

## **Purchasing Power and the Right to Work**

**By D. Dowd Muska**

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Do right-to-work (RTW) laws create the “right to work *for less*”?

New Mexico’s union supporters claim that the “average worker makes about \$5,000 less in RTW states”<sup>1</sup> and that if passed, a right-to-work law will induce “greater expenditures for subsidized food, housing and health care for newly hired workers who will never make a living wage.”<sup>2</sup>

But RTW opponents fail to adjust their figures for *purchasing power*. The oversight fatally undercuts their argument, because the cost of living varies significantly in the United States.

In April 2014, the U.S. Department of Commerce’s Bureau of Economic Analysis (BEA) released, for the first time, “a comprehensive and consistent measure of differences in the cost of living ... nationwide.”<sup>3</sup> With 100 set as the level for the entire country, price parities ranged from a high of 117.2 in Hawaii to a low of 86.4 in Mississippi. (New Mexico’s score was 94.8.)

### **Income**

Reacting to the BEA’s analysis, Lyman Stone, an economist with the Tax Foundation, noted: “Prices are in fact far higher in some states than others, and states with higher incomes usually also have higher prices.”<sup>4</sup> Stone calculated state disposable personal income, per capita, using the BEA adjustments. When both categories of states are averaged, RTW and non-RTW incomes are equal:

RTW states: \$39,665                      non-RTW states: \$39,661<sup>5</sup>

The Missouri Economic Research and Information Center computes its own cost-of-living index, derived from surveys taken by the Council for Community & Economic Research. The center’s findings indicate that disposable personal income, per capita, in RTW states is 8.5 percent *higher*:

RTW states: \$38,895                      non-RTW states: \$35,837<sup>6</sup>

Whichever formula is applied, what accounts for such a radical shift in purchasing power? The basic necessities of life are more expensive -- often, substantially so -- in non-RTW states.

### **Housing**

According to Zillow, the median list price for a single-family home is 26.5 percent lower in RTW states:

RTW states: \$186,578

non-RTW states: \$253,993<sup>7</sup>

### **Energy**

Electricity is 27.7 percent cheaper in RTW states (residential rate per kilowatt hour):

RTW states: 8.60¢

non-RTW states: 11.90¢<sup>8</sup>

Natural gas is 12.3 percent cheaper in RTW states (residential rate per thousand cubic feet):

RTW states: \$11.21

non-RTW states: \$12.78<sup>9</sup>

Gasoline is 8.8 percent cheaper in RTW states (per gallon of regular):

RTW states: \$2.06

non-RTW states: \$2.26<sup>10</sup>

### **Groceries**

Using the formula developed by Missouri Economic Research and Information Center, groceries cost less in RTW states (average index value; 100 is the national standard):

RTW states: 98.6

non-RTW states: 107.1<sup>11</sup>

### **Healthcare**

Similarly, healthcare is more affordable in RTW states (average index value; 100 is the national standard):

RTW states: 96.8

non-RTW states: 107.9<sup>12</sup>

According to Genworth Financial, the annual cost of a private room in an assisted-living facility is 22.3 percent cheaper in RTW states:

RTW states: \$38,292

non-RTW states: 49,265<sup>13</sup>

Genworth's data for the annual cost of a home-healthcare aide favors RTW states:

RTW states: \$44,087

non-RTW states: \$50,032<sup>14</sup>

And a private room in a nursing home for one year is vastly cheaper in RTW states:

RTW states: \$76,536

non-RTW states: \$108,744<sup>15</sup>

### **Taxes**

As a share of personal income, the combined local-state tax burden is lower in RTW states:

RTW states: 8.7 percent

non-RTW states: 10.0 percent<sup>16</sup>

“Tax Freedom Day” is “the day that residents of that state have worked long enough to pay all tax obligations at the federal, state, and local levels.” The average number of days worked to meet the total obligation is smaller in RTW states:

RTW states: 102.6 days

non-RTW states: 113.0 days<sup>17</sup>

### **Conclusion**

If lower compensation in RTW states were coupled with a cost of living similar to compulsory-union states, organized labor might have a compelling case against right-to-work laws. But the data prove that workers and families have superior purchasing power where unions must earn employees’ financial support.

### **About the Author**

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### **END NOTES**

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