



Executive Summary

The 2009 Index of Worker Freedom (IWF) is the only state-by-state comparative study that measures the level of worker freedom by analyzing policy implications as well as quantitative state data. This is the second edition of a biennial report from the Alliance for Worker Freedom (AWF). This Index will provide the public, researchers, federal and state lawmakers, employees and business owners with a tool for cross-national comparative analysis and future research on the level of employee’s rights and worker freedom in each state.

In order to provide a more comprehensive and accurate analysis, the 2009 Index will measure states’ level of worker freedom based on fifteen variables: Right to Work (RTW), union density (UD), public sector union membership (UMU), private sector union membership (UMR), paycheck protection (PP), prevailing wage (PW), collective bargaining rights (CB), workers’ compensation (WC), minimum wage (MW), entrepreneurial activity (EA), health insurance mandates (IM), occupations requiring licenses (OL), unemployment (UE), state corporate tax rates (CTR), and topmarginal tax rates (MTR). This 2009 Index analyzes and incorporates not only qualitative data for the purpose of policy recommendation, but also

examines quantitative data using U.S. Census and Bureau of Labor Statistics (BLS) information, the Office of Labor Management Standards (OLMS), and data gathered from non-profits and think-tanks, as well as other sources.

Before the Index highlights are examined, it is important to note that this study is not just a policy recommendation; rather also a metric to be used by both elected officials, as well as the public, to determine where a state ranks on a variety of labor and employee related variables.

As can be expected, states with high IWF scores and low union density tend to have higher rates of population growth (See Appendix 2 for complete population growth data). The top quintile of IWF scores had an average population growth of 1.37 percent compared to the national average of 0.91 percent. The average union density for these states was 8.12 percent, while the national average was 13.7 percent.

By contrast, the quintile on the right had an average growth of only 0.55 percent and a union density of 18.37 percent.

Table 1.1- First Quintile IWF Correlation

State	IWF Score	Pop Growth	Union Density
Utah	15	2.47%	7.1
Alabama	12	0.76%	10.7
Arizona	12	2.26%	9.8
Idaho	12	1.82%	8.0
Mississippi	12	0.60%	7.3
North Dakota	12	0.56%	8.2
South Dakota	12	1.06%	6.4
Wyoming	12	1.77%	8.9
Colorado	11	1.96%	9.2
Kansas	11	0.88%	8.7
Virginia	11	0.91%	5.0
Average		1.37%	8.12%
National Average		0.91%	13.70%



Table 1.2- Fifth Quintile IWF Correlation

State	IWF Score	Pop Growth	Union Density
Alaska	3	0.76%	24.7
Delaware	3	1.28%	14.7
Maine	3	0.08%	14.7
Massachusetts	3	0.46%	16.9
New York	3	0.31%	26.6
Ohio	3	0.07%	15.5
Oregon	3	1.44%	17.4
Connecticut	2	0.33%	17.9
Minnesota	2	0.73%	17.0
California	1	1.03%	19.5
Illinois	1	0.59%	17.5
New Jersey	1	0.34%	19.0
Rhode Island	1	-0.22%	17.4
Average		0.55%	18.37%
National Average		0.91%	13.70%

These findings show that worker freedom not only improves the quality of lives for the workers in the state, but also improves the overall health of the state by attracting an inflow of new workers and innovators. People have a desire to be free, to join the organizations they choose to join, to do the type of work they want to do, and to choose their own destiny without being obstructed by government regulations and labor unions. States that allow people this freedom will attract the hardest workers and the best minds. These states will grow, they will innovate

and produce, and they will have strong economies that will further improve the lives of their citizens.

The 2009 IWF used data from 2008 as complete 2009 data was not available at the time of writing. The mean score for this Index was 6.78, which when rounded to 7 makes the average score a “C.” The modal score was 12, a B, with seven states receiving this score. The scores ranged from 0, an “F” to 15, an “A.” Utah received the only perfect score and also had the highest rate of population growth.

Identifying and Defining Variables

For this analysis, fifteen variables were used to rank each state on their level of “worker freedom”. The variables are: Right to Work (RTW), union density (UD), public sector union membership (UMU), private sector union membership (UMR), paycheck protection (PP), prevailing wage (PW), collective bargaining rights (CB), workers’ compensation (WC), minimum wage (MW), entrepreneurial activity (EA), health insurance mandates (IM), occupations requiring licenses (OL), unemployment (UE), state corporate tax rates (CTR), and top marginal tax rates (MTR).

Once the data was collected and tabulated, the states were scored based on if they “did” or “did not” have or meet the data measurement criteria contained within the variable. The state was then assigned a score per variable, either a “1” or “0” if they met or failed to meet the criteria contained within the variables respectively. The scores were calculated producing ranges from “0” to “15” with the former indicating no worker freedom and the latter illustrating complete worker freedom on all fronts based on our criteria, (see Appendix 3 for a complete breakdown).



Right to Work (RTW) laws are statutes which prohibit trade unions from making membership in unions and payment of dues a condition of employment with a company either ante or post hire. These statutes are enforced in twenty-two states and allowed under the provisions of the Taft-Hartley Act. Prior to the passage of the Taft-Hartley Act in 1947, unions and employers, under the protected umbrella of the National Labor Relations Act (NLRA), could lawfully agree to what is known as a “closed shop.” In a “closed shop,” workers are forced to pay union dues as a condition of employment. Right to Work laws are essential in protecting the Constitutional right of freedom of association, as well as the common-law principle of private property ownership. Workers should be free to refrain from becoming part of a monolithic organization. Furthermore, forced union dues as a condition of employment directly interfere with open and free market labor models and are counter-productive to an open and prosperous society.

For this variable, the research question posed was, “Does the state have Right to Work laws on the books and in practice?” States with Right to Work laws received a “1”. States without Right to Work laws received a “0”.

Union Density (UD) is a percentage measurement of union membership in the total workforce. The basic formula for calculation is: workforce union membership divided by total workforce participation times 100 percent. For this variable, the total union density of both public and private sector employees was analyzed.

This study postulates that states with lower levels of union density have greater worker freedom. Areas of high union density are often prone to forced persuasion, violence toward non-union members, intimidation, and numerous political and campaign contributions on behalf of organized labor (often conflicting with members political views). Therefore, areas with high union density should correlate with a low degree of worker freedom.

For each state, the research question posed was, “Does the state have a union density lower than the national average?” States with union density lower than the national average received a “1”, those with union density higher than the national average received a “0”.

Public Sector Union Membership (UMU) refers to the percentage of public sector (non-private) employees that are members of a union.

Up until the 1960s, government employees were unlikely to be union members. That changed thanks to a string of union victories in the government sector, and by the 1980s about 4 in 10

public employees were unionized. That number has drifted down to today’s 36 percent, where it seems to have leveled off. Unlike the private sector, where union membership falls every year, government sector unionism is alive and well.

For each state, the research question posed was, “Is the percentage of public sector union membership lower than the national average?” If the percentage was lower, the state received a “1”. However, if union membership of public sector employees was higher than the national average, the state received a “0”.

Private Sector Union Membership (UMR) refers to the percentage of private sector employees that are members of a union.

Union membership in the private sector is dwindling across the country and is considerably lower than public sector membership. Because of deteriorating union membership, unions are attempting to eliminate secret ballots when voting to form unions in a new shop and fight against Right to Work laws. These attempts by unions to maintain their power limits worker freedom. States with higher union membership have more powerful unions which are better able to influence pro-union, anti-worker legislation. They also have greater power to coerce non-union workers into joining unions.

For each state, the research question posed was, “Is the percentage of union membership in the private sector higher or lower than the national average?” If it was lower than the national average, the state received a “1”. If it was higher, the state received a “0”.

Paycheck Protection (PP) refers to laws that prohibit public employee labor organizations from using public employees’ dues or fees for political contributions, except with the prior consent of individual public employees each year on a specific written form.

Without paycheck protection laws, union bosses can use member dues for political contributions without consent and support a political agenda the payee may not support. In doing so, individual rights and basic employee freedoms are violated. Implementing paycheck protection laws are instrumental in increasing fiscal transparency and accountability; both of which allow for a higher degree of worker freedom.

In 2008, only six states had paycheck protections: Idaho, Michigan, Ohio, Utah, Washington, and Wyoming. For each state, the research question posed was, “Does this state have paycheck protection laws?” If paycheck protection laws were present, the state received a “1”, if the state lacked paycheck protection laws; the state received a “0”.



Prevailing Wage (PW) is, in labor circles, generally synonymous with the Davis-Bacon Act, which requires contractors and sub-contractors working on federal or District of Columbia construction contracts; or, federally-assisted contracts in excess of \$2,000, to pay the workers no less than the current level of the prevailing wage in the area in which the construction project is carried out.

The prevailing wage is most often equal to the union wage, which means unionized construction companies can decide the rate of any federal project. The federal government and many state governments use various voluntary surveys to determine the wage that “prevails” in the field of construction. Unionized contractors and construction crews, however, have an exceptionally high incentive to respond to those surveys. By contrast, nonunion contractors have a low motivation to respond.

As a result, even though only a small share of construction workers are union members, most of the contractors responding to the surveys report paying union scale, and thus union scale is determined to be the prevailing wage.

This decision making power intrudes on the mechanisms of the free market and artificially drives up the cost of construction. In fact, the additional costs attributable to the prevailing wage have been estimated to inflate construction costs by 9.91%, wages by 22%, and increase public construction costs by \$8.6 billion annually¹.

For each state, the research question posed was, “Does this state have prevailing wage laws?” If a prevailing wage existed, the state received a “0”, if the state had no prevailing wage; it received a “0”.

Public Employee Collective Bargaining (CB) requires employees to negotiate over wages and workplaces collectively rather than individually with their employer. Workers are lumped together into a single collective entity under these agreements. They must all follow a one-size-fits all contract that ignores that fact that workers are all unique individuals. By taking away the worker’s right to negotiate his own contract with his employer, he becomes nothing more than a faceless drone in the collective. The worker’s individual abilities, needs, and desires are ignored in order to promote the interest of the union and the collective.

Collective bargaining infringes on the liberty of the employers to hire whoever they want, thereby decreasing the degree of worker freedom by eliminating certain workers from the hiring pool. Public employee collective bargaining rights force employees to set wages according to the standards of the labor unions. Furthermore, collective bargaining rights make the employers vulnerable to threats of strikes, which give immense power to union employees at the expense of the employer, and take power away from non-unionized employees thus infringing on their freedoms.

For each state, the research question posed was, “Does the state have collective bargaining rights for public sector employees?” If the state has collective bargaining rights for public sector employees, it received a “0”, if the state does not have collective bargaining rights; it received a “1”.

Workers’ Compensation (WC) statutes are laws that were established to ensure that employees who are injured or disabled on the site of employment are provided with fixed monetary awards. This was intended to limit the need for litigation.

Typically, the funds used to provide employees with workers’ compensation are paid by an employer on a monthly or yearly basis. Forcing employers to pay the premiums on these often-monopolistic, government-run schemes ultimately lowers wages. When an employer is forced to pay egregious amounts of money into a system that is often taken advantage of, the result is less expendable capital that could be put towards either paying current employees a higher wage, or hiring additional employees which could ultimately lower the cost of the good or service for the consumer. An employer paying thousands of dollars to a state bureaucracy is an employer not paying those thousands of dollars to their workers. Therefore, the higher a state’s average premium rate index, the more people are pulling from the “pool” and the less capital exists which could increase employee wages.

For each state, the research question posed was, “Is the state’s average premium rate index per \$100 of payroll lower than the national average?” If the state index was lower than the national average, the state received a “1”. However, if the state had a workers’ compensation premium average that was higher than the national average, the state received a “0”.

Minimum Wage (MW) is the lowest hourly wage that employers may legally pay employees. With the Fair Minimum Wage Act of 2007, the minimum wage was set to rise from \$5.15 per hour to \$7.25 per hour by 2010; it was later fast tracked to increase on July 24, 2009. The federal level on July 24, 2008 was \$6.55 per hour. As the data used in this index is from 2008 that is the rate which will be used.

Almost four-fifths of the states have minimum wage laws that either adhere to whatever the federal government legislates, or have increased their minimum wage higher than that of the federal level. Supporters of the minimum wage argue theories of welfare economics and work incentives. It, however, does nothing but stagnate economic growth and restrict business expansion. It reduces profit margins of business owners and increases prices for consumers. Further, it hurts the least employable in society by effectively “pricing” them out of the market. As the cost of employment increases, businesses are forced to cut back on their number of employees, increase their prices and pass the



costs to the consumer, or close down if they cannot compensate for the increased costs. Minimum wage laws hurt businesses, costumers, and workers, especially low-skilled workers who are no longer able to find work.

For each state, the research question posed was, “Does the state have minimum wage laws higher than the federal level?” If the state minimum wage laws were higher than the federal level, the state received a “0”. If the states minimum wage is equal to or lower than the federal level, the state received a “1”.

States with no minimum wage laws are Alabama, Louisiana, Mississippi, South Carolina and Tennessee – by default, their minimum wage is that of the federal level and received a “1”.

Entrepreneurial Activity (EA) measures the number of entrepreneurs starting new businesses in each state. This is an important variable of worker freedom as competitive advantage is becoming more and more grounded in the reinvention of new and different business models. Moreover, in entrepreneurial businesses, the employees are likely to have a higher degree of freedom due to the absence of organized labor initiatives and the threat of union influence. Under the National Labor Relations Act, only salaried employees of companies are liable for unionization. This is nearly impossible to do with a large population of entrepreneurs. Since unions ultimately strip workers of their paycheck security, healthcare security, and retirement security, anything that makes unionization more difficult can only serve to make workers more free.

For these reasons and more, state entrepreneurial activity is becoming increasingly more important to economic vitality. These firms add jobs to the region and have a vested interest in the community and state. This study postulates that a higher rate of entrepreneurial activity per state results in a higher degree of worker freedom. With each state having different rules and requirements to start a business, in a mobile workforce, states with a higher degree of worker freedom will have a higher percentage of Entrepreneurs.

For each state, the research question was posed: “Is the number of entrepreneurs per 100,000 people in the state higher than the national average?” If the state had a higher number of entrepreneurs than the national average, the state received a “1”. However, if the state had a lower number of entrepreneurs than the national average, the state received a “0”.

Health Insurance Mandates (IM) is a requirement that a worker’s health plan covers certain health care providers, benefits and patient populations. Each state has different requirements on which benefits and health care providers are covered by

insurance. Some of these mandates include: hair prostheses (wigs), infertility services, alcoholism, marriage therapists, social workers, acupuncturists, and coverage for grandchildren and non-custodial children².

Mandated benefit requirements make plans inflexible to the wants and needs of the insured worker. It also drives up costs of insurance in two ways. It forces insurance companies to cover benefits they normally would not cover. It also forces the insured person to buy benefits he or she may not need, i.e. Smoking Cessation treatment for a non-smoker, or Alcoholism treatment for a teetotaler. These mandates make it more difficult for some to afford medical insurance and limit their choices about what kind of coverage they want.

For each state, the research question posed was, “Did the states have fewer health insurance mandates than the national average?” If the state had fewer mandated benefits, it received a “1”. If it had more, it received a “0”.

Occupations Requiring Licenses (OL) excludes competition and limits worker freedom. Occupational licenses are supposedly required to ensure safety and quality for the consumer. However, they effectively exclude new competition from the market and keep prices high for those in the select group of licensed professionals. Licenses hurt consumers by keeping prices high and options low. They also hurt workers by excluding people from occupations unless the licensing committee (usually made up of people with whom the new comer would compete) allows them to have a license.

Each state determines the types of occupations which require licenses. Some occupations such as accountants, architects, lawyers, pharmacists, public school teachers, truck drivers, and barbers are required in all fifty states. Other occupations that are required to be licensed include: beekeeper, auctioneer, chimney sweep, hair braider, Jai Ali athlete, interior designer, motion picture projectionist, and rainmaker to name a few.³

The more professions a state requires to be licensed, the less freedom the workers in that state enjoy. They are limited in the types of professions they may enter and how they conduct their work in those careers.

For each state, the research question posed was, “Is the number of occupations that require licensing higher or lower than the national average?” If the number was lower than the national average, the state received a “1”. If it was higher than the average, the state received a “0”.



Unemployment Rates (UE) measure the number of people who are looking for paying work, but are unable to find it. A state with a lower unemployment rate means that those who want to work are able to find it. As the unemployment rate increases, more people will be out of work and will have fewer options about where they can work. This means that a lower unemployment rate translates to greater worker freedom.

For each state, the research question posed was, “Is the unemployment rate higher or lower than the national average?” If it is lower than the national average, the state received a “1”. If it is higher than the national average, the state received a “0”.

State Corporate Tax Rates (CTR) are important for worker freedom because lower tax rates create an environment of lower costs for businesses. Lower costs mean the businesses are able to spend that money on expansion to hire more employees and have more money to pay their employees. The more money the government takes from the businesses, the less money they have to hire and pay workers. These higher costs also get passed on to the consumer causing workers to have to pay more for the goods that they want and need.

For each state, the research question posed was, “Was the top corporate tax rate higher or lower than the national average?” If the tax rate is lower than the national average, the state received a “1”. If it is higher, the state received a “0”.

The Top Marginal Individual Tax Rate (MTR) is the highest tax rate that an individual worker must pay the state. Some states have a flat tax rate, so that all workers in that state are treated equally under the law, while others have a progressive tax based on the amount of income the person earns.

Taxing a worker’s income means the state has a claim to that worker’s labor. The higher the tax burden, the more of that worker is owned by the state and the less the worker owns of himself. The states with higher tax burdens lessen worker freedom because it forces the worker to work longer and harder to achieve the same level of wealth as someone from a state with a lower tax burden. Higher taxes also mean the worker has less to spend on consumption and investment in other companies and this further slows economic growth.

For each state, the research question was asked, “Was the top marginal tax rate for the state lower than the national average?” If it was lower than the national average it received a “1”. If it was higher, it received a “0”.

Scoring Matrix: the letter grades were tabulated by using the total numerical score for each state and are as follows:

A= 15-13; B= 12-10; C= 9-7; D= 6-4; F= 3-0.