

## APPENDIX B-5: WORKFORCE POLICIES

States that attract businesses often:

- Have a diverse, highly skilled workforce
- Have a dynamic economy that includes new businesses and growing yet established firms
- Are right-to-work states with low percentages of union membership
- Offer reasonable costs when it comes to unemployment insurance, worker's compensation insurance and other employer costs

States that stand out in some or all of these areas include Florida, Georgia, North Carolina, Utah, Washington, and Virginia.

### Leading States

**Wages, Health Costs, and Other Employer Benefits:** Businesses looking to lower their cost of doing business evaluate their costs when it comes to employee benefits, and some states offer an advantage over others, whether through requirements, such as California's passage into state law of the Family Medical Leave Act, or through insurance costs. Of the profiled states, Georgia is ranked 12<sup>th</sup> in Workers' Compensation Benefits per \$100 of covered wages (tied with Connecticut and South Dakota)<sup>1</sup>; Washington and Rhode Island also have relatively low worker's compensation rates- one of the few areas in which Rhode Island comes in below average cost-wise.<sup>2</sup>

Minimum wages also vary by state. Utah's current minimum wage of \$5.85 is the lowest in the country and the best for employers nationwide.<sup>3</sup> In the next year, Utah's state minimum wage increase will parallel the federal rate and will move up to \$7, but will likely remain the lowest in the country. Washington state's minimum wage is \$7.93 as of January 1st, 2007. The Washington State Department of Labor and Industries makes an annual cost of living adjustment to the minimum wage as the result of an initiative approved by Washington voters in 1998.

**Union Presence:** Many states attracting new businesses rarely have an established union presence in their state. The states profiled briefly below are all in the southeast, with the exception of Utah, a region with very little union presence historically.

State	Union History
Florida	A right-to-work state, Florida is one of only ten states with such a provision in its state constitution. Florida also has one of the lowest unionization rates in the country with about 5.4%, and the third lowest unionization rate in manufacturing at 3.2%.
Georgia	The state is ranked 1 <sup>st</sup> in minimum wage and 3 <sup>rd</sup> in percent of labor force that is represented by Unions <sup>4</sup> .

<sup>1</sup> Keating, 37

<sup>2</sup> Keating, 37.

<sup>3</sup> Turek. 66..

<sup>4</sup> Beacon, 29.

State	Union History
North Carolina	North Carolina has a positive reputation on labor issues. North Carolina is a “right-to-work” state, with a unionization rate of 2.9%.
Utah	Utah, a right to work state, has a unionization rate of only 5.4%, the 8 <sup>th</sup> lowest in the country. <sup>5</sup>
Virginia	Virginia is a right-to-work state, which guarantees individuals the right to work regardless of whether or not they belong to a labor union or organization. The law prohibits both a closed shop, where employers may hire only members of the contracting union, and a union shop, where an employee who is not a union member must join after a certain period of employment and must remain a member as a condition of employment. <sup>6</sup>

**Training:** Often offered as an indirect incentive to attract companies to their state, training programs to increase the state workforce’s skill have paid off in terms of job growth. Florida is answering the demand for skilled labor with many training programs designed for the needs of the state’s leading industries. Customized program and incentives such as Quick Response Training, Incumbent Worker Training and the industry-specific Banner Centers Program provide skilled labor to employers in less time and at lower costs. Florida’s workforce training and incentive programs were recently ranked 3<sup>rd</sup> in the country by Expansion Management magazine.

**Workforce Skills:** Generally, many states where the cost of doing business is high also have large, deep labor pools of skilled workers, i.e. California, New York, and New Jersey. However, states not historically known for having a highly professional workforce are now coming to the fore: Georgia, North Carolina, and Utah, to name a few.

California’s workers are an asset, both in terms of education and their skill sets in the workplace. According the US Census Bureau, more than 26% of the state’s resident population over the age of 25 has received at least a bachelor’s degree.<sup>7</sup> This is 2.2% more than the national average.<sup>8</sup> Moreover, the State Competitiveness Index rates California 6<sup>th</sup> in the country for having the most scientists and engineers as part of the labor force and is a slight regional second in this category, falling just below Washington State.<sup>9</sup>

Florida’s labor market is particularly strong in high value added businesses, including high-tech industries and international trade. Ranked 4<sup>th</sup> in the nation for high tech employment by AeA’s Cyberstates 2007 report, Florida boasts more than 276,000 high-

<sup>5</sup> “Union Affiliation Of Employment Wage And Salary Workers By State.” January 26, 2007. [Union Membership \(Annual\)](http://www.bls.gov/news.release/union2.t05.htm). United States Department of Labor: Bureau of Labor Statistics. Table 5. <http://www.bls.gov/news.release/union2.t05.htm>.

<sup>6</sup> National Right to Work Committee: <http://www.nrtwc.org/states/va.htm#rtwlaw>

<sup>7</sup> “California Quick Facts.” 31 Aug.. 2007. The US Census Bureau. <http://quickfacts.census.gov/qfd/states/06000.html>

<sup>8</sup> US Census Bureau.

<sup>9</sup> Tureck, 24.

tech workers. The talent pool is also deep in workers with advanced degrees, positioning Florida 11<sup>th</sup> among all states.

Overall, the workforce in Georgia is above average. The state is ranked 12<sup>th</sup> in IT professionals, 15<sup>th</sup> in high-wage traded services, and 13<sup>th</sup> in job churning.<sup>10</sup> However, Georgia is ranked 35<sup>th</sup> overall in percentage of adults who are in the labor force.<sup>11</sup>

The knowledge level of Maryland's workforce is extremely strong. Factors such as IT Professionals, Scientists and Engineers, and Managerial, Professional and Technical Positions all scored very highly and have positive effects on Maryland's workforce.

The State of New Jersey offers some of the most educated workers in the country. According the US Census Bureau, 29.8% of state residents age 25 or older have earned their bachelors degree or an advanced graduate degree.<sup>12</sup> Additionally, the SCR ranked New Jersey 12<sup>th</sup> in the category of scientists and engineers as part of the labor force.<sup>13</sup> However, the state does trail regional rivals, Maryland (ranked 3<sup>rd</sup>)<sup>14</sup> and Delaware (ranked 7<sup>th</sup>).<sup>15</sup> In addition to having some of the most educated workers, New Jersey industry and businesses are uniquely well positioned to be a strong competitor in the "New Economy." The 2007 New Economy Index defines this new economy as producing an ample supply of managerial, or "knowledge dependent jobs".<sup>16</sup>

Michigan, a state that struggles in other areas, leads the national average of citizens in the work force with high school degrees and some college experience. However, the state does lag slightly below the national average of workers with a bachelor's degree or higher. The SCR reports that the state ranks 13<sup>th</sup> in number of workers in the science or engineering industry.

New York State's workforce is recognized by national employers as a key asset. More than 27% of the state's resident population over the age of 25 has received at least a bachelor's degree. This is five percent more than some of New York's key competitor states, including Texas, North Carolina, and Florida<sup>17</sup>.

Utah's workforce is recognized by national employers as a key asset in terms of education and preparation for the workforce. According the US Census Bureau, just over 26% of the state's resident population over the age of 25 has received at least a

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<sup>10</sup> Atkinson, 15.

<sup>11</sup> Beacon, 29.

<sup>12</sup> "New Jersey Quick Facts." August 31, 2007. The US Census Bureau.

<http://quickfacts.census.gov/qfd/states/34000.html>

<sup>13</sup> Tureck, David; Sirin, Cagdas; Solyemez, Arif Orcun. *State Competitiveness Report 2006*. Boston: Beacon Hill Institute for Public Policy Research at Suffolk University, 2006. 49.

<http://www.beaconhill.org/Compete06/06StateCompeteFinal.pdf>.

<sup>14</sup> Tureck, 39.

<sup>15</sup> Tureck, 27.

<sup>16</sup> Atkinson, Robert. PhD, Correa, Daniel K. *The 2007 State New Economy Index.: Benchmarking Economic Transformation in the States*. Innovation Technology and Innovation Foundation. February, 2007. 3. [http://www.kauffman.org/pdf/2007\\_State\\_Index.pdf](http://www.kauffman.org/pdf/2007_State_Index.pdf)

<sup>17</sup> U.S. Census Bureau date and access <http://www.census.gov/>

bachelor's degree.<sup>18</sup> This is 1.7% higher than the national average. Moreover, the State Competitiveness Index rates Utah 10<sup>th</sup> in the country for having the most scientists and engineers as part of the labor force.<sup>19</sup> This is a slight regional second in this category, falling just below Washington State.<sup>20</sup>

Virginia has nearly 25,000 doctoral scientists and engineers who reside in the state, one of the highest concentrations in the nation.<sup>21</sup> Virginia also ranks in the top 10 in labor productivity.

Washington has a higher concentration of adults with at least 12 years of education, more than any Western state, and it ranks sixth among all states (U.S. Census Bureau, 2002). The state also ranks well above average for adults with bachelor's degrees, particularly in the counties with a heavy concentration of highly technical occupations.

**Job Growth:** Since 1990, Florida's labor force has grown by more than 2 million workers, reaching over 9 million in 2006, and continues to expand with about 250,000 new workers coming to the state from other parts of the country or overseas each year.

The New Economy Index measures the success of "New Economy" businesses within the state. Here New Jersey ranked very highly. The State ranked 5<sup>th</sup> for the having the largest number of "fastest growing firms."<sup>22</sup> In order to qualify for this list, a company must see a 200 percent growth in their revenue over a four year span. Here, New Jersey ranked 3<sup>rd</sup> in its region, behind Massachusetts who ranked first followed by Maryland.<sup>23</sup>

Pennsylvania, a state that struggles in other areas, has the 7<sup>th</sup> best performance in the country in sales per employee in the small- and mid-market firm segment, according to the PA Chamber Foundation.<sup>24</sup>

Tennessee has made a major push to attract new companies to the state and to increase jobs with established firms. More than 700 projects handled by state Business Development specialists in 2006 produced more than 26,000 new jobs and more than \$3.5 billion in new investment. Nearly two thirds of the new jobs created resulted from ECD's Business Development specialists helping Tennessee companies expand.<sup>25</sup> In particular, the automotive industry has greatly expanded, in contrast to the automotive industry decline in Michigan. Tennessee is now the nation's 4th largest producer of passenger vehicles and the 5th largest employer of people working in the automotive sector. More than 88,000 Tennesseans make their living producing automobiles and their component parts.

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<sup>18</sup> "Utah Quick Facts." August 31, 2007. The US Census Bureau.

<http://quickfacts.census.gov/qfd/states/49000.html>

<sup>19</sup> Turek.

<sup>20</sup> Turek. 66.

<sup>21</sup> Virginia Department of Economic Assistance: <http://www.dba.state.va.us/workforce/access>

<sup>22</sup> Atkinson, 34.

<sup>23</sup> Atkinson.

<sup>24</sup> The Pennsylvania Chamber of Business and Industry.

<sup>25</sup> The 2007 ECD Playbook, 7.

Finally, Texas has had very strong job growth. Texas employment gained 213,200 nonagricultural jobs in 2006 for an annual growth rate of 2.2%. December 2006 marked 27 consecutive months of employment growth. Reviewing the Texas labor market, Professional and Business Services ranked first in job creation with a gain of 46,000 jobs in 2006 for an annual growth rate of 3.9%. Next was Education and Health Services with 26,100 new jobs and a 2.2% growth rate, closely followed by Government with 25,500 new jobs and a 1.5% growth rate in 2006.<sup>26</sup>

### **Challenged States**

**Union Presence:** Many of the profiled states below have skilled workforces with large presences in the services and knowledge economy, yet union presence in these states increases the cost of doing business in these states and legislation may be influenced by small, yet vocal union minorities.

State	Union History
California	Despite their skilled workforce, which works in the state's favor, California's state unionization rate was approximately 15.7% in early 2007, <sup>27</sup> which would put it nearly three percentage points higher than the national average and would rank California among the very highest unionization rates in the country. <sup>28</sup>
Maryland	In Maryland, unionization is an inhibitor to business success in the knowledge economy. According to the SCR, Maryland was ranked 33 <sup>rd</sup> in Percentage of Labor Force that is represented by Unions.
Michigan	Michigan has a highly unionized workforce at 21.8 %, much higher than the national average of 13.5%. According to the SCR report, only four states have a higher unionized workforce than Michigan.
New Jersey	New Jersey also is a heavily unionized state with 20.1% of the workforce belonging to a union. <sup>29</sup>
Rhode Island	Rhode Island: Rhode Island is a highly unionized state with a rate of 15.3% – the 11 <sup>th</sup> highest rate in the nation and the second highest in the New England region. <sup>30</sup>

<sup>26</sup> Texas Office of Economic Development.  
<http://www.texasone.us>

<sup>27</sup> Union Affiliation Of Employment Wage And Salary Workers By State." January 26, 2007. Union Membership (Annual). United States Department of Labor: Bureau of Labor Statistics. Table 5.  
<http://www.bls.gov/news.release/union2.t05.htm>.

<sup>28</sup> United States Department of Labor: Bureau of Labor Statistics.

<sup>29</sup> "Union Affiliation Of Employment Wage And Salary Workers By State." January 26, 2007. Union Membership (Annual). United States Department of Labor: Bureau of Labor Statistics. Table 5.  
<http://www.bls.gov/news.release/union2.t05.htm>.

<sup>30</sup> US Bureau of Labor Statistics. Union affiliation of employed wage and salary workers by state (Numbers in thousands). <http://www.bls.gov/ro1/neum.htmshorten>

State	Union History
West Virginia	West Virginia has a number of labor issues that can inhibit economic growth. Fifteen and a half percent of the State's working population is represented by unions, which is the twelfth highest in the nation. Furthermore, the percentage of workers that are union members is also quite high, at 14.2%. <sup>31</sup>
Wisconsin	The Bureau of Labor Statistics reported that Wisconsin's percentage of those employed represented by unions was 16.1% in 2006. <sup>32</sup> This puts Wisconsin 41 <sup>st</sup> in unionization rates. The states with worse rates included neighbors Illinois and Michigan, so Wisconsin holds a minimal relative advantage in this regard. Unionization becomes especially harmful to business when one considers the long-standing, yet aging industries of beer and dairy, which may have to undertake wage cuts or layoffs to restructure.

**Wages, Health Costs, and Other Employer Benefits:** The SCR ranked California's current minimum wage of \$7.50 as among the 10 highest wages in the country, which is a frequent complaint of California's business owners.<sup>33</sup> Maryland, a regional competitor to New Jersey, also ranks poorly for minimum wage, at \$6.15/hr, the 34<sup>th</sup> best in the country.<sup>34</sup> New Jersey's is one of the highest in the nation at \$7.15.<sup>35</sup>

Governor Corzine appears to be determined to try to pass a Paid Family Leave Bill in early 2008. If the bill passes, New Jersey will be the third state in the country to have such a law. The business community is leery: many business leaders feel the bill would harm their competitive advantage in their respective markets.<sup>36</sup>

<sup>31</sup> US Bureau of Labor Statistics. Union affiliation of employed wage and salary workers by state (Numbers in thousands). <http://www.bls.gov/ro1/neum.htm>

<sup>32</sup> US Bureau of Labor Statistics. Union affiliation of employed wage and salary workers by state (Numbers in thousands). <http://www.bls.gov/ro1/neum.htm>

<sup>33</sup> Tureck.

<sup>34</sup> Beacon, 39.

<sup>35</sup> "Minimum Wage Laws In The States: New Jersey" July 24, 2007. The Department of Labor: Employment Standards Division. Wage and Hour Department <http://www.dol.gov/esa/minwage/america.htm>.

<sup>36</sup> Margolin, Josh. "Corzine Defends Family Leave Before Critics. Governor is willing to cut plan to six Weeks, But Business Group Is Skeptical." The Star-Ledger, Lexis Nexis Universe. Online. 12 Dec. 2007.

**Knowledge/Skills of the Workforce:** Wisconsin's workforce is not technologically or innovatively savvy. To compete in the modern economy, both elements are crucial. Many of the challenge states have aging industries with an older workforce either nearing retirement, or unable or unwilling to build upon their skills. Such states would benefit from attracting new sectors to their states to diversify their workforce and create an economic foundation for the future.

**Attrition/Job Loss:** Michigan's signature industry, auto-manufacturing, has lost 336,000 jobs from mid 2000-2006 and is projected to lose a further 33,000 in 2007-2008. West Virginia also struggles with job loss: the SCR from 2006 ranked West Virginia 50<sup>th</sup> out of the states in percentage of adults who are in the labor force.<sup>37</sup> This means that fewer adults per capita are working in the state than in anywhere else in the nation.

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<sup>37</sup> Beacon, 67.