

It Takes a Recession

Midland, Mich.

For three-quarters of a century, industrial Michigan was a linchpin of the nation's labor movement. It was the birthplace of the United Auto Workers and home to such labor icons as Jimmy Hoffa and the Reuther brothers. Generations of Michiganders grew up believing that tough unions would protect jobs and secure higher incomes. It has therefore been an unlikely place to ban the closed shop—that is, the practice of forcing employees to join a union as a condition of taking a job.

But that may be changing. There is now a serious push to do the heretofore unthinkable: make Michigan a right-to-work state.

The ball really got rolling a year ago when the Detroit Free Press cosponsored a poll that showed 56% of Michiganders oppose compulsory unionism and would support a change in the law to ban it. This spring Computare Corp. CEO Peter Karmanos joined the fray by lambasting the state's unions for being "fiscally irresponsible" and openly calling for a right-to-work law.

A week later he was echoed by L. Brooks Patterson, chief executive of Oakland county (the state's second-largest county). Other notables who have spoken favorably of right-to-work include the editorial page editor of the Detroit News, Nolan Finley; Michigan Chamber of Commerce president James Barrett; and Frank Beckmann, a popular radio talk-show host.

"The state needs to make a very strong statement that we're open for business," says Richard Haworth, chairman of Haworth Inc., a global office furniture manufacturer based in western Michigan. "Nothing would do that louder than a right-to-work law. It would be a triple-win for employees, employers and taxpayers." He sees a healthy new boldness within the business community in favor of taking on the issue.

And then there is the state legislature. Not so long ago, no member would have dared to introduce a right-to-work bill. Today several such bills sit in the hopper with a dozen cosponsors.

Why is the basic truth, that unions are part of the state's economic problem, now coming to replace the notion that they are the state's salvation? A 2002 study from the Mackinac Center for Public Policy, of which I am president, gives us a little hint. The study found that from 1970 to 2000, right-to-work states created 1.43 million manufacturing jobs. At the same time non-right-to-work states lost 2.18 million jobs. Not surprisingly, heavily unionized Michigan was near the bottom of the pile. There are also 22 states that have taken advantage of a provision in the 1947 Taft-Hartley Act to enact right-to-work laws. Many of them have thriving economies.

Michigan lost a quarter million jobs since the start of this decade. Unemployment is the highest for any state in the country. And while inflation-adjusted per capita personal incomes grew nationally by 4.2% since 2001, in Michi-

The home of the UAW ponders an end to compulsory unions.

gan they have fallen. Over the same period, real per capita GDP grew by nearly 9% nationally and declined in only one state—Michigan. High-profile companies like the Big Three auto makers, Pfizer and Comerica are slashing workforces or moving operations out of state. Tax revenue is down and the state budget is hemorrhaging red ink.

The state government's "economic development" efforts have obviously flopped, and for largely the same reason that a bad restaurant can't turn itself around by offering discounts or subsidies to a handful of customers. It must change the menu for everybody.

The state has tried to stop the bleeding with expensive TV ads featuring Michigan-born actor Jeff Daniels spotlighting the state's corporate welfare. But what's really dumb and getting dumber is the persistent reluctance of the administration of Democratic Gov. Jennifer Granholm to tackle the union issue, even as signs swell that the public is ready for a sea change. Her strategy is to sweep aside any suggestion for labor reform and lobby instead for an unpopular, job-killing tax increase and a billion-dollar hike in state spending.

Unions love to claim that Michigan would become "an Alabama" if compulsory unionism were ended. We should be so lucky.

While it's true that per capita income is higher in Michigan than it is in Alabama, at least in that state the per capita income is actually growing. If current trends continue, Alabama will eclipse Michigan in per capita income in just three years. With base pay and bonuses, and especially when the cost of living is factored in, nonunion workers in many auto plants in the South are better off than their union counterparts in Michigan.

Union clout is a shadow of its former self, even in Michigan. While the portion of our private-sector workforce that is unionized is double the nation's rate of 7%, it's less than half what it was at the peak of labor's influence. UAW membership has nosedived, paralleling the national decline from 1.5 million in the late 1970s to barely a third of that today. Even the school employee unions here are reeling from widespread privatization of school support services and growing public alarm about sky-high costs of union health insurance and retirement benefits.

Making Michigan a right-to-work state would quash with one powerful blow the nagging perception that our labor climate is too hostile and costly for business. It would provide more freedom for individual workers and a temporizing influence on union leadership.

A right-to-work bill is unlikely to emerge from the legislature and would probably be vetoed by Gov. Granholm, but if someone managed to get it on the ballot in 2008, a majority of voters might just enact a right-to-work law themselves. Ending compulsory unionism in its historic bastion may not yet be politically inevitable. But then it is also no longer politically impossible.

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