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**Explaining State Differences in Labor Costs Trends, 1970 - 1995**

Susan B. Hansen
Department of Political Science
University of Pittsburgh
Sbhansen@pitt.edu
412/648-7272

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**Abstract:** A measure of trends in state labor costs (based on union membership, manufacturing wages, right-to-work laws, unemployment benefits, and workmen's compensation) showed a sharp decline in those costs between 1970 and 1995. This paper considers competing economic and political theories to account for differences in labor cost levels and rate of change across the 50 states. Economic factors (trends in manufacturing and service employment, labor force composition, exports, and foreign investment) account for about 50% of the variance in state labor cost change, 1980-1995; these economic factors are used to estimate a new labor-costs measure. I then consider political explanations for labor-cost trends, including union membership, interest-group diversity, the institutionalization of labor interests within state legislatures, party competition, ideology, and partisanship. Regression results indicate that even though union membership levels have declined dramatically since the 1970s, states with historic support for labor have experienced less erosion in labor costs. But the influence of labor unions is mediated by the diversity of a state's interest-group community and the presence or absence of designated labor committees in the state legislature.

> "Our understanding of the policy process, and perhaps democratic politics more generally, is impoverished to the extent that we fail to consider the importance of labor organization as the crucial institution for mediating class conflict"
> (Radcliff and Saiz, 1998: 123)

The effects of globalization on nation-states have been much debated within political science and economics. In theory, the increasing global mobility of capital should pressure countries to reduce their tax rates, minimize regulatory burdens on business, and constrain labor costs (both wages and the "social cost" of labor such as payroll taxes and unemployment benefits). In practice, however, countries differ considerably in their responses to the global economy (Swank 2002). As Figure 1 shows, real wages (as measured by OECD) increased considerably in the European Union and Japan between 1970 and 1995, while they remained almost unchanged in the U. S. And over the same time period the U. S. experienced far more rapid employment growth than Japan or the countries of the European Union.

In a recent article (Hansen 2001) I argued that the persistent low level of labor costs in the U. S. was due not just to globalization, but to competition among the American states for jobs and business investment. Previous research on interstate competition for jobs and investment has stressed the role of taxes and business incentives (Eisinger 1988; Peterson 1995; Brace 1992). But I argued that the cost of labor as a major factor of production is a more salient element in business investment and location decisions than either state taxes or state/local incentives. I developed a measure of labor costs for the American states, 1970 - 1995, using factor scores based on unemployment rates, whether a state had a right-to-work law, unemployment compensation, workmen's compensation benefits, and percent union members in the labor force. This measure showed that almost all states had indeed reduced labor costs over this time period, with the greatest reductions coming in states whose labor costs had been low to begin with.

The impact of labor costs on economic growth remains a hotly debated issue within economics (Iverson 1998; Katz and Darbishire 1999; Wallenstein and Western 2001). European countries such as Germany have come under strong pressure to reduce the "social wage" in order to compete more effectively with the Eastern European countries now entering the European Union. My 2001 analysis found that my indicator of state labor costs had a greater impact on state economic growth rates, 1980 - 1998, than either state taxes or other investment incentives. However, contrary to economists' expectations, I found little evidence that reducing labor costs contributed to either lower unemployment or higher rates of job growth in the states. In fact, the states most fully integrated into the global economy were those with high labor costs and higher levels of productivity. I plan additional time-series analysis to sort out these causal patterns more fully.

In this paper, however, I turn to a more political question: why did some of the American states reduce labor costs more than others? An obvious explanation is the relative density of labor union membership across the states. As Radcliff and Saiz (1998) have shown, unionization levels are significant predictors of state policy liberalism in areas such as AFDC benefits, education spending, total per capita spending, and tax progressivity. It is therefore reasonable to expect that states with strong labor unions will be better able to withstand business pressures to restrain wages, limit union organizing efforts, and reduce the scope of unemployment benefits and workmen's compensation. However, as Gray and Lowery's (1996) ecological approach has shown, interest group influence depends on the context: the total population density of other interests in the state system. And the presence or absence of competitive political parties can also mediate the impact of organized interests.

In the next section I will describe my indicator of labor costs and show how the states rank in terms of levels and trends since 1970. I next develop several hypotheses to explain these state differences. Of course trends in industrial structure and labor force participation can affect labor costs, and I construct a revised labor-costs measure based on these economic factors. I then consider the efforts of labor unions and their political allies to counter downward pressures on labor costs from business and the global economy. I also consider how labor issues have been institutionalized in state government, particularly in legislative committees. Important intervening variables include interest group diversity, party competition, political culture, and state public opinion. After describing the measures used to operationalize these concepts, regression analysis will be used to test whether political factors have an independent effect on labor-cost trends once economic factors are controlled.

## I. Measuring state labor costs: levels and trends

The American states have long played a role in regulating the cost of labor. The federal minimum wage adopted during the new Deal represented an effort to raise Southern wages and improve living conditions in the South (Paulson 1996). This was strongly resisted by low-wage states which felt they would lose an important comparative advantage. The Taft-Hartley Act of 1948 permitted states to adopt right-to-work laws (as 21 states have done to date). Several eastern and midwestern states, however, endeavored to improve workplace conditions. Populists and progressives advocated policies designed to enhance union strength, invest in human capital, limit child labor, and protect workers' health, pensions, organizing rights, and job security. Many states have also adopted minimum wages above the federal minimum. Personal income in the South did rise relative to the rest of the country, particularly after the New Deal. But as of 1970, wage differences remained considerable between North and South, and the regions have diverged even further since 1980. Instead of national policies, on the New Deal model, to raise southern wages, we see instead efforts by states to enhance their international or regional "competitiveness" by keeping the lid on labor costs. Many of the states have reduced workmen's compensation, restricted eligibility for unemployment benefits, limited strikes by public employees, and used measures such as hiring migrant workers, prison labor, or bans on secondary boycotts to inhibit union organizing efforts and keep wages down. Biennial editions of the *Book of the States* have documented these legislative and regulatory trends.

As described in an earlier article (Hansen 2001), I used factor analysis to assess the overall scale of state labor costs and their trends over time. My indicators of the relative cost of labor across states included average workmen's compensation benefits, percent union members, average unemployment benefits, average manufacturing wages, and presence or absence of right to work laws. All five measures loaded on the first (unrotated) factor, accounting for 48 percent of the variance, and these factor loadings were used to construct a "labor costs" score for each state for each year, 1970-1995. This measure has considerable face validity, since the highest-scoring states (New York, Michigan, Pennsylvania) clearly differ from low-scoring states such as Alabama.

Table 1 shows mean factor scores for labor costs by state, 1970-1995, and the percent change between 1970 and 1995. The range is quite striking, with the heavily unionized Northeastern manufacturing states at the top and many non-union Southern states at the bottom. There are a few surprises: despite its poverty, West Virginia ranks relatively high in labor costs, as does Alabama; both have higher levels of union membership than most Southern states. And Vermont, despite higher levels of taxes and social services, ranks only a little above New Hampshire in the bottom quartile.

According to this measure every state has registered at least some decrease in labor costs since 1970, ranging from Delaware and New Jersey with less than ten percent to Arizona and Mississippi with 38 percent and West Virginia with 40 percent. The high-labor-costs states decreased theirs the most (averaging over 30 percent), but the low-labor-cost states also reduced their costs, by over 25 percent on average. Figure 2 depicts the trend in labor costs since 1970 based on these factor scores. A considerable decline is evident: over 25 percent between 1970 and 1995. In an environment where states must compete to attract business, we would also expect greater convergence over time among the states. That is indeed the case for both manufacturing wages and overall labor costs: variability (indicated by the coefficient of concordance, W, the standard deviation divided by the mean) decreased slightly between 1970 and 1995. Variability in unemployment across the states has also declined by the 1990s, after increasing sharply in the 1980s. However, to date there has been no convergence over time in workmen's compensation benefits, since medical costs remain much higher in urban areas of the Northeast and on the West Coast.

## II. The economic basis for trends in labor costs

Much of the decline in labor costs has been attributed to increased international economic competition in sectors such as steel and automobiles, and the loss of highly paid manufacturing jobs in those sectors. Trends in labor costs may also due to the changing composition of state industrial structure as the American economy has moved away from heavy manufacturing and mining into services. The labor force has also changed as more women and immigrants have entered (Kelly 1991). These groups have traditionally been harder to organize than white males, and many in labor unions have been concerned that women and immigrants would drive down wages. On the other hand, educational levels across the U. S. have increased considerably since the 1970s. Productivity levels have also increased over this time period. One would expect that a better-trained labor force would demand higher wages.

Regression analysis will be used to estimate how much of the trends in state labor costs can be attributed to these factors (Table 3). The dependent variable is the decline in state labor costs, 1970-1995, based on the factor scores described above. The independent variables include, in addition to the baseline (1980) value for state labor costs (1):

Change in the percent of the state labor force employed in manufacturing, 1982-1997
Change in labor force sector diversity, 1982-1997
Level of foreign direct investment in the state, 1981
Value of state manufacturing exports, 1981
Increase in manufacturing productivity, 1982-1995
Percent of foreign-born immigrants in a state, 1980-1996

All proved to be statistically significant predictors of the change in state labor costs, 1980-1995; this model explains 49 percent of the variance. However, several of the signs for the coefficients were surprising. Although I mentioned above that high-labor-cost states had decreased labor costs the most since 1970, once other factors were controlled, states with higher wages in 1980 actually showed further increases. Labor costs also increased faster in states with a high proportion of immigrants, despite popular beliefs and political claims to the contrary (Hansen 1999), but of course many immigrants are attracted to high-wage states such as New York and California both because of higher wages and the existing immigrant communities there. Another puzzling result is that increases in productivity are linked to *slower* increases in labor costs. To some degree this may reflect management decisions to substitute capital for labor, thus increasing unemployment and downward pressure on wages (Belman 1992).

I had anticipated that states most open to the international economy would experience the most pressure to restrain labor costs, but here the results are mixed. Labor costs actually increased in states with high levels of exports; as Porter (1985) and others have argued, the American competitive advantage lies in high productivity goods like aircraft and computers. States which a increased manufacturing employment (such as Washington, which produces both aircraft and computers) also showed increased labor costs, as did states whose economies became more diverse. But states with high levels of foreign direct investment experienced lower wage costs, perhaps a reflection of the massive investment of foreign automobile manufacturers in low-wage states like Alabama and Kentucky (Yanarella and Green 1990; Fox and Lee 1996).

The regression coefficients based on this model were used to estimate a revised labor-costs index for the 50 states. In a later section of the paper I will used these estimated scores to test whether political factors have an independent impact on trends in labor costs.

## III. Political explanations for trends in state labor costs

In addition to trends in international trade, industrial composition, and characteristics of the labor force, public policy and political choices can also influence state labor costs. Examples include state efforts to reduce rising expenses for workmen's compensation and the adoption of right-to-work laws. Although the U. S. has had a federal minimum wage since the 1930s, many states have set wages for at least some workers either higher or lower than the federal minimum *(Book of the States*, bienniel editions). And in the U. S., unlike more centralized European governments, unemployment compensation eligibility and benefits vary considerably across the states. States also regulate union activities such as organizing by public employees, strikes, secondary boycotts, and demands for right-to-know laws concerning hazards in the workplace. A "Paycheck protection" law, limiting the ability of unions to use PAC funds for political purposes, was defeated during Congressional debate on the McCain-Feingold campaign finance reform bill, but similar laws have been introduced in over thirty states, with strong backing from Republicans and conservatives. The Religious Right is also supporting paycheck protection laws, equating union influence with liberalism and secular humanism (Dreyfuss 1998). To date these so-called paycheck-protection laws have passed in five states.

I will consider five political factors that could influence state adoption of policies to restrict labor costs: labor union membership, the interest group environment, public opinion/political culture, the institutional arrangements for labor policy-making, and party competition..

A. Labor union membership is a key variable to consider in accounting for differences in state labor-cost policy, since labor union members receive considerably higher wages than non-union workers. One of the most striking trends in American politics has been the dramatic decline since the 1950s in union members as a percent of the workforce (from 33 to 13 percent), while other industrialized countries averaged only a three percent decline (Wallerstein and Western 2001). But the states still differ considerably in union membership in both the public and private sectors (Table 3). Traditional labor organizations (primarily AFL-CIO) have declined 79 percent in membership since 1970. Unionization levels among state public employees are now considerably higher than those in the private sector, and even increased four percent between 1986 and 1996. Teachers' unions and organizations, primarily NEA, received the highest number of first-place mentions in Thomas and Hrebenar's (1999) ranking of the forty most influential interests in the American states. And as they note, despite the decline of organized labor (AFL-CIO) in their rankings ($17^{th}$ in 1990, $12^{th}$ in 1999), "white collar unions–particularly state and local employees–have risen to prominence and held on even as partisan control has changed" (1999: 133).

The greater the clout of organized labor in a state, the more difficult it should be to reduce unemployment benefits, limit workmen's compensation awards or eligibility, or counter union efforts to organize or strike. In California in 2000 labor unions successfully mobilized to defeat a paycheck-protection initiative, despite massive spending by conservative and business groups (Dively 2002). But labor unions may not always pursue a unified strategy because of inter- or intra-union battles over leadership, strategy, or which public officials to support (Cohen 2002;

Golden 1993).

Perceptions of relative power or influence, or of the legitimacy of unions, may be just as important as objective measures based on membership or PAC contributions. In the Hrebenar and Thomas interest-group studies, legislators (or academic or media observers) often rated labor unions and/or the AFL-CIO as quite influential in their state, even if labor union membership was quite low. Nevada is one such example: it is a right-to-work state, but labor unions are concentrated in the two most urban counties and play a major role in Democratic party politics (Driggs, 1987). And even through business far outspends labor in donations to PACs and political campaigns, and union membership levels are already at historic lows, Republicans in both Congress and the states who feel threatened by labor's political clout have been pushing for "paycheck protection" laws to further weaken the influence of unions.

B. The interest group environment. As Gray and Lowery (1996) have stressed in their ecological approach to interest groups, it is relative rather than absolute influence that matters. Research on interest groups at both the state and national level has found sharp increases in the density, resources, and professionalism of organized interests (Gray and Lowery 1996; Hrebenar and Thomas 1999; Heinz et al.1993). So even if a state has high rates of union membership, if opposing groups (business, insurers) are highly mobilized and well organized, labor may not be able to fend off efforts to hold down labor costs.

C. Public opinion, partisanship, and ideology may also influence state efforts to regulate labor costs. Despite declines in labor union density, labor unions continue to receive relatively high rankings from the American public, as indicated by NES thermometer scores (Hansen and McLean 2003). More Democratic and ideologically liberal states, and states classified as liberal in terms of other policies, should also be more supportive of labor unions and of policies to benefit the working class. The American states also differ in political culture. We should expect greater support for labor unions (and higher labor costs) in individualistic states, where politics is usually conceived as a group- based conflict over resources and benefits.

D. Party competition. An analysis of trends in labor costs must take into account V. O. Key's hypothesis that competitive parties lead to better policies for the have-nots in society. We would expect slower rates of reduction in labor costs in more competitive two-party states, similar to what Hill, Leighley, and Hinton-Anderson (1995) found for welfare benefits.

E. The institutional framework for labor policy can impede or facilitate the representation of labor and union concerns. Within the executive branch, two states (North Carolina and Montana) have an elected Labor Commissioner. All but three states (Arizona, Utah, and Mississippi) have a cabinet-level Secretary of Labor. The major responsibilities of these labor departments is to implement state and federal regulations concerning unemployment taxes and benefits, workmen's compensation eligibility, and union organizing efforts. Some state labor departments also provide mediation or arbitration services, deal with public employees' compensation and pensions, or handle complaints concerning discriminatory employment practices. The governor may have considerable influence over labor departments (appointing cabinet secretaries more or less sympathetic to unions, for example). As Cohen (2002: 95) notes, unfair labor practice charges filed with the National Labor Relations Board (NLRB) increased dramatically after President Clinton replaced the previous administration's appointees with people far more sympathetic to labor, and one would expect similar trends in the states.

State legislatures are key elements for the laws and regulations that can affect state labor costs. One factor to consider is the direct representation of union members in the legislature. According to Hrebenar and Thomas and a 1993 survey by the National Conference of State Legislatures, fewer traditional labor union members are being elected than in previous years. However, a considerable number of teachers' union members have been elected to state legislatures, and their PACs contribute heavily to (mostly Democratic) legislative races.

A second element to consider is legislators' attitudes toward business versus labor. Ambrosius and Welch (1988) found that even liberal and Democratic legislators in the five states they surveyed tended to give priority to business rather than labor concerns. This preference was not based on lobbying or campaign support, but because legislators perceived business investment and location decisions as crucial to state economic development. Reeher (1996) found that Connecticut state senators differed in their conceptions of distributive justice, with some more concerned than others with working families and the poor. Such research needs to be extended to other states.

A third dimension of the institutionalization of labor interests within state government is the legislative committee structure. We should expect the influence of labor to be greater in state legislatures with designated limited-jurisdiction labor committees, which are also the most likely to command staff resources and member expertise. If there is no single committee, interest groups would have to divide their efforts among several committees, hearings, etc. and there would be less chance for legislators or their staffers to specialize in labor/employment issues. In many states business and labor issues are handled by a single committee. While this format may indicate political recognition of the importance of labor as well as capital for economic growth, considerable conflict is also likely between these two elements. These are obviously very broad assumptions; the clout of particular committees may well vary with the professionalism of the legislature and the skills, interests, or ideological proclivities of the members and chairs (Francis 1989; Hamm and Hedlund 1994).

I have attempted to identify the various labor-oriented legislative committees based on a Council of State Governments (2000) listing and follow-up contacts with state legislative staff. Committee structures differ considerably across the states (Table 4). A few, like Connecticut and the bicameral Nebraska, have joint committees. Some (mostly the larger states) have many specific committees with narrow jurisdictions; others have fewer committees with broader jurisdictions. But the committee listings do provide some indication of state legislative priorities; ethics committees, for example, are more common in the "moralistic" states. Almost all the states have agricultural committees, perhaps a legacy of a more rural past history. And all the states have committees (sometimes more than one) dealing with business, economic development, commerce, or industry.

Based on the CGS committee listings and follow-up contacts, I first classified state legislative committees into four categories. In the first (with 20 states) a legislative committee (whether House, Senate, both, or joint) has been specifically designated to deal with labor issues, including industrial relations, unemployment, public employees, or workforce development. Within the second and most numerous category (22 states) labor and business issues are combined; West Virginia adds mining to the mix and Tennessee includes agriculture. In the third category, labor issues are combined with an assortment of other policies or social services. For the nine states in the fourth category, I found no indication of a committee dealing specifically with labor issues.

For purposes of analysis, I then assigned each state to one of three categories:

3 Committee with specific labor jurisdiction in at least one chamber (including committees combining labor with other issues (2)

2 Labor combined with business/industry; no separate labor committee in either chamber

1 No labor committee identified

The ordinal ranking reflects my expectations that the influence of labor would be the greatest in states with designated limited-jurisdiction committees, which are also the most likely to command staff resources and member expertise.

Politics indeed vary considerably with a state's labor committee structure (Table 5). Labor costs actually increased between 1980 and 1995 in the states with a designated labor committee, and policy-liberalism scores are highest for this group. Labor costs declined the most in states with no such committee, but were essentially unchanged in states where both business and labor interests were represented on a single committee. This could be an example of countervailing power, with both business and labor jockeying for control of the committee agenda and neither side able to maintain a consistent competitive edge in terms of reporting out bills affecting labor costs. And as expected, states with designated labor committees are more likely to be found in individualistic states where group conflict over political benefits is accepted, and least likely in the elite-dominated traditionalistic states.

I would be making too strong a claim if I argued that committee jurisdiction, especially by this crude measure, has an independent causal influence on the clout of labor within a state. What about the reverse pattern - that states where labor is strongest are the states most likely to have a designated labor committee in the legislature? At least according to one measure of labor strength (the percent of the labor force unionized) that may be the case, since the states with no designated labor committees have very low union membership rates. But there is only a five percent mean difference in labor-union membership between states with labor-only committees and states with combined labor/industry committees. So it is at least plausible that differences in committee jurisdiction do exert an independent effect on policy outcomes, and this possibility will be explored in the next section.

**IV. The politics of state labor costs**

To assess the impact of state politics on trends in labor costs, I considered a number of variables to operationalize the concepts just discussed. Unfortunately not all of these are available as time-series data. But where earlier and later measures were available, I could compute measures of change over time. Labor union membership is of course critical, and one would expect much less reduction in labor costs in strong-union states, or those which suffered the least decline in membership between 1980 and 1995. For public opinion, I used the Erikson-Wright-McIver (1993) party and liberalism scales for 1976-88, and the updated scales for 1989-1998 provided by Gerald Wright. The more liberal and/or Democratic a state, the more support is to be expected for benefits for labor. I created dummy variables for Individualistic and Traditionalistic political culture states. The Gray/Lowery Herfindahl index of interest-group diversity (1996) provides a measure of the complexity of a state's interest-group environment. I used the Ranney indices of party control and competition for 1980-2000 (Morehouse and Jewell 2003). Finally, I included the ordinal coding for legislative labor committees in the states, and an interaction term (the product of the legislative committee scale and union density); I would expect labor union influence to be greater in states with a designated labor committee.

The results of correlation and regression analysis are shown in Table 6. The first column gives the Pearson correlations for all the variables to be considered. These suggest that labor costs have indeed increased in more competitive (both the Ranney and Holbrook/Van Dunk measures), liberal, and individualistic states. The highest correlations are for labor union density, and the presence of a designated labor committee has a modest positive impact on labor costs. Partisanship in the electorate in 1976-1988 did not show much relationship to labor cost trends since 1980, but the correlation was larger for more recent measure for 1989-1998, presumably because the more conservative Southern states became more Republican. And states with more Republican control of the executive and legislature did show some decline in labor costs.

The second column presents the regression results for the dependent variable (the trend in state labor costs based on economic factors, as estimated above). With just 48 cases, only a limited number of independent variables could be considered, and of course there are potential multicollinearity problems with the measures of party, ideology, and political culture. The first model includes more variables of interest; the second reduced model accounts for nearly the same percent of the variance.

In both models, the strongest predictors are the Herfindahl index of interest-group diversity (negative; labor costs declined the more varied the interests active in a state) and the indicators of the effects of legislative committees. Labor costs declined in states with no designated labor committees, but the interaction term suggests that the combination of strong labor unions and a designated labor committee produced higher labor costs. This may suggest some confirmation of the argument by Heinz et al. (1993: 377) that in an age of expanded and diversified interest group activity, government officials provide the core for networks of interested parties; they found this to hold for both agriculture and labor in Washington DC. With these indicators included, the impact of labor union membership size or rates of decline was no longer significant. Ideology, competition, and turnout also failed to reach levels of significance.

In the second (reduced) model, the impact of labor union density and ideology are somewhat stronger but still not significant. The labor-committee and interaction term both remain highly significant. There are indications of multicollinearity problems only for the interaction term, which is of course strongly linked to both its components.

The lack of impact of party competition and turnout on labor costs is puzzling, since other research has shown these to be related to welfare, tax progressivity, and spending on social programs. The Erikson-Wright-McIver index of policy liberalism correlated very closely (r=.83) with my index of state labor costs – so closely that problems of multicollinearity would preclude its use in regression analysis. This suggests that elements of the index (progressive taxes, generous welfare benefits, more spending on education) are linked to the same political factors that affect labor costs. And as Radcliff and Saiz (1998) have shown, labor union density is an important variable to consider in explanations of policies benefitting the have-nots. But for policies specifically focused on labor issues, legislative committee structure may be an important (and hitherto not recognized) intervening variable.

**V. Conclusion.**

As this analysis has shown, even after controlling for economic factors, state-level political factors continue to have significant impacts on trends in labor costs. Given the dramatic decline in labor union membership since 1970, one might expect that unions' political influence would decline as well. The bivariate correlations suggested a strong relationship between labor union density and both levels and trends in labor costs; the union presence in a state weighed more heavily than party control, ideology, or party competition. A well-formulated strategy and skilled lobbying may well help unions compensate for low or declining membership rates. Also, unions may have veto power and be able to mobilize to protect earlier gains in the states even if they lack the clout to enact more favorable new policies.

The regression results, however, suggest that union influence on trends in state labor costs is mediated by two intervening factors. One is the diversity of interest groups in a state and the second is the presence or absence of designated labor committees in a state's legislature. Labor costs have declined more in states ranking higher on Gray and Lowery's Herfindahl index of a state's lobbying environment. But labor committees, interacting with union membership levels, have been able to restrain pressures to reduce both wages and the social cost of labor.

These results also cast doubt on the thesis that international trends are putting downward pressure on wages, and provide further support for Swank's (2002) findings of considerable diversity in nation-states' response to globalization . First of all, the American states vary considerably in labor costs, and the variance in labor costs is only marginally less in 1995 than in 1970. Second, although the overall trend, 1970-1995, shows a 25 percent decline, a number of states have shown labor cost *increases* since 1980. Finally, as my earlier (2001) study has shown, cutting labor costs is not the key to reducing unemployment and generating more jobs. The high-wage states, and those with a more productive labor force, are doing better in the national economy (at least before 9/11/2001).

Of course this analysis has focused on the 50 states, but labor costs are influenced by national policy as well. War, terrorism, tariff barriers, and the failure to increase the federal minimum wage or to restrain health care costs can all affect trends in employment and compensation. The McCain-Feingold campaign finance reform may well affect unions adversely because of its ban on soft money. Wages have been stagnant since the onset of the current recession, but we have not witnessed an increase in job creation; in fact, job-creation rates for the Bush administration are markedly lower than any in the past 40 years. The Bush administration has also successfully denied unionization and collective-bargaining rights to federal employees in the new Homeland Security department (Borosage 2003). Within this environment, states may well face continuing pressure to reduce labor costs.

**Notes**

1. All economic and labor-force data is from annual editions of the *Statistical Abstract of the U. S.* Several other factors that had been hypothesized to affect state labor costs, such as the increase in the percent of college graduates, levels of employment in service industries, women's labor force participation, or per capita personal income, were included in other regression models but did not contribute significantly to the variance explained. Unfortunately time-series data are not available for all of the variables considered here, thus precluding time-series analysis or an examination of lag factors.

2. I found large standard deviations for both labor costs and policy liberalism in the five states where labor is combined with several other policy areas, which suggests that factors specific either to the state or to the policy mix affect the outcomes for labor issues. For example, labor costs increased sharply in Hawaii where labor and environmental issues are addressed in a single committee. But the policy liberalism scores are lowest in this group of states, so merging labor with other policy concerns does not appear to be the optimal strategy for maximizing labor influence.

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**Table 2. Union Membership in the States, 1970 to 1996**

**Total union membership as a % of the state labor force**

| | |
|---|---|
| 1970 | 23.7% |
| 1996 | 13.2% |

Percent change - 79.5%

**Top 5 states**: NY 38.7%, MI 37.4%, PA 34.6%, WA and WV 34.4%

**Percent union membership by public employees**

| | |
|---|---|
| 1986 | 32.5% |
| 1996 | 34.4% |

Percent change +4.8%

**Top 5 states**: RI 70.0%, CT 65.4%, MI 61.5%, NJ 61.1%, MN 60.0%

**Table 3. Regression Model: Economic Factors and Change in State Labor Costs, 1980-1995**

| | B | St. Error | T | Sig. |
|---|---|---|---|---|
| **Independent variables:** | | | | |
| Labor costs 1980 | .159 | .102 | 1.55 | .127 |
| % foreign born | 163.7 | 60.1 | 2.72 | .010 |
| Value of exports 1981 | 2.83 | .938 | 3.02 | .006 |
| FDI 1981 | -.0161 | .008 | -1.96 | .057 |
| Productivity increase 1980-1990 | -66.8 | 23.08 | -2.89 | .006 |
| Change in mfg. 1982-1997 | 194.6 | 105.4 | 1.84 | .072 |
| Labor force diversity ch. 1982-1997 | 196.02 | 176.7 | 1.11 | .274 |
| Constant | -21.3 | 66.9 | -.32 | .751 |
| R2 | .492 | | | |
| Adj. R2 | .402 | | | |
| F (7,40) | 5.51 | | | |

**Table 4. Labor Committees in American State Legislature**

**Committee with specific labor jurisdiction**

| | |
|---|---|
| CA | Labor and Employment - H |
| | Industrial Relations - S |
| CT | Labor and Public Employees (jt) |
| DE | Labor - H |
| | Labor and Industrial Relations - S |
| GA | Industrial Relations - H |
| HA | Labor and Public Employment - H |
| LA | Labor and Industrial Relations - S |
| ME | Labor Committee - jt |
| MD | Workers Compensation Benefits and Industrial Oversight - jt |
| MI | Employee Relations, Training, and Safety - H |
| MO | Labor - H |
| | Committee on Job Training - jt |
| MS | Labor - S |
| MT | Labor and Employee Relations - S |
| NH | Labor, Industrial, and Rehabilitation Services - H |
| NM | Labor and Human Resources - H |
| NY | Labor - S |
| PA | Labor Relations - H |
| RI | Labor - H,S |
| WA | Labor and Workforce Development (H) |
| WI | Labor and Employment - H,S |

**Labor combined with industry/business/commerce**

| | |
|---|---|
| AL | Business and Labor - S |
| AK | Labor and Commerce - H,S |
| CO | Business Affairs and Labor - H,S |
| IA | Business and Labor Relations - H,S |
| ID | Commerce and Human Resources - H,S |
| IL | Labor and Commerce - H |
| KS | Business, Commerce, and Labor - H |
| KY | Labor and Industry - H |
| MA | Commerce and Labor - jt |
| MN | Jobs and Economic Development Finance - H |
| MT | Business and Labor - H |
| NB | Business and Labor - jt |
| ND | Industry, Business, and Labor - H,S |
| NV | Commerce and Labor - H,S |

| | |
|---|---|
| OH | Industry, Commerce, and Labor - H,S |
| OK | Business and Labor - H,S |
| PA | Labor and Industry - S |
| SC | Labor, Commerce, and Industry - H,S |
| TN | Commerce, Labor, and Agriculture - S |
| UT | Business, Labor, and Economic Development - S,H |
| VA | Commerce and Labor - H,S |
| WV | Industry and Labor - H |
| | Energy, Industry, and Mining - S |
| WA | Commerce and Labor (S) |

**Labor combined with other policies/social services**

| | |
|---|---|
| HI | Labor and Environment - S |
| IN | Pensions and Labor - S |
| MI | Human Resources, Labor, Senior Citizens, and Veterans Affairs - S |
| TN | Consumer and Employee Affairs - H |
| WY | Labor, Health, and Social Services - H,S |

**No committee identified with specific labor jurisdiction**

| | | |
|---|---|---|
| AZ | NC | SD |
| AK | NH | TX |
| FL | NJ | VT |

**Key:** H=House standing committee S=Senate standing committee Jt=joint standing committee

**Source:** Council of State Governments, *Directory II - Legislative Leadership, Committees & Staff 2000*. Lexington, KY: Council of State Governments

**Table 5. State Politics and Policies, by Type of Labor Committee**

| | Designated Labor Committee | Business/Labor Combined | No Labor Committee |
|---|---|---|---|
| Change in labor costs index 1980-1995 | +74.3 | -26.0 | -75.2 |
| Change in econ, labor costs index 1980-95 | +44.2 | -7.9 | -48.0 |
| % union members | 26.2% | 21.9% | 15.4% |
| % Individualistic | 50.0% | 28.6% | 11.1% |
| % Moralistic | 30.0% | 38.1% | 33.3% |
| % Traditionalistic | 20.0% | 33.8% | 55.6% |
| Policy Liberalism score | .25 | -.08 | -.39 |

**Table 6. Regression of Estimated Labor Costs Change, 1980-1995, on State Political Variables**

| | | Regression Coefficients | | | |
|---|---|---|---|---|---|
| | **Pearson r** | **Model 1** | **t** | **Model 2** | **t** |
| **Independent Variables** | | | | | |
| Union membership, 1980 | .66 | .43 (.54) | .79 | .53 (.47) | 1.13 |
| Union membership, 1996 | .73 | | | | |
| % change in union members | .47 | -93.8 (211) | -.44 | | |
| State partisanship 1976-88 | -.07 | | | | |
| State partisanship 1989-98 | -.25 | | | | |
| State ideology 1976-1988 | .51 | -2.95 (3.33) | -.88 | -3.21 (3.0) | -1.07 |
| State ideology 1989-1998 | .42 | | | | |
| Party competition: Ranney | .35 | -.0034 (.19) | -.17 | | |
| Holbrook/Van Dunk | .40 | | | .0029 (15) | .19 |
| Party control of legis. | -.26 | | | | |
| Voter turnout | .10 | -.0035 (.19) | -.19 | | |
| Interest group diversity | -.42 | -2.80 (1.20) | -2.33* | -2.73 (1.13) | -2.42* |
| Legislative labor committee | .21 | -100.08 (44.3) | -2.26* | -89.43 (36.1) | -2.48* |
| Interact labor comm/union % | .62 | ..65 (.33) | 1.96* | .55 (.26) | 2.09* |
| Constant | | -39.3 (201.6) | -.20 | -76.9 (108.2) | -.71 |
| R2 | | .57 | | .57 | |
| Adj.R2 | | .47 | | .50 | |
| F (6,38) | | 6.24 | | 8.68 | |

Standard errors in parentheses. *Significant at p>.05