

**TESTIMONY SUBMITTED TO THE
HOUSE LABOR AND INDUSTRY COMMITTEE
AUGUST 16, 2011**

**SUBMITTED BY LORI JOINT
DIRECTOR OF GOVERNMENT AFFAIRS
MANUFACTURER & BUSINESS ASSOCIATION**

Good afternoon. My name is Lori Joint and I am the Director of Government Affairs at the Manufacturer & Business Association, a regional employers' association that represents more than 4,500 member companies located throughout 27 counties of Pennsylvania. With offices in Erie, Williamsport, and Harrisburg, we are dedicated to providing information and services to our members that will assist them in the pursuit of their business and community interests.

I would like to thank Chairmen Miller and Keller, as well as the members of the House Labor and Industry Committee, for providing this opportunity to discuss the Open Workforce Initiative, especially House Bill 50, which if enacted would make Pennsylvania a right-to-work (RTW) state.

Enactment of right-to-work legislation is one of the Manufacturer & Business Association's top state legislative priorities, and has been for many years. The Commonwealth's labor laws breed an environment that restricts employees and empowers unions. As a result, Pennsylvania's economy has failed to maintain adequate job growth over the past 18 years and now ranks among the least business-friendly states in the nation (39 out of 50 according to a recent report).

There are many reasons our membership feels so strongly about right-to-work. First and foremost, no American should be forced to join a union and pay dues to get a job.

From an economic standpoint, RTW states typically have higher economic growth rates and higher employment rates. From 2000 to 2008, nearly 4.7 million Americans moved from forced-union to right-to-work states, and a recent study found that there is "a very

strong and highly statistically significant relationship between right-to-work laws and economic growth." From 1977 to 2007, right-to-work states experienced a 23 percent faster growth in per capita income than states with forced unionization.

A study from the Cato Institute (Richard Vedder, 2010) found that between 1970 and 2008, right-to-work states have almost doubled their population, while the population in non-right-to-work states has increased by only 26 percent. Another recent study by the Federal Reserve Bank of St. Louis (Garrett and Rhine, 2010) evaluates the impact of economic freedom on employment in different states. Economic freedom incorporates smaller government, less taxation and more labor market freedom. They find that states that have more economic freedom witness higher growth rates. In fact, this study found that state-level labor market policies influence employment growth more than national labor market policies.

Evidence suggests that RTW states have more manufacturing employment and economic development compared to non-RTW states over time. According to the U.S. Bureau of Labor Statistics, more manufacturing jobs have been created in RTW states than in non-RTW states.

A state's decision to adopt RTW legislation brings jobs and companies to the state. Studies also have shown that RTW states enjoy a higher level of productivity. In addition, these states have a lower percentage of families living below the poverty level. Unions in these states tend to be more responsive and accountable. In non-RTW states, there is an ideological implication, as dues are used, in part, to support political candidates with whom union members may not agree. Studies have shown that voting registration of union members does not always match the political donations made.

There is a misconception that "right-to-work" is anti-union. However, right-to-work refers to legislation and laws that seek to protect an employee's freedom of choice by prohibiting unions from negotiating contracts that would require the employee to join and financially support a union as a condition of employment. Unions still exist in RTW states and employees have the right to join them and pay dues, if they choose to.

Unions have repeatedly presented arguments against these facts, but if you look at Oklahoma, the most recent state to enact right-to-work legislation, you will see that those arguments do not hold up. Prior to enacting RTW in 2001, the unions said that if Oklahoma adopted RTW laws, the state would experience lower wages and inferior health coverage, and that union membership would decline. Those concerns were unwarranted. After becoming a RTW state, Oklahoma had a statistically significant increase in real household income, and within one year of passing the legislation the number of Oklahomans covered by private health insurance increased by 54,000. In addition, the RTW laws did not have a statistically significant negative effect on either union membership or union representation.

You will hear many facts and statistics today, some of which are included in my testimony. I would like to focus this time on what our members – your constituents – think. They are the true job creators. I sent an email last week requesting that companies with a strong view on right-to-work send me any examples or information they would like to include in my testimony. The response was overwhelming. I can honestly tell you that our membership emphatically supports right-to-work initiatives. Responses came from all types of companies: small and large, manufacturing, nonprofit, service, etc. These views are represented across our membership area, including companies from Erie, Williamsport, Meadville, Clarion, Bradford, Ford City, St. Mary's, New Bethlehem, Knox, Titusville, New Castle, Mercer, Shippensville, Butler, Corry, Adamsville, Dewart, Mars, and Townville among others.

Smith Provision Co., Inc., Erie, Pennsylvania – Mike Weber, President

Smith Provision Company is a fourth generation, family run business that manufactures premium hot dogs, sausages, deli meats, bacon and award-winning hams. “Although we have been an organized company since the late 1950s (United Food and Commercial Workers), and there have been many good things that have proceeded from that arrangement, I strongly believe it should be the right of the individual employee to decide whether or not to have union representation, not to be forced on them as a condition of employment. My experience has been that lack of right-to-work legislation punishes the

top tier employee, and protects the low performer. This is not behavior we can afford to encourage.”

Radiant Steel Products Company, Williamsport, Pennsylvania – Andree Phillips, President

Radiant Steel Products Company is a custom precision fabricating and finishing plant. “Radiant Steel Products Company was founded in 1927 and was union-free until the late 1960s. Although our relationship with the United States Steelworkers is good, I still favor the ability of employees to work without being members of a union. Naturally our contract states that every hire must join the union or they can’t work at RSPC. Many applicants want a job but don’t want to be a member of a union. They accept the job because they have no choice. States with right-to-work legislation have shown to “grow jobs” at a greater rate than those who don’t and that should be evidence that this is the way to go for the economic future of the USA.”

C.A. Curtze, Erie, Pennsylvania – Bruce Kern, President

C.A. Curtze is a food distributor that has been in business for 133 years with distribution centers in Erie, Pennsylvania, Cleveland, Ohio, and Rochester, New York. “We believe in right-to-work legislation and feel that employees should be able to choose whether or not to join a union and pay dues. Not being a right-to-work state hurts our competitiveness with other states that are more business friendly. Our Erie and Cleveland distribution centers are unionized; the Rochester location is not. There is a difference in the feel and environment between the union and non-union locations. We are not against the right to collective bargaining, but against compulsory unionism. With binding arbitration, the deck is usually stacked against the employer. This contributes to lower morale and loss of productivity in the union locations. The non-union facility has more of an “all for one” get-the-job-done-for-the-customer mentality. It is important to note that our company is not going anywhere; our customers are in the tri-state area. However, making Pennsylvania a right-to-work state would be good for the economy, provide growth opportunities and be better for our employees.”

Tech Tool and Molded Plastics, Meadville, Pennsylvania – Mark Hanaway, Vice-president

Tech Tool is an injection molded plastics company founded in 1973. They service the medical, automotive, consumer, electronics and aeronautics industries. “We believe in a truly democratic process of choice. The right-to-work structure allows individuals to choose if and how their earned income is garnished by non-governmental organizations.”

CK Business Consultants, Inc., Hughesville, Pennsylvania – Gary Papay, President

Founded in 1984, CK Business Consultants works with mergers and acquisitions of middle-market petroleum and propane companies. “It’s hard to imagine that an employee is forced to join and financially support a union as a condition of employment anywhere in the USA . . . the beacon of a free society in the world today! It’s time to correct this unfair situation in Pennsylvania and allow our businesses to compete on a level playing field and create more jobs for Pennsylvania.”

Thomas Lee Printing and Mailing, Erie, Pennsylvania – Scott Lee, President

Founded in 1967, Thomas Lee Printing and Mailing provides a full range of printing and communication services. “I believe the primary reason Pennsylvania is experiencing brain drain and a manufacturing drought is because we do not have right-to-work legislation in place. We need to incentivize businesses to relocate to Pennsylvania, and that can only start with right-to-work legislation and a lower business tax structure. Short of this, we are doomed to continue down the road to default and bankruptcy.”

Additionally, I have had many conversations with attorneys and others who negotiate with unions. A common theme among their responses was lack of flexibility. In today’s economy there are ups and downs, and a majority of businesses go through both. More often than not, union leaders do not take that into consideration. One attorney I spoke with worked on a case with a unionized commercial print shop. To stay in business, they were asking the union to consider a temporary reduction in wages and benefits. After hearing the offer, the union representative (from Washington, D.C.) asked what other options there

were. The company representative said the only other option was to close down. The union official decided to let the company close instead of taking it back to the employees. These employees had to be part of the union as a condition of employment and they had no say in the end result of the business closing. This happens more often than people realize. In many cases, the people making the decision aren't even part of the local company.

From a business development standpoint, it is difficult to get companies to look at this state when considering expansion or relocation. In fact, our Association often receives inquiries from businesses contemplating expansion or relocation in Pennsylvania – and the first question they always ask – “Is Pennsylvania a right-to-work state?” Business owners have long expressed their desire for employment laws that let the company decide what benefits and terms will attract and keep the quality of employee they need.

Facts/Figures

- As of today, there are 22 Right-to-work (RTW) States.
- Nine of the top 10 best states for business are in right-to-work states (and 13 of the top 15 are RTW states). The bottom 10 (worst states for business) are all non-RTW states
- Employment Growth (2003-2008): 9.1% RTW States, 3.6% non-RTW States
- Personal Income Growth (2003-2008): 15.8% RTW States, 9.1% non-RTW States
- Population Growth (2000 – 2009): 12.2% RTW States, 6.0% non-RTW States
- Growth in Real Manufacturing GDP (2000-2008): 20.9% RTW States, 6.5% non-RTW

“Americans generally prefer freedom to coercion, high incomes to low ones, and individual decision-making to collective resolution of issues. The right-to-work provisions of the Taft-Hartley Act of 1947 have created sort of a natural experiment, providing an opportunity to observe behavior in two types of environments: one where workers are not compelled to join labor unions and a second where they can be compelled to join as a condition of employment. The evidence is absolutely clear: Americans prefer the right-to-work environment to the alternative. The proportion of Americans living in right-to-work

states has risen noticeably over the years. The greater flexibility for workers and employers offered where right-to-work exists has contributed to higher rates of economic growth rates in the right-to-work environment.” Richard Vedder, professor of Economics at Ohio University, published in the Cato Journal.

I have worked for the Manufacturer & Business Association for almost 20 years and have had the privilege of meeting thousands of hard-working and generous business owners from all business sectors. Without hesitation, I can tell you that they and their employees would welcome the opportunity of choice, where every individual would have the right, but not be compelled, to join a labor union. With this in mind, the Manufacturer & Business Association’s strongly supports HB 50 and the Open Workforce Initiative package of bills. Now, more than ever, it is time to allow hard-working tax payers in Pennsylvania the freedom of choice.

Thank you once again, Mr. Chairman, and members of the committee, for taking the time to hear from so many concerned citizens and constituent groups throughout this process.

House Labor and Industry Committee House Bills 50/51/52/53 Public Hearing
August 16, 2011

Resources for Right-to-work Statistical Information

Submitted by: Lori Joint, Director of Government Affairs, Manufacturer and Business Association

<http://www.senate.mo.gov/10info/members/d27/taxcredits/Right%20to%20Work%20Statistics.pdf>

<http://online.wsj.com/article/SB10001424052748703730804576317140858893466.html>

<http://www.johnwcooper.com/right-to-work-laws/right-to-work-laws.pdf>

<http://chiefexecutive.net/best-worst-states-for-business>

<http://www.alleghenyinstitute.org/component/content/article/696.html>

http://www.hillsdale.edu/images/userImages/mvanderwei/Page_6907/Imprimis_MayJune11.pdf

Follow up information: Public Hearing, Open Workforce Initiative - August 16

Submitted by: Lori Joint, Manufacturer and Business Association

It was requested that I submit information regarding the frequency and types of companies that call to inquire about moving or expanding in Pennsylvania. The president of our Association indicated that he receives about 5 calls per year. As stated during the testimony, we are not an economic development company, but that I would follow up with companies that specialize in that based on comments they have made in the past.

I contacted Jake Rouch, Vice President of Economic Development at the Erie Chamber. He said that we don't even get the calls from larger corporations because they use the "Right-to-Work" state status as a screening mechanism and that based on that variable alone, many of the big deals never even look at or consider Pennsylvania. He attends annual conferences and said that Pennsylvania is taken out of the mix immediately and that this is well known in Economic Development circles. Right-to-Work is not the only drawback, taxes and other factors play in as well. But as mentioned above, Right-to-Work status serves as an initial screening mechanism. In addition, he said that there are hundreds of deals that we were not even looked at or considered for over the past few years. The most recent large deal that didn't even consider Pennsylvania was Airbus.

Mr. Rouch also suggested I contact some of the bigger Site Selection Consultants, as they deal with these things every day. I contacted Dr. Ron Pollina from Pollina Corporate Real Estate in Chicago. According to Dr. Pollina, Right-to-Work status is rated very heavily in their considerations because Corporations rate it very high on their list of importance. They release a top 10 states for business each year and Pennsylvania ranked 39. When he is working with a company regarding an expansion or

relocation or new site, he doesn't even recommend Pennsylvania. He said Pennsylvania is overlooked in any major manufacturing deal 100% of the time. The only exception to this is if there is a compelling reason for the company to be in this state (i.e. location to customers, industry specific, etc.) Pollina's company recently completed an extensive study for the state of Michigan and said there are many similarities to PA in terms of being viewed as a "heavy union state". The analysis was to help them determine how to become more competitive from an economic development standpoint. He is willing to testify to these facts if necessary.

I will be receiving information for another Site Selection Consulting Company, Austin Company out of Cleveland. I will forward their comments once I receive them.