

‘RIGHT-TO-WORK’ LAWS AND ECONOMIC DEVELOPMENT IN OKLAHOMA

Edited by Lawrence Mishel

In September 2001, Oklahoma will hold a referendum on whether to adopt so-called “right-to-work” legislation that would outlaw certain provisions in collective bargaining agreements. It has not been since the 1950s that most states have had to face a right-to-work referendum such as the one slated in Oklahoma, consequently rekindling a seemingly dead debate over the effectiveness of such laws. One of the key issues in this debate is whether being a right-to-work state is important to Oklahoma’s economic development.

That Oklahoma would consider adopting right-to-work provisions at this point in time is especially surprising given that the state’s unemployment rate in 2000 was just 3.0%, far below that of the nation and nearly every state in its region. Moreover, there is no strong evidence that right-to-work laws have any positive impact on economic development.¹ There is strong evidence that these laws are actually associated with lower wages.²

In order to make an informed contribution to the public debate currently underway in Oklahoma, the Economic Policy Institute asked a number of economic development experts whether they thought a right-to-work law would be an important or useful economic development tool for Oklahoma. We have included these experts’ opinions here, all of whom believe, for various reasons, that right-to-work legislation would not represent a worthwhile economic development policy for Oklahoma.

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‘An economic development strategy based on low-balling labor costs and offering tax abatements and subsidies ... depletes a state’s resources for investing in real economic development.’

Oklahoma’s referendum to become a right-to-work state would be a backward step for its economic development. The most effective state economic development strategies identify key sectors or clusters of industries in different regions of the state and use public resources to create an environment that supports innovation and the development of well-paying jobs. This high-road approach contrasts to the low-road strategy of bidding down the cost of labor to attract firms away from other states. Considerable evidence suggests that the low-road approach may be effective for a time in shifting the location of existing development, but seldom creates new development.

The state’s right-to-work advocates claim that job growth is higher in right-to-work states than in non-right-to-work states. For the most part, the evidence they cite focuses solely on manufacturing, which comprises slightly less than 15% of total U.S. employment. Indeed, non-right-to-work states have lost 21,000 manufacturing jobs since 1991, while right-to-work states gained 354,000. But this is not surprising given that, over the past 40 years, Southern states have intensified efforts to attract manufacturing away from Northern states by offering cheaper labor, tax abatements, and other development subsidies in what has become termed a war among the states. But what have the results of this low-road strategy been?

Bureau of Labor Statistics data reveal that average annual pay is higher in non-right-to-work states. Furthermore, income polarization is higher in right-to-work states, with a higher percentage of workers earning the minimum wage (even when controlling for education level) than in non-right-to-work states. In discussing this trend, Oren M. Levin-Waldman of the Jerome Levy Economics Institute concludes that the persistence in income differences and the tendency toward polarization are disturbing “because the 1980s was a period of intensive economic development, especially in the South, where every state has right-to-work laws. Development alone was insufficient to bring the percentage of the labor force earning around the minimum wage down to the level prevailing in states with high union density. After years of economic development, the portion of heads of household earning around the minimum wage is still 35.5% (4.4 percentage points) higher in right-to-work than in high-union-density states.”

Most evidence suggests that right-to-work legislation, by itself, is not much of a factor in where firms locate. Even University of Oklahoma economist Robert Reed—a key proponent of right-to-work in Oklahoma—states up front that “a reasonable interpretation of the existing data is that, for many firms, probably for most firms, right-to-work is not a decisive issue” (see Reed, Robert W., “Does Right-to-Work Boost Economic Development?” *Labor Studies Series*, Oklahoma Council of Public Affairs, February 2001). Indeed, Reed cites a survey of Oklahoma firms in which the majority did not consider right-to-work legislation as an important concern in plant location. Interestingly, he then draws on a Boston Federal Reserve Board forum on State and Local Public Policies on Economic Development that also states up front, based on collective evidence, that the cumulative effects of state economic development policies—including tax incentives, public services, and regulatory policy such as right-to-work and workers’ compensation—have only modest effects on the rate of business formation or the rate of growth of employment and income (see *New England Economic Review* (Spring 1997) for the forum participants’ research). In one of these

articles, Boston Federal Reserve economist Robert Tannenwald casts doubt on findings that right-to-work legislation is associated with economic growth by pointing out the methodological flaw of extracting one of several state economic development policies and correlating it with state economic indicators. Even if right-to-work legislation had an effect, Tannenwald suggests it has played itself out and doubts that it would have any impact if instituted today.

In today's global economy, low-road firms can locate wherever they want. An economic development strategy based on low-balling labor costs and offering tax abatements and subsidies is increasingly ineffective in this environment and depletes a state's resources for investing in real economic development. A high-road strategy requires, above all, a high-quality workforce, which is consistently cited by firms as one of the most important location factors. The most innovative states and regional development programs focus investment on key clusters or sectors by responding to their workforce needs like education, training, and infrastructure. Not every targeted cluster or industry will take off, but at least people are left with skills and places with infrastructure on which to build other sectors. The states and regions that are left behind after low-road strategies stop working are simply left depleted.

— JOAN FITZGERALD

Joan Fitzgerald has been conducting research and teaching economic development for 14 years. She focuses on the link between economic development and education and training. She is working on a book, *Moving Up in the New Economy*, to be published by the Century Foundation in 2002.

'Competitive businesses are not attracted to and grown in the cheapest locations but in the highest-value locations.'

The aim of economic development should be to achieve a more widely shared and sustainable standard of living. When it comes to achieving such a goal, right-to-work laws are a sideline issue. To begin with, competitive businesses are not attracted to and grown in the cheapest locations but in the highest-value locations—places where there are good labor force skills, high quality of life, and innovation assets, such as world-class universities. And the most promising ways for creating such an environment are to make development incentives more transparent, cost-effective, and accountable, that is, to invest in education, public infrastructure, workforce training, and education; to focus program innovation in economic development on helping those left behind; and to run a professional and efficient government.

— WILLIAM SCHWEKE

William Schweke is Research Director of the Corporation for Enterprise Development, a nonprofit economic development think tank and advocacy group. He leads the Corporation's work in the areas of business climate, urban policy, and sustainable development. He is currently researching the potential impact of global trade and investment agreements on domestic economic development policies and practices. His most recent publications are: "Creating Jobs: Public and Private Strategies for the Hard-to-Employ," "Could Economic Development Become Illegal in the New Global Policy Environment?," "Budgeting and Economic Development Performance," and "Curbing Business Subsidy Competition: Does the European Union Have an Answer?"

'Right-to-work legislation provides no discernible overall economic advantage to a state, but it does impose significant social costs.'

Our research focuses on the legal and economic consequences of laws prohibiting union security provisions in collective bargaining agreements. In a study of Colorado's "modified" right-to-work statute published in the *University of Colorado Law Review* (1999, Vol. 70, pp. 871-952), we concluded that public policy does not support enactment of such legislation. Colorado's law produced no measurable benefits in terms of economic growth or income, nor was it consistent with basic principles of democratic governance. Right-to-work states are more likely to have an anti-union climate than are union-security states, and they also have lower union membership density and lower per capita income. Although there is evidence to suggest right to work laws generate some growth in manufacturing employment, that growth does not result in higher wages for a state's workers. Moreover, other research shows that the enactment of right-to-work legislation shifts the distribution of income from wages to profits.

On the whole, right-to-work legislation provides no discernible overall economic advantage to a state, but it does impose significant social costs. The role of unions in our economy is a matter of important policy debate. State right-to-work laws, however, are not an appropriate tool for regulating unions under the guise of economic development.

— **RAYMOND HOGLER**
STEVEN SHULMAN
STEPHAN WEILER

Ray Hogler is a professor of management at Colorado State University. He holds both a Ph.D. and J.D. from the University of Colorado. From 1983-88, he was an assistant and associate professor of labor studies and industrial relations at Pennsylvania State University. Since 1988, he has taught employment relations and human resource management at Colorado State University, and serves as editor of the *Journal of Business and Management*.

Steven J. Shulman is a professor of economics and Director of the Center for the Study of Colorado Labor Market Policy at Colorado State University. He teaches and writes about poverty, inequality, and discrimination. His most recent papers focus on the effects of family structure on inequality between African Americans and European Americans. He has also written about the economics of right-to-work laws in Colorado.

Stephan Weiler is an associate professor and regional economist in the Economics Department at Colorado State University, and the co-director of the university's Center for Research on the Colorado Economy (CRCE). He received his B.A. and M.A. from Stanford University in 1988 and his Ph.D. from UC-Berkeley in 1994. In the past, he has studied development and labor market issues in Africa, Appalachia, and Eastern Europe. His current work focuses primarily on regional economic development in struggling urban and rural areas, especially in Colorado, combining applied theory and empirical analyses in topics such as informational asymmetry, inner city/downtown redevelopment, entrepreneurship, immigration, and the environment.

***‘Oklahoma would do much better to play to
its unique strengths.’***

Right-to-work laws are a welcome mat for companies who care most about low-wage, unskilled labor and who are committed to a region only until they are able to relocate someplace where the laws protecting workers are even weaker. The research in our book, *High Tech America*, shows that better-paying and higher-mobility American jobs are not repelled by the presence of unions or the relatively higher wages that come with the absence of right-to-work laws. In fact, just the opposite is true. Good employers are drawn to places where employees are respected and their views and ideas on productivity solicited. Unions are playing an active role in implementing “smart manufacturing” in areas like Massachusetts, Wisconsin, and Seattle, stabilizing jobs and encouraging diversified economic development.

Right-to-work laws have another downside, which is the negative message they send to home-grown skilled workers and potential in-migrants. Increasingly, economic development is driven not by branch plants, but by companies who need skilled and educated employees, and, thus, by where those employees want to live. In a highly mobile society like ours, most skilled workers—from metalworkers, carpenters, and computer programmers to engineers, teachers, and nurses—can decide to live and work almost anywhere they like. Companies needing their talent will follow them, whether it be to Albuquerque, Denver, Boise, Los Angeles, or Minneapolis. With right-to-work, Oklahoma would be embracing and intensifying its history of out-migration of state-educated, young, highly skilled Oklahomans.

Oklahoma would do much better to play to its unique strengths. In this era when Americans favor clean air and water, wide-open spaces, and vibrant, diverse communities above other locational factors, why not build a campaign around attracting and anchoring skilled workers and companies by exploiting the state’s already strong agriculture and oil industries? This would certainly be better than pouring the state’s energies into turning Oklahoma into a low-wage region.

— ANN MARKUSEN

Ann R. Markusen is a Ph.D. economist, professor of Public Affairs and Planning at the University of Minnesota, and author of several books, including *Second Tier Cities*, *Regions: The Economics and Politics of Territory*, and *High Tech America*. Markusen was year 2000 President of the North American Regional Science Association and served two terms as Chair of the Committee on Science, Engineering, and Public Policy of the American Association for the Advancement of Science.

‘Economic evidence suggests that right-to-work laws will fail to attract businesses, have little or no effect on jobs, and will lower living standards.’

Proponents of right-to-work legislation have claimed that making Oklahoma a right-to-work state will attract large numbers of new businesses from out of state, generate thousands of new jobs, and raise living standards. Unfortunately, economic evidence suggests that right-to-work laws will fail to attract businesses, have little or no effect on jobs, and will lower living standards.

One of Oklahoma’s main economic problems is that it is a low-wage state. Right-to-work laws will only serve to further lower wages without generating employment opportunities.

Attracting out-of-state businesses

Simply put, right-to-work laws fail to attract out-of-state businesses. There have been hundreds of studies that have examined why firms locate where they do. These studies have consistently found that there are several key factors that business decision-makers consider and compare when deciding among alternative investment sites. These include:

- the cost *and* quality of labor;
- proximity to markets for their products (particularly for service industries);
- access to the raw materials and supplies that firms need;
- access to quality transportation networks and infrastructure (specifically, good roads, highways, airports, railroad systems, and sewage systems);
- quality of life characteristics (e.g., good schools, health services, recreational facilities, low crime rates, quality housing, and weather);
- the cost and reliability of utilities.

In addition, recent studies of high-tech firms indicate that they often seek out areas with highly skilled labor and proximity to universities and research centers.

The only one of these key location criteria that right-to-work legislation impacts in a direct manner is the cost and quality of labor. Right-to-work legislation puts downward pressure on wages since it undermines the power of unions to negotiate for higher wages. But, at the same time, right-to-work legislation erodes the quality of a state’s labor force by encouraging the best and the brightest to migrate to states where wages are higher. The state of Iowa is a good example of this phenomenon. Its right-to-work laws have helped to keep wages down, but they have also spurred many young, well-educated, well-trained Iowans to migrate to other states in search of higher-quality and higher-paying employment.

Because right-to-work laws reduce wages, they also cause income and spending to decline. Lower income means less income tax revenue, and less spending translates into lower sales tax receipts. In these ways right-to-work laws undermine the ability of state and local governments to raise adequate tax revenues to pay for public services. And yet, high-quality public services, such as good schools, roads, highways, and hospitals, spur economic growth and influence business location decisions. Thus, right-to-work laws have both positive and negative effects on the key factors that businesses consider when deciding where to

locate. On balance, the negative effects of right-to-work laws on these criteria offset the positive ones.

Job creation

Over the last 10 years, Oklahoma has created jobs at a rate slightly above the national average. Between 1989-99, employment grew 22% in Oklahoma versus 19% nationwide. Oklahoma's employment growth rate was faster than in 29 other states and enabled Oklahoma to create over 357,000 new jobs. Oklahoma's manufacturing job growth has done somewhat better relative to the national average, growing 11% (compared with a 4% decline nationwide), and has bested the growth rate of manufacturing employment in 38 other states. In part as a consequence of this healthy job growth, the unemployment rate in Oklahoma in 2000 was only 3.0%, lower than in 41 other states. Indeed, Oklahoma's unemployment rate over the past 10 years has been consistently lower than the national average.

How do these statistics on job growth and unemployment compare to those in the right-to-work states? Employment growth and manufacturing employment growth over the past 10 years have been faster in Oklahoma than in roughly half of the 21 right-to-work states. Oklahoma's unemployment rate in 2000 was lower than the unemployment rate in 18 of the 21 right-to-work states. In short, there is little evidence that right-to-work states have done better than Oklahoma in creating jobs, and they clearly have done worse in terms of keeping unemployment in check.

But if right-to-work laws reduce wages, then is it not likely that adopting such provisions will make Oklahoma's economy more competitive, more attractive to businesses from out of state, and more capable of generating jobs? No, this is not likely, particularly in an economy like Oklahoma's. Oklahoma has been experiencing declining wages relative to the national average for over 20 years, and it now has among the lowest hourly manufacturing wages, median household income, and average annual pay. In fact, compared to all 50 states, Oklahoma ranks 35th in hourly manufacturing wages, 43rd in median household income, and 44th in annual average pay. In other words, if low wages were key to attracting out-of-state businesses and creating jobs, then the Oklahoma economy would be booming.

It is important to remember that firms are not interested only in the cost of labor. When deciding where to set up shop, firms consider the cost *and* quality of labor. Firms are more willing to pay \$20 per hour to an employee who generates \$30 worth of output than \$6 per hour to an employee who generates \$7 worth of output.

Living standards

Oklahoma has essentially pursued a low-wage path toward economic development. At best, these low wages may have helped raise the job creation rate somewhat above the national average. Clearly, however, many of these new jobs have not been "good quality" jobs, that is, high-paying jobs. Instead, they have often been low-paying jobs that have failed to substantially raise the living standards of Oklahoma's citizens.

It is instructive to look at who is doing worse than Oklahoma in terms of wages. Of the 15 states with lower hourly manufacturing wages, 13 are right-to-work states. Of the seven states with lower median household income, four are right-to-work states. And, of the six states with lower annual average pay, five are right-to-work states. Right-to-work states include most of the states with low wages. And yet these right-to-work states are not creating jobs faster than Oklahoma or experiencing lower rates of unemployment. What they are getting from the right-to-work laws are lower wages for their workers and lower standards of living for their citizens.

By passing right-to-work legislation, Oklahoma would continue on the same low-wage path to eco-

conomic development that it has been pursuing for the past 20 years. There is a better way. Oklahoma could begin to make the transition from a low-wage to a high-wage economy by investing resources in its workforce and numerous other assets to improve their quality. This means that further attention must be paid to improvements in the health, education, and training of workers. Schools need to be improved, and the state's infrastructure—particularly its roads, bridges, and highways—must be upgraded. Care must be taken to properly manage the state's natural resources and protect its environment. The quality of medical services and hospitals needs to be enhanced, and technological innovation needs to be supported through investments in higher education and research.

If the quality of Oklahoma's labor force and other assets improve significantly, businesses will be willing and able to pay higher wages and further expand employment opportunities. Oklahoma's workers and families will be better off, and the economic expansion of the 1990s will pick up steam and continue unabated.

— **ROBERT G. LYNCH**

Robert G. Lynch is an associate professor and chairman of the Department of Economics at Washington College. Over the past 15 years he has evaluated the adequacy and effectiveness of various state and local government economic policies, reviewed economic growth strategies, and analyzed the efficiency, fairness, and stability of state and local tax systems. He is the author of several papers that have analyzed the effectiveness of state and local government economic policies in promoting economic development and creating jobs.

'All the jobs created would require low skills and pay very poorly.'

Passage of the right-to-work referendum would be a mistake. Questionable benefits would be far outweighed by the certain costs. While the motivation—job creation—is fine, this approach would, at best, have modest effects on the number of jobs created. Equally important, though, is that nearly all the jobs created would require low skills and pay very poorly. Only a subset of firms, mostly within manufacturing, would be affected, and even among these the benefits of a non-union environment would be limited—changes in labor costs do not tend to have very large effects on employment. Research over the last three decades has consistently shown that the demand for labor is not very responsive with respect to wages, even for low-skill teenagers.

At the same time, there are considerable drawbacks to a low-wage economic development strategy. While the employment effects of lower wages and a more hostile environment for labor unions will be small, research again shows that collective bargaining usually has substantially positive effects on wages. This is particularly important for such low-wage workers as janitors, hospital aides and orderlies, and retail workers. Poverty-level wages contribute to the disastrous fact that some 20% of American children live in poor households. Child poverty, in turn, undermines education and training capacities and raises social costs, ranging from crime to poor health to the need for income redistribution through the tax system. Over the long run, a low-wage strategy raises social costs and requires competition with underdeveloped regions—an approach that cannot be successful.

— **DAVID R. HOWELL**

David R. Howell is professor at the Robert J. Milano Graduate School at New School University. Howell is a labor economist and affiliated with the Center for Economic Policy Analysis (CEPA) and the International Center for Migration, Ethnicity and Citizenship (ICMEC), both at the New School.

‘The quality of work opportunities is degraded without increasing the quantity of employment available’ in right-to-work states.

My experience with Oklahoma stems from a short stint at the University of Oklahoma as a visiting lecturer in the Oklahoma Scholar-Leadership Education Program (OSLEP). Oklahoma has, indeed, had a strong economic development record recently, built in part on a very deep and comprehensive network of public higher education institutions. I am aware of no evidence that suggests that not being a right-to-work state has hurt job creation in Oklahoma.

Nor am I aware of any evidence that right-to-work provisions help attract quality employers to those states that have enacted them. Quite the contrary, these provisions favor low-wage, low-productivity, predatory employers at the expense of those employers who provide the better jobs. In the end, the quality of work opportunities is degraded without increasing the quantity of employment available.

— JAMES GALBRAITH

James K. Galbraith is professor of public affairs and government at the University of Texas at Austin. He holds a Ph.D. in economics and is former Executive Director of the Joint Economic Committee of the U.S. Congress. Galbraith also authored *Created Unequal: The Crisis in American Pay*, and he is co-editor of *Inequality and Industrial Change: A Global View*.

‘Right-to-work status is a shortsighted and superficial selling point.’

Our research on the upper Midwest has shown that so called right-to-work laws are not only a poor economic development strategy, but like other low-road bids for new investment, can actually undermine a state’s economic and competitive position. Iowa is one of four right-to-work states in the nine-state region (extending north to Wisconsin and Minnesota, South to Missouri, west to South Dakota, Kansas, and Nebraska, and east to Indiana and Illinois). On virtually every measure of economic health since the early 1990s—including population growth and growth in personal income—the right-to-work states fall substantially behind the other states in the region. Indeed, the most dramatic growth rates have been in Minnesota and Wisconsin, both non-right-to-work states with rates of unionization more than double the regional average.

The implications for economic development policy are clear: the benefits of right-to-work enjoyed by some prospective employers are overshadowed by the costs borne by other employers and the state as a whole. Low wages weaken consumption. Higher rates of labor turnover and adversarial labor-management relations decrease productivity and raise training costs. And low-wage employment burdens the state with “mop up” costs (including social services, housing assistance, subsidized day care, school lunch programs, etc). Right-to-work status is a shortsighted and superficial selling point. The state, its citizens, and potential investors are all better served by economic development policies that nurture good wages and working conditions.

— COLIN GORDON

Colin Gordon is an associate professor of history at the University of Iowa and Research Associate in the Iowa Policy Project. He is also author of *New Deals: Business, Labor, and Politics in America, 1920-1935* (1994) and *Dead on Arrival: Healthcare and the Limits of Social Provision in the United States* (forthcoming), as well as numerous articles on the history of American public policy.

‘Right-to-work laws are not going to help the state build a strong economy for the 21st century.’

Right-to-work laws are no doubt important to some companies. In the economic development literature, there is a distinction between the high road and the low road. The first refers to companies that seek to be advanced in technology, with highly skilled and well-paid workers. They compete worldwide based on their technological prowess, their ability to innovate, quick response time, and high value-added production. For these companies, access to highly educated workers is critical, and far more important than right-to-work laws or a low wage scale. High-road companies need to be in an environment that is attractive to such workers, which often means one with a high level of cultural, social, and educational facilities. Inevitably, this often also means a relatively high local or state tax burden, and high wage levels.

“Low-road” companies do care about right-to-work laws, because their primary concern is minimizing the cost of labor. Their production is routine, and they compete against low-priced labor abroad. From an economic development perspective, these are not very attractive targets, because they are footloose, and mostly add low-wage jobs to the local economy. So unless Oklahoma is looking to build its economy around low-wage firms that will only stay around until the next even lower-wage location bids them away, right-to-work laws are not going to help the state build a strong economy for the 21st century.

— WIM WIEWEL

Wim Wiewel is Dean of the College of Business Administration at the University of Illinois at Chicago. He is the author or editor of four books and over 50 articles and chapters, which have appeared in *Economic Development Quarterly*, *Economic Geography*, the *Journal of the American Planning Association*, and other publications. Wiewel holds degrees in Sociology and Urban Planning from the University of Amsterdam in the Netherlands and a Ph.D. in Sociology from Northwestern University.

‘Dependence on cheap labor as fuel for regional economic growth is foolish and shortsighted.’

In this globalized economy, dependence on cheap labor as fuel for regional economic growth is foolish and shortsighted. Real and sustained economic growth is possible only by encouraging firms to invest more of their earnings in new capital and training. Government can help by identifying and supporting firms and industries that opt to take a high-road, long-term approach. Public policies like the right-to-work initiative have nothing to do with economic development. The right-to-work referendum is a right-to-profit referendum designed to maintain corporate profits by undermining workers and their families. The irony is that, not only will workers lose, but in the absence of groups like unions—who are able to pressure firms to invest more in their employees—profits and productivity also will eventually fall victim.

— MARK CASSELL

Mark Cassell teaches courses in public policy and political economy. His book, *How Governments Privatize: The Politics of Divestment in the United States and Germany* (Georgetown University Press), is due out this fall.

‘The lack of a right-to-work law has not hurt the state’s economic growth.’

What Oklahoma needs is a higher quality of economic development, better training, and stronger protections for its workforce. Recent statistics bear this out. Compared to the nation as a whole, Oklahoma performed very well over the last decade in terms of job growth, new business starts, and low unemployment. The lack of a right-to-work law has not hurt the state’s economic growth. But, compared with averages of other states, Oklahoma offers lower wages, a wider gap between the wealthy and the poor, and a relatively high rate of on-the-job worker injuries. Education and training levels also need to increase if the state wants to be more competitive in the knowledge economy. Rather than a right-to-work law, it would surely be much more useful if Oklahoma business, labor, and government groups could collaborate to find ways to improve the quality of jobs, workforce conditions, and economic development in the state.

— PHILIP SHAPIRA

Philip Shapira is a professor in the School of Public Policy at the Georgia Institute of Technology, where he teaches and conducts research on technology policy, industrial restructuring, and economic and regional development. He has conducted technology, innovation, economic development, evaluation and policy studies in the United States, Japan and Europe. Shapira directs the Georgia Tech Policy Project on Industrial Modernization.

‘Passing a right-to-work law would risk locking Oklahoma into the pursuit of low-wage jobs with little payoff for the workforce.’

Recent research on regional economic development refutes the notion that passing a right-to-work law would enhance Oklahoma’s economic fortunes. For one thing, economic development scholars and practitioners increasingly emphasize the importance of nurturing homegrown businesses and start-ups, rather than attracting businesses from elsewhere. But even among the more footloose industries, the top location decision factors for most businesses are the skills of the workforce and the amenities (schools, living environment, etc.) that make it possible to attract and retain highly skilled professional and technical workers.

Of course, there are businesses that place particular emphasis on low wages and union avoidance, but these are the businesses that will contribute least to Oklahoma. They offer the worst jobs and are likely to move on to even lower-wage locations. Passing a right-to-work law would risk locking Oklahoma into the pursuit of low-wage jobs with little payoff for the workforce. The state would do much better to find ways to raise high school and college graduation rates to levels closer to those of neighboring Kansas.

— CHRIS TILLY

Chris Tilly, professor of regional economic and social development at the University of Massachusetts at Lowell, specializes in labor, income distribution, and local economic development. His research includes work on U.S. income inequality, the growth of part-time work, racial barriers in the labor market, and urban economic development. Tilly’s recent books include *Stories Employers Tell: Race, Skill, and Hiring in America* and *Half a Job: Bad and Good Part-Time Jobs in a Changing Labor Market*.

‘Locational choices are less determined by cost and much more by the value that employees can contribute.’

The worldwide adoption of new production, transportation, and communication technologies has allowed competitors across the globe relatively equal access to materials, equipment, and financial capital. As a result, industries are far more competitive and volatile than before. The United States cannot compete on the cost of labor because other countries can provide labor more cheaply. Instead, the United States’ competitive advantage is increasingly based on value-unique qualities of performance rather than cost. Competing on value requires creativity in generating new, viable ideas, speed in getting these new ideas to market, and flexibility in adjusting to market circumstances. U.S.-based firms seek the personnel, practices, relationships, and culture that enable creativity, speed, and flexibility. Locational choices are less determined by cost and much more by the value that employees can contribute, value determined by employees’ skills and creativity.

— ANDREW REAMER

Andrew D. Reamer is a consultant in regional economic development and public policy. Since 1986, he has prepared regional analyses and strategies for clients in 22 states and has evaluated five federal economic development programs. Reamer has a M.A. in city planning and a Ph.D. in economic development and public policy from the Massachusetts Institute of Technology.

Endnotes

1. Consider the following conclusion from a literature review by William Moore, a conservative economist, published in a conservative economic journal in 1998:

Although inconclusive, the accumulating evidence indicates that [right-to-work] laws reduce the long-run extent of unionization by 5 to 8 percent. [Right-to-work] laws are also positively correlated with long-run industrial development. The proponents of [right-to-work] laws *may* have been correct. [Right-to-work] laws *may* have modestly reduced the growth of unions and promoted industrial development in the long run. (*emphasis added*)

So, the strongest conclusion Moore reaches is that right-to-work laws “may” have an impact, and that the evidence is inconclusive. See Moore, William J., “The Determinants and Effects of Right-to-Work Laws: A Review of the Recent Literature,” *Journal of Labor Research* (Summer 1998).

2. See Mishel, Lawrence, *The Wage Penalty of Right-to-Work Laws*. Economic Policy Institute (August 2001).