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Seyfarth Shaw Analysis of Nationwide Labor and Employment Laws Provides Basis for Newly Issued Report by U.S. Chamber of Commerce on Impact of State Employment Policies on Job Growth

Seyfarth attorneys contribute to 50-state review of laws and regulations that challenge job creation; study includes ranking of states whose employment laws hinder or promote new job formation

WASHINGTON, D.C. (March 2, 2011) – A new 50-state report, just released by the United States Chamber of Commerce, analyzes the impact of various state labor and employment laws on job creation and economic growth. Leading employment and labor law firm Seyfarth Shaw LLP was tapped by the Chamber to prepare the state-by-state review of laws used as a basis for the groundbreaking impact study.

The new study arrives as the national economy is starting to rebound from the recession, but also as many U.S. companies are confronting heightened employment regulation as well as a surge in workplace litigation, two trends that are crimping hiring decisions and business expansion.

The Chamber Report, *The Impact of State Employment Policies on Job Growth: A 50-State Review*, examines labor and employment laws across the country. It concludes that states could boost job growth and encourage the formation of new businesses by creating a less burdensome regulatory climate.

The full Report and its methodology can be found here: www.workforcefreedom.com

The comprehensive summary of state employment laws and policies was researched by Seyfarth Shaw attorneys David S. Baffa, Dana Howells, Richard B. Lapp, Camille A. Olson, Alexander J. Passantino, and Leon R. Sequeira.

Olson, who has long represented the Chamber of Commerce on a number of legal matters, and Sequeira, former Assistant U.S. Secretary of Labor for Policy, participated in an event today in Washington, D.C. announcing the release of the report.

The report's economic modeling, including a ranking of all 50 states into one of three tiers as measured by their respective degrees of state labor market regulation, was prepared by Navigant Economics LLC.

"We're honored to have been asked by the Chamber to help author this important and timely survey of cross-country employment laws. The Report has been in the works since early-2010, the tail end of one of the nation's longest recessions on record," said Olson, who has appeared on behalf of the U. S. Chamber of Commerce and other employer groups before the United States Congress, the United States Department of Labor and the Equal Employment Opportunity Commission. "It's gratifying that the Chamber drew on our analysis of the states' labor laws to determine whether state regulatory policy revisions would restart the engine of job growth. We hope that the findings will jump start a new dialogue on the relationship between employment regulation and the creation of jobs."

The Report features an "Employment Regulation Index" (or "ERI") measuring the extent of labor and employment regulation in each state, based upon 34 characteristics related to employment (including such elements as a state's treatment of covenants not to compete, existence of state minimum wages in excess of federal, and the existence of right-to-work laws). States were then placed into one of three tiers — "Good," "Fair," and "Poor" — based on their level of labor and employment regulation.

The Report's ERI measures state labor and employment regulation on a scale of 1 to 100, with a score of 100 calibrated to represent the most heavily regulated state. Applying standard statistical techniques, the report determines that, when the Index is inserted as an explanatory variable, the models demonstrate that higher levels of regulation (*i.e*., higher Index scores) result in both higher unemployment and lower rates of new business formation.

The Report's conclusions, based on Navigant's econometric model, suggest that if each state were to get a "perfect" Index score of 1, the effect would be the creation of 746,000 net new jobs nationwide, and that new business formation would increase by 12 percent, or more than 50,000 new firms. The Report notes that the four states with the largest potential for job creation — California, Illinois, New York and Pennsylvania — all ranked in the "Poor" category. The report suggests that if these states would improve their ERI indexes to "one," they could create a total of nearly 276,000 new jobs.

The Report calls attention to the wide variation of labor and employment regulation among states, but does not advocate, or use a "perfect" score to suggest, complete de-regulation of labor and employment markets.

The following conclusion is offered by the Report: "Our results show that reform of state labor and employment regulations could make an important contribution to returning the U.S. to a more rapid-growth trajectory, serving, in effect, as a 'free' economic stimulus."

Seyfarth Shaw's comprehensive research of state laws prepared for the Report revisited the burdensome regulatory framework of two states for which the firm has published separate handbooks: California and Massachusetts. Both states, which rank within the Chamber report's "Poor" tier, have been previously examined in separate publications the firm, including the 2010 edition of *California Peculiarities*, which examines state employment laws and regulations and concludes California is "the most burdensome state"in which to operate a business, and also *Massachusetts Peculiarities – An Employer's Guide to Wage & Hour Law in the Bay State*, which reviews the state's wage and hour laws, which we concluded are among the most restrictive in the country.

Seyfarth Shaw has over 750 attorneys located in 10 offices throughout the United States, including: Atlanta, Boston, Chicago, Houston, Los Angeles, New York, Sacramento, San Francisco, and Washington D.C., as well as internationally in London. Seyfarth Shaw provides a broad range of legal services in the areas of labor and employment, employee benefits, litigation, corporate, and real estate. The firm's practice reflects virtually every industry and segment of the country's business and social fabric. Clients include over 300 of the *Fortune 500* companies, financial institutions, newspapers and other media, hotels, health care organizations, airlines and railroads. The firm also represents a number of federal, state and local governmental and educational entities. For more information, please visit www.seyfarth.com.

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