

July 29, 2008

The Honorable Mitchell E. Daniels, Jr.  
Republican Candidate for Governor  
47 S. Meridian Street, 2<sup>nd</sup> Floor  
Indianapolis, IN 46204

The Honorable Jill Long Thompson  
Democratic Candidate for Governor  
804 N. Delaware Street  
Indianapolis, IN 46204

Dear Governor Daniels / Dear Ms. Thompson:

***Your Charge to Improve Indiana's Labor Environment***

Increasing Hoosier incomes is among our state's greatest challenges. Indiana must compete globally for jobs and investment, building economic opportunity for our citizens. Key to achieving this goal and winning the competition for new jobs is the removal of self-imposed impediments. Adopting a right-to-work law will increase investment, incomes and economic opportunity for Hoosiers.

Right-to-work (RTW) laws prohibit the practice of requiring union membership or financial support as a condition of employment. Since passage of the Taft-Hartley Act of 1947, 22 states have adopted these laws, the most recent being Oklahoma in 2001. The effect on economic development and personal income is dramatic, well documented, and it contrasts sharply with those states – such as Indiana – that lack right-to-work laws.

The evidence is overwhelming.

In 2005, Colgate-Palmolive Co. decided to shutter its toothpaste factory in Clarksville and moved to a right-to-work state. In this instance, Indiana's lack of a right-to-work law cost 475 Hoosiers their jobs and livelihoods.

Numerous studies show that personal income in right-to-work states grew almost twice as fast as that in non-RTW states between 2001 and 2006. During this same time, manufacturing in RTW states grew almost three times as fast as in non-RTW states. Growth in construction employment was also greater in those states with right-to-work laws.

In a 2002 study entitled "The Effect of Right-to-Work Laws on Economic Development," economist William T. Wilson of the Mackinac Center for Public Policy compared Michigan's economic performance to right-to-work states. Wilson found that during the 30 years between 1970 and 2000, RTW states created jobs nearly twice as fast as did Michigan. While poverty rates dropped dramatically during these 30 years, Michigan was one of seven states (all lacking right-to-work laws) that witnessed an increase in the percentage of residents living in poverty. Finally, the study showed that right-to-work states created 1.43 million manufacturing jobs, while non-right-to-work states lost 2.18 million manufacturing jobs during the same three decades.

Another 2002 study conducted for and published by the Federal Reserve Bank of St. Louis focused on the experience of Idaho (whose RTW law took effect in 1986) from 1987 through 2000. It concluded that Idaho experienced significant growth in investment and manufacturing employment after adopting right to work. Specifically, Idaho's annual manufacturing "employment growth rate was about 3.7 percent post-law, compared with an almost zero annual average growth rate pre-law." Furthermore, the "growth rate in the number of establishments was about seven times larger compared with that in the pre-law period. Idaho did much better after the RTW law was passed, compared with most other states in the region, both in employment and in the number of establishments."

Oklahoma is an even more recent example. Its law passed in 2001, but was under legal challenge until court rulings in 2004 supported it. According to the National Institute for Labor Relations Research, "real personal income in Oklahoma between 2003 and 2006 grew by 13.6 percent, more than half again as fast as the national average and more than twice as fast as the overall average in the 28 forced dues (non-RTW) states... From 1991 until 2001, the last 10 years prior to the Right to Work law's appeal, Sooners' real personal income grew by 4 percent less than the national average."

Is all this economic and job growth due to having a right-to-work law? No, of course not, but its impact and the evidence is too compelling to ignore. States with such laws experience greater economic development and workers enjoy higher incomes. Also, economic development professionals agree that right-to-work is a strong factor in business investment and relocation. Indeed, the absence of a right-to-work law takes Indiana out of the running for many projects – as many as a third according to site selection consultants. Indiana cannot afford to be written off by that many prospects before we even have the chance to compete.

There are practical reasons for Indiana to adopt a right-to-work law. First, Hoosiers agree with it. An overwhelming majority – 71 percent – favored or strongly favored right to work in a 2007 statewide survey conducted for the Chamber's Indiana Business for Responsive Government. There is also the broader moral question of whether a Hoosier breadwinner should be forced to join and/or pay dues to a labor organization to get or keep a job.

Adopting right-to-work will benefit two very broad groups of Hoosiers – workers and taxpayers. This reform will not be easy or without organized opposition. Doing so, however, will send a strong signal that Indiana is open for business and serious about increasing job opportunities for all Hoosiers.

Sincerely,

The 125 members of the Board of Directors of the Indiana Chamber of Commerce, representing 4,800-plus member companies employing 800,000 Hoosier workers.