackson, Jasper, McDonald, Mercer, Newton, Nodaway, Oregon, Ozark, Pemiscot, Platte, Putnam, Ripley, Schuler, Scotland, Stone, Taney, Vernon and Worth) are adjacent to one or more counties located in Right to Work states.

Thirteen Missouri counties (Cape Girardeau, Jefferson, Lewis, Lincoln, Marion, Mississippi, Perry, Pike, Ralls, St. Charles, St. Genevieve, St. Louis, and Scott) are contiguous with one or more counties in forced-unionism Illinois or Kentucky.

And two Missouri counties (Clark and New Madrid) are contiguous with at least one Right to Work state county and an Illinois or Kentucky county.

On the other side of the Missouri border, a total of 39 counties located in Right to Work Arkansas, Iowa, Kansas, Nebraska, Oklahoma and Tennessee are adjacent to "Show Me" State counties. Finally, a total of 17 counties in forced-unionism Illinois and Kentucky are adjacent to Missouri counties.

Geographic Economic Determinants Are 'About the Same on Both Sides of a Border Between States'

In a brief analysis of the economic impact of Right to Work laws published in *Regulation* magazine in 1998, Thomas Holmes, an economics professor at the University of Minnesota and a consultant with the Federal Reserve Bank of Minneapolis, observed:

> Because the geographic determinants of manufacturing (e.g. climate and access to transportation) are about the same on both sides of a border between states, I [focus] on the areas along the borders between right-to-work and non-right-to-work states. There should be an abrupt change in manufacturing activity at those borders if the . . . policies pursued by right-to-work states have influenced the migration of industry.[2]

Primarily because of worldwide manufacturing productivity growth that has far outpaced worldwide demand growth in the same sector over the past couple of decades at least, manufacturing employment growth is a far less useful indicator of economic vitality today than it was when Holmes did his research on the impact of Right to Work laws. However, the method Holmes came up with

[2] "The Location of Industry: Do States' Policies Matter?" Regulation, Volume 23, No. 1, pp. 47-50.

to "control for nonpolicy variables" can easily be applied to more recent data measuring overall private-sector employment growth, rather than growth in manufacturing jobs only.

A data base that tracks total annual private-sector payroll employment by county is available on the Quarterly Census of Employment and Wages page of the U.S. Bureau of Labor Statistics (BLS) web site.

When only data from counties located directly on both sides of the Missouri border are considered, the long-term job-growth advantage held by the "Show Me" State's Right to Work neighbors is substantially wider than what is revealed by the statewide data. Following Holmes' reasoning, the disparity suggests <u>the overall edge Right to Work Iowa, Nebraska, Kansas, Oklahoma, Arkansas and Tennessee have over forced-unionism Missouri is primarily a consequence of public policy differences</u>.

To be precise, BLS data show that, from 2002 to 2012, overall private-sector payroll employment in the 33 Missouri counties bordering Right to Work states (including Clark and New Madrid, which also border forced-unionism states) fell by 2.3%. Over the same period, the total private-sector payroll employment for the 39 Right to Work state counties bordering Missouri (with the exclusion of very lightly-populated Ringgold County, Iowa, for which 2012 annual data are not yet available) increased by 5.6%.

Big Labor Wields Its Forced-Dues Privileges to Push For Higher Taxes, More Burdensome Regulations

A number of the overwhelmingly rural counties in Missouri's Right to Work neighbors as well as in Missouri itself had shrinking workforces. Since the share of the overall U.S. population living in rural areas fell from 20.2% to 17.4% between 2002 and 2012, according to the World Bank's estimate, this fact isn't surprising.

Right to Work states' employment-growth advantage over Missouri is therefore concentrated in urban and suburban counties. The preeminent example is the Kansas City metropolitan area, which encompasses multiple counties in forced-unionism Missouri and in Right to Work Kansas.

<u>The two largest Kansas City metro area counties on the Missouri side of the border, Jackson and Clay, endured respective private-sector employment declines of 8.2% and 1.1% from 2002 to 2012. Jackson and Clay counties lost a combined total of more than 36,000 jobs</u>.

Meanwhile, the two largest Kansas City metro areas located in Right to Work Kansas, Johnson and Wynadotte, respectively chalked up private-sector job gains of 7.6% and 13.8%, for an overall absolute increase of more than 28,000.

Writing for National Review Online late last summer, economic analyst Kevin Williamson pointed to data showing that the Right to Work portions of the Kansas City metro area have long been, and are continuing to, in his words, "eat[ ] the economic lunch" of the forced-unionism portions:

> Kansas City saw about 9,500 new jobs created between May 2012 and May 2013 – every one of them on the Kansas side of the border, where residents and businesses enjoy a significant tax advantage . . . . Johnson, County, Kan., gained nearly $800 million in adjusted gross income between 1992 and 2010 [due to net domestic in-migration], and the biggest chunk of it came from Jackson County, Mo., which is down some $1.78 billion in AGI over the same period.[3]

While Williamson singled out superior tax, spending and regulatory policies, rather than Right to Work, as the sources of the Kansas jurisdictions' accelerated job creation and income growth, the fact is that Right to Work status is strongly correlated with a wide array of pro-growth fiscal and regulatory policies.

Moreover, there is ample reason to believe that Right to Work laws actually foster less burdensome taxes and regulations, because <u>Big Labor is undoubtedly the most powerful lobby for heavier taxation and more bureaucratic interference in business decisions</u>. Wherever union officials maintain forced-dues privileges, the Tax-and-Spend lobby inevitably wields far more clout.

Employment Fell on Both Sides of the Missouri-Illinois and Missouri-Kentucky Borders From 2002 to 2012

Long-term job-growth data from the border areas Missouri shares with fellow forced-unionism state Illinois suggest that Right to Work may indeed be the most important pro-growth policy a state can adopt.

Despite the fact that Missouri's current package of tax and regulatory policies is generally considered to be less averse to job-creating investments than Illinois's, the "Show Me" State border counties' overall private-sector job decline from 2002 to 2012 was 4.6%, compared to a 1.8% drop for the Illinois border counties. Private-sector employment also fell in counties on both sides of the Missouri-Kentucky border over the same period.

Any advantages Missouri currently enjoys in economic climate over the Prairie State, with its worst-in-the-nation credit rating and all of its other woes, are apparently insufficient to persuade businesses that are fleeing western Illinois counties to relocate right across the Mississippi River.

However, based on the track record of cross-state economic migration in the Kansas City region, with a Right to Work law Missouri could expect to begin capturing a large share of the investment dollars that have long been migrating out of forced-unionism Illinois.

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Stan Greer is the National Institute for Labor Relations Research's senior research associate. Nothing here is to be construed as an attempt to aid or hinder the passage of any bill before Congress or any state legislature.

[3] "Suicide Pact," posted August 22, 2013.