

Causes and Consequences of the War Against Public Sector Collective Bargaining

- 1- Unions and Public Sector Before Wall Street's
Recession
- 2 -The War on Public Sector Bargaining
- 3 -Why the War?
- 4 -Conclusion

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1a. Unions before Wall Street's recession: pvt sector unions decline, public sector remain strong

Drop in private sector density from ~38% in 1955 to 17% in 1983 to < 7% in 2010. Public sector density trends up from 23% in 1973 to 36% in 2010

No great turning point in private sector after Reagan breaks PATCO strike (fall in preceding 5 years of 3.0 points vs 4.9 points in succeeding 5 years) or in public sector, with modest increases before and after PATCO.

Five states do not allow collective bargaining for any public employees — Texas, Georgia, South Carolina, North Carolina, and Virginia. Others restrict bargaining to some public employees; 27 states allowed for bargaining for all public employees as of 2007. Wisconsin was the first state to allow for public sector bargaining. States with CB for all:

AK, CA, CT, DE, FL, HI, IL, IA,
ME, MD, MA, MI, MN, MT, NE
NH, NJ, NM, NY, OH, OR, PA,
RI, SD, VT, WA, WI

Public Sector unions covered by different state laws; but workers join even without CB rights

Example in Teaching:

Texas CB coverage 0%; union density, 65%

Alabama CB coverage 2%; union density, 84%

For states with laws that encourage collective bargaining

New York, CB coverage, 95%; union density, 99%

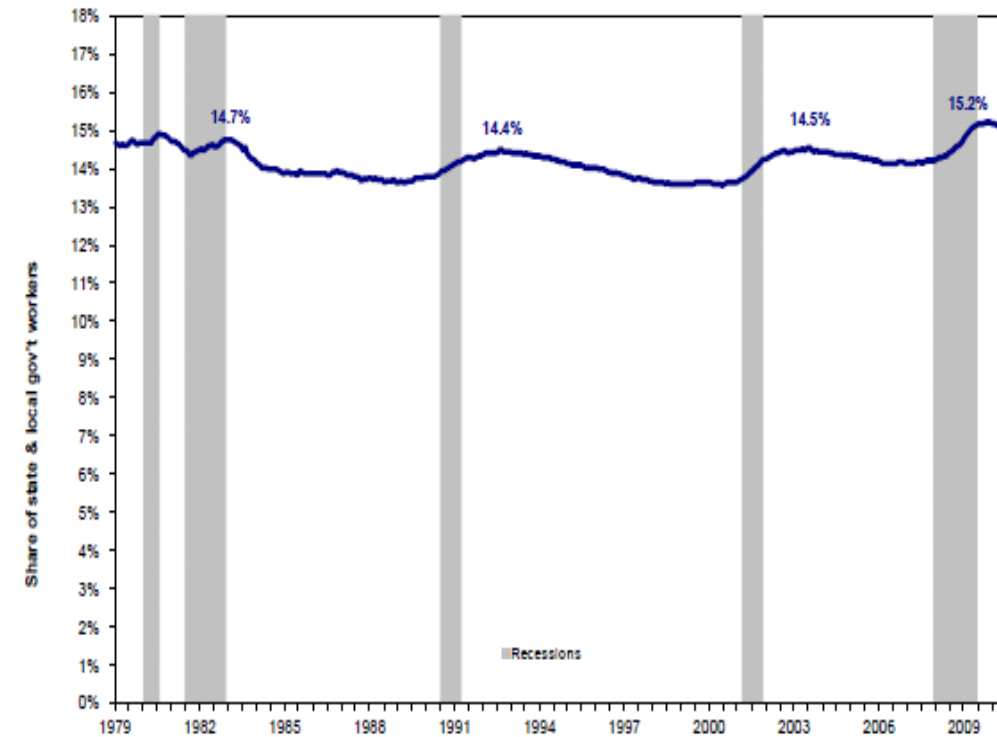
Massachusetts, CB coverage, 98%; union density, 97%

The correlation of union density with CPS is 0.95, but CPS does not provide correct CB data. In states without CB laws there is between educ CB measure and CB measure.

Source: Han, 2011 based on data in Moe (2011, table 2-2)

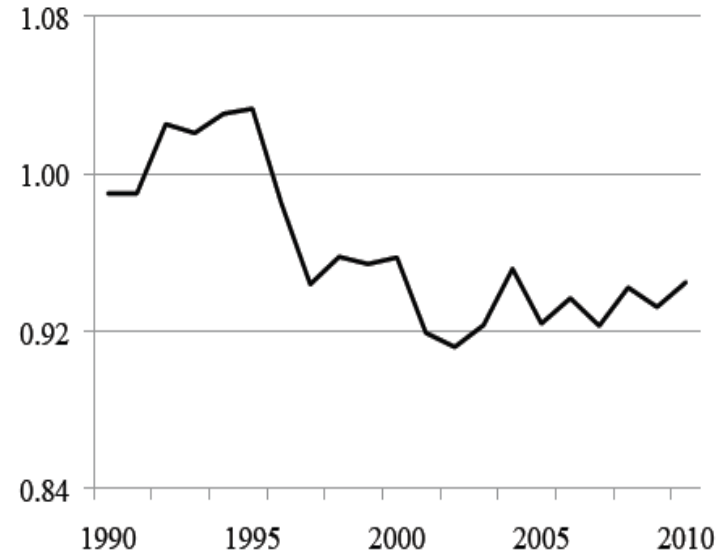
1b Public Sector Workers

Figure 2 Public sector employment has been steady share of workforce, 1979-2011



Allegreto, et al, 2011

FIGURE 3. RATIO OF AVERAGE PUBLIC TO PRIVATE SECTOR HOURLY WAGES, 1990-2010



Source: Authors' calculations from CPS (2010).

Munnell, et al, Brief Sept 2011

Wage Differentials, Public Sector Workers vs Private Sector within same state, industry, occup, etc estimated from CPS, 2001-2010

- .040 coefficient on state employee;
- .030 coefficient on local employee

Lower impact of gender and race in public sector, lower impact of occupation, but not of education; lower residual variance in public sector.

What Do Public Sector Unions Do

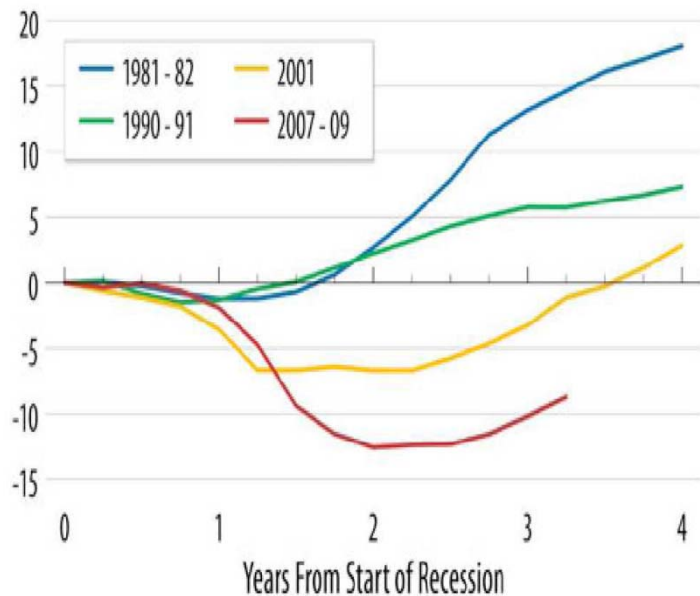
1. Negotiate higher wages (CPS regressions)
estimated state, 2001-2010: 0.084
estimated local, 2001-2010 0.115
2. Negotiate greater compensation: health care, etc and pensions. Munnell et al (Oct, 2011) finds no pension effect
3. Modest reduction in pay inequality within public sector,
4. Affect quality of production ? Massachusetts as one of top scorers on TIMMS, NAEP, with 100% unionized teaching work force.
5. **Bargain/Lobby for greater budgets**
6. **Engage in lots of politics**

1c) Impact of Recession on State & Local Govt Finance

Budgets are pro-cyclical; get federal support as part of stimulus; Stimulus ends. States lose \$50-60B in stimulus money → largest budget crisis in history

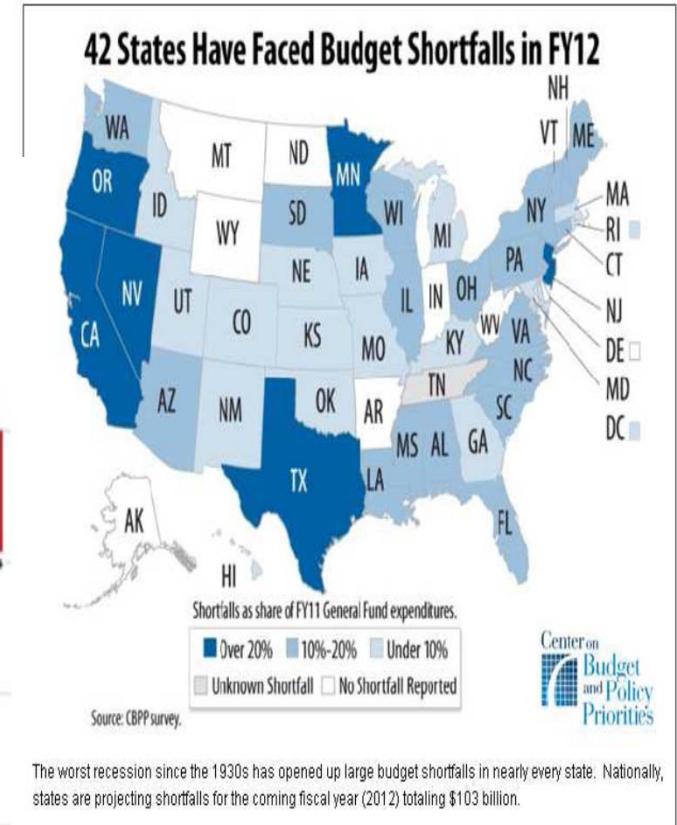
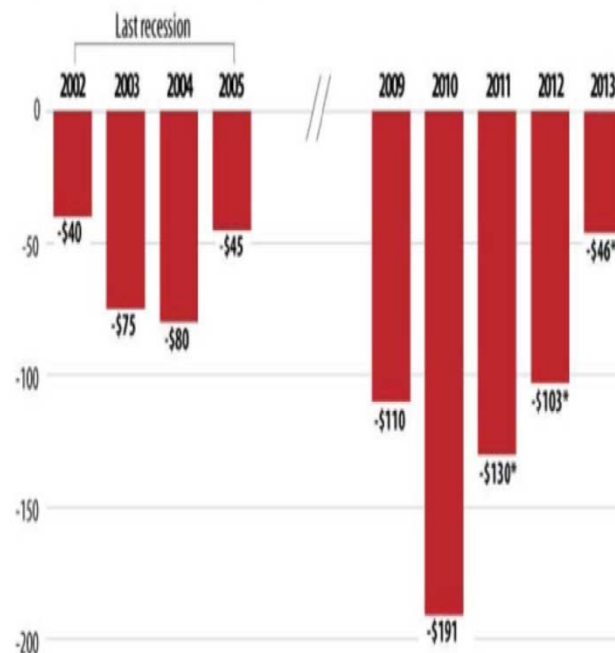
State Revenue Losses Far Exceed Other Recent Recession:

Percent change in state tax revenue since start of recession, adjusted for inflation



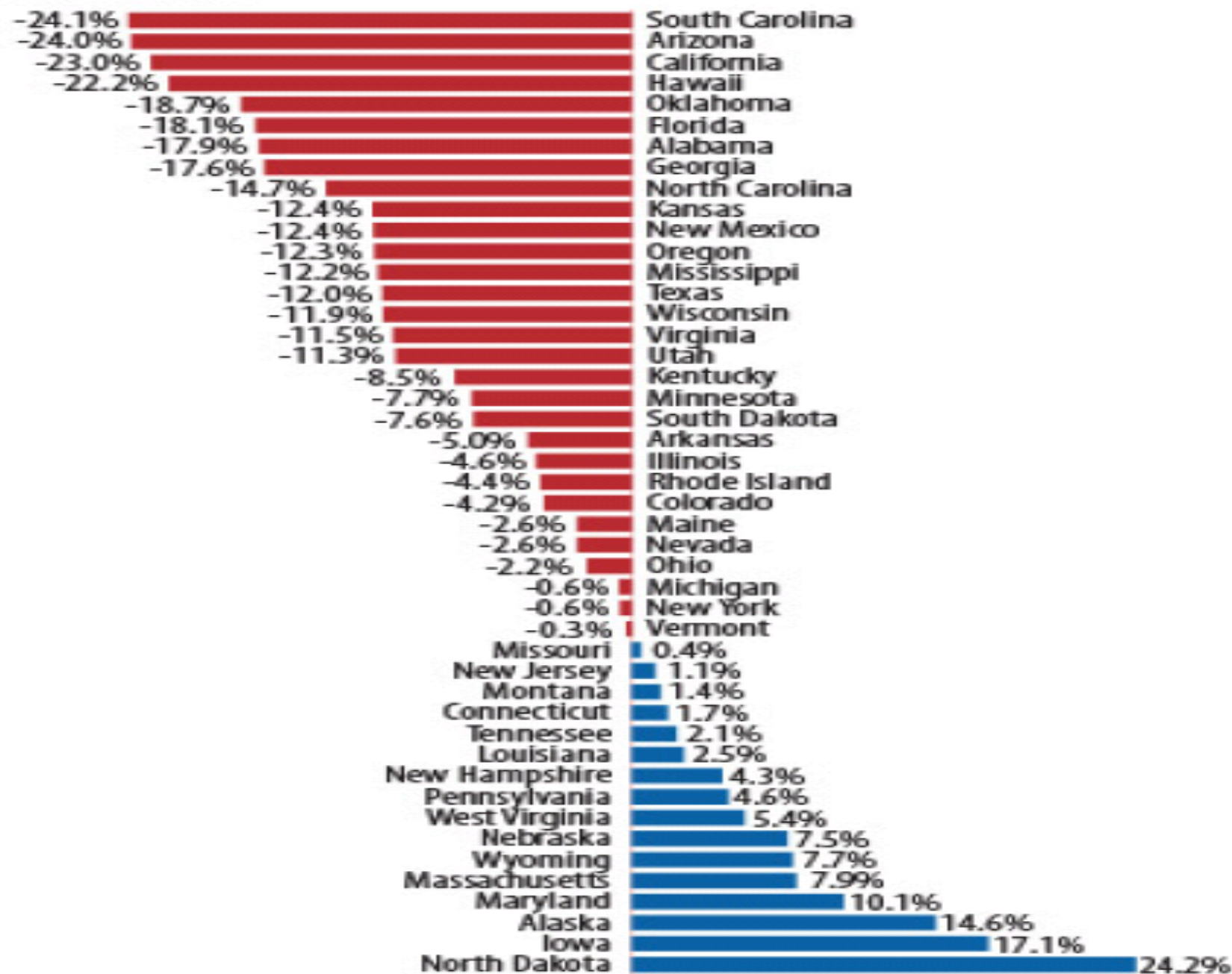
Largest State Budget Shortfalls on Record

Total state budget shortfall in each fiscal year, in billions



School Funding Remains Below 2008 Levels in Most States

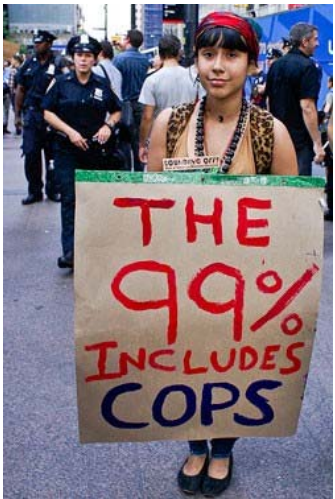
Percent change in spending per student, inflation-adjusted, FY08 to FY12



1. The War



The Reds are coming: teachers unions fight competition and despise capitalism



National Conference of State Legislatures Collective Bargaining and Labor Union Legislation Database, (<http://www.ncsl.org/?tabid=22275>)

Public sector unions: 379 bills in 41 states in various stages

Election/certification: 38 bills in 21 states –

Arbitration/mediation: 64 bills in 20 states

Political activities/contributions: 33 bills in 19 states

Dues/Agency Fees: 79 bills in 29 states

Negotiations: 29 bills in 12 states

Strikes/disputes: 42 bills in 17 states

Public Contracts: 52 bills in 25 states

Etc.

Many of the bills are similar across the states -->well-organized campaign

On Wisconsin, On Wisconsin

The Walker Bill removes public sector bargaining rights. It forbids State and local employees to negotiate with employers on such issues as benefits and work conditions. Allows bargaining on wages for wage increases below the rate of change in CPI. (Police officers, firefighters and state troopers exempt). Hefty employee contributions to health insurance and pension plans.

Requires annual union votes to maintain certification. Prohibits collecting dues through payroll deduction. Union members allowed to opt out of paying dues altogether. Strikes? “discharge any state employee who fails to report to work as scheduled for any three unexcused working days during a state of emergency or who participates in a strike, work stoppage, sit-down, stayin, slow down, or other concerted activities to interrupt the operations or services of state government, including ...mass resignations or sick calls.”



Responses

AFSCME and the Wisconsin Education Association Council accepted Walker's proposal that their members should pay 5.8 percent of their salaries toward pensions and 12.6 percent of their health care premiums.

Wisconsin Counties Association, which represents 71 of Wisconsin's counties, League of Wisconsin Municipalities, which has 190 cities and 393 villages as members did not ask for an end to collective bargaining: "While we have some platform positions calling for changes to mediation, we don't have any calling for change to the concept of collective bargaining."

"Municipalities league has also not yet taken a formal position on Walker's bill but all eight responses from members on the group's website opposed either steep increases in employee contributions for health insurance and pensions or the elimination of collective bargaining rights."

February and March 2011, Madison was racked by large-scale protests from labor supporters. Democratic senators fled across the state line to Rockford, Ill., in an unsuccessful attempt to prevent the GOP from cutting the budget and curbing collective bargaining rights for public employees.

Politics of Recall

Voters dismiss 2 of six Republican legislators facing recall elections in August 2011. Democrats seek recall of governor on Nov 15, 2011

Wisconsin Democrats optimistic about gubernatorial recall despite steep challenges

Posted by
CNN's Laura Koran

(CNN) - The bar is set high for Wisconsin Democrats seeking the recall of first-term Republican Governor Scott Walker. But while successful recalls on the state level are exceedingly rare, Democratic officials are optimistic.

The recall effort, which was announced Monday on the Wisconsin Democratic Party's website by party chair Mike Tate, will officially begin on November 15th, with the circulation of a recall petition.

3. Why the War?

H1: It's the economics, stupid: Collective bargaining is the crux of public sector financial problem

- a) Causes large deficits by raising pay and employment
- b) Causes large debts due to pensions
- c) Limits gov'ts response to crisis

H2: It's the public: Public wants to destroy public sector CB

H3: It's politics: Political opportunity to weaken/destroy public sector unions that have been “arm” of Democratic party/progressive politics

H4: It's theology: Moral crusade against collective bargaining as illegitimate intrusion in government policy-making

Assessing link between CB and budget outcomes

Analysis based on CPS data flawed because CPS does not ask if union members are covered. In several states unions cannot collectively bargain (but CPS shows some CB for non-members!). Thus use union density, which captures union effects outside of CB through lobbying, politicking, etc. Better data on CB in education coming (Han, 2012).

Cross-section reduced form comparisons show how states vary with CB but omitted state factors are important – average earnings in public sector in establishment survey data differ massively, producing large CB effect.

Addition of state fixed effects gives different coefficients on union density than cross-section, but measurement error in the deviation from mean density has to be huge; and standard errors are large. Better longitudinal test is what happens to states that have changed laws this year.

Regression coefficients and se for relation of union membership density to outcomes, 2000s*

	OLS	OLS pop weighted	Fixed effect with state dummies	Fixed effect weighted
Ln S&L employment	-0.12 (.05)	0.017(0.04)	0.045(0.07)	-0.02(0.09)
Claimants from S&L layoffs/employment	0.063 (.013)	0.043(.02)	0.09(0.07)	0.2(0.001)
Deficit/Expenditures	-.071(.026)	-0.057(.029)	0.05(0.224)	-0.07(0.25)
Ln Expenditures	0.39 (0.054)	0.61(0.04)	-0.26(0.19)	-0.13(0.086)
Ln Revenues	0.37(0.07)	0.60(0.06)	-0.18(0.46)	-0.51(0.59)
Ln S&L Debt/GDP	0.113 (.012)	0.119(.014)	0.01(0.064)	0.16(0.084)
Bond rating	-0.036 (.04)	-.038(.06)	-0.001(0.01)	-0.018(0.018)

Data Sources: The data covers period of 2001, 2003, 2005, 2008, and 2010. For the analysis for budget deficit, predictions for the years of 2011 and 2012 from CBPP(Center for Budget and Policy Priority). The union data is from www.unionstat.com. The control variables for regressions are medium household income, median housing price index, population, GDP, GDP growth rate, unemployment rate, population fraction below poverty, the fraction of population with Bachelor's degree or above in each state and whether the state has limit in property tax rate. All of these variables are from US census and bureau of Labor Statistics.

Allegretto analysis; Munnell analysis

Table 1 State budget deficits—a problem of unions or a bursting housing bubble?

Dependent variable: state budget deficit		(1)	(2)	(3)
Controls:				
Public sector union density	coeff	0.245 *	0.114	0.167
	(se)	(0.097)	(0.082)	(0.14)
House price decline	coeff	-	-0.561 **	-0.539 **
	(se)		(0.11)	(0.11)
Set of union dummy variables ^a		N	N	Y
Adjusted R ²		0.096	0.421	0.382

Sylvia A. Allegretto, Ken Jacobs and Laurel Lucia
 “Public Sector Unions Are Not the Cause of
 State Budget Deficits” UC Berkeley Labor Center
 Policy Brief 2011.

TABLE B1A. REGRESSION RESULTS ON THE AVERAGE ANNUAL GROWTH RATE OF STATE-LOCAL PENSION BENEFITS, 1994-1998, 1999-2003, AND 2004-2008

Variable	Coefficient
Percent unionized	0.01 (0.01)
Funded ratio growth	1.23 *** (0.39)
Mean reversion	0.81 ** (0.40)
Debt as percent of revenue	-0.02 * (0.01)
Closed plan	-2.38 *** (0.41)
Constant	2.53 (0.71)
R-squared	0.11
Number of observations	150

“Alicia Munnell (Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby), *State and Local Plans Issue in Brief*, #21, October 2011.

Bargaining concessions to reduce layoffs

Moline Union helps balance city budget through wage concessions

The City of Moline and the Moline Library Board of Trustees have announced that a wage concession agreement for cost-saving measures has been reached with the UAW Local 2282 Amalgamated. In a Letter of Understanding signed by the parties, the UAW Local 2282 Amalgamated has agreed to the following concessions:

NY governor Cuomo's office announced that a deal had been reached with the Public Employees Federation (the state's second largest public employee union) for a three year pay freeze, forgoing a scheduled three percent annual raise, and requiring workers to pay between two and six percent more of their health insurance premiums. It is expected to prevent 9,800 state-wide layoffs and save New York \$2.75 billion.

Connecticut Unions Approve Deal Close Budget Gap 08/18/11

Connecticut's unionized state employees overwhelmingly ratified a labor savings and concessions agreement Thursday in a second-chance vote aimed at closing a state budget gap without layoffs or deeper spending cuts. The vote allows Gov. Dannel P. Malloy to rescind thousands of layoff notices and forgo additional budget cuts ranging from courthouse closures to reduced services for the disabled.

Sterling Heights, firefighters union agree to wage concessions

The Sterling Heights City Council on May 3 approved a concession package with the city's firefighters union that equates to a 10 percent reduction in pay and benefits, and ensures no layoffs or change in core fire services for the next fiscal year. This marks the second straight year the firefighters union agreed to significant wage and benefit concessions, including a wage freeze, paid benefit reductions and pension cost reductions. To date, concessions from six of the city's bargaining units - including the firefighters union, UAW Technical and Professional, UAW Supervisory, MAPE Executive, MAPE Technical/Office and DPW Supervisory AFSCME Local 1917 - have saved the city \$1.9 million for the 2011-12 fiscal year.

Wisconsin
Oct 11,2011

The hit for state workers

\$25,000-a-year worker: \$2,828 more. This worker had been paying \$1,118 (4.5% of salary) toward health care and pension, but that went up to \$3,946 (15.8% of salary).

The \$3,946 breaks down this way: \$2,496 for health care and \$1,450 for pension. Last year, the same worker paid \$50 toward his or her pension and \$1,068 for health care.

\$50,000-a-year worker: \$4,228 more. The employee had been paying \$1,168 (2.3% of salary) for health care and pension benefits, but that is now \$5,396 (10.8% of salary).

The \$5,396 breaks down this way: \$2,900 for his or her pension and \$2,496 for health care. Last year, the employee paid \$100 for pension and \$1,068 for health care.

The impact of higher contributions was an 11.3% pay cut for the \$25,000-a-year worker, but only 6.7% for the worker making \$125,000.

H2: Attitudes of public

Continuing Divide in Views of Labor-Business Disputes

<i>Your first reaction to disagreement between...</i>	Feb 1995*	Feb 2011
Labor unions and businesses	%	%
Side with the unions	36	40
Side with the businesses	43	43
Both/Neither/Depends	12	9
Don't know	<u>9</u>	<u>8</u>
	100	100
Labor unions and state or local governments		
Side with the unions	--	44
Side with the governments	--	38
Both/Neither/Depends	--	8
Don't know	--	<u>10</u>
		100

Eliminating Collective Bargaining Rights for State Unions

As you may know, one way the legislature in Wisconsin is seeking to reduce its budget deficit is by passing a bill that would take away some of the collective bargaining rights of most public unions, including the state teachers' union.

Would you favor or oppose such a bill in your state?

	Favor	Oppose	No opinion
	%	%	%
National adults	33	61	6
Democrats	18	78	4
Independents	31	62	8
Republicans	54	41	5

USA Today/Gallup, Feb. 21, 2011

In states in which government workers belong to unions, do you think those unions are generally more helpful or more harmful to those states?

	% More helpful	% More harmful	% No opinion
National adults	45	46	9
Democrats	65	27	8
Independents	42	49	9
Republicans	26	67	7

USA Today/Gallup, Feb. 21, 2011

GALLUP®

No Differences in Views of Private, Public Sector Unions

<i>Views of labor unions that represent...</i>	Favorable	Unfavorable	Other/DK
	%	%	%
Workers for private companies	48	37	15=100
Workers for state/local governments	48	40	12=100

H3: Did voters knowingly elect politicians to war against public sector collective bargaining?

Lexis-Nexis US newspapers/wires public sector unions	January 2010- June 2010	July 2010- October 2010	November 2010- February 2011	November 2010- December 2010
	212	230	568	111
collective bargaining rights (both terms)	252	111	1633	74
	3	4	153	5
Lexis-Nexis govt & pol blogs public sector unions	January 2010- June 2010	July 2010- October 2010	November 2010- February 2011	November 2010- December 2010
	44	43	259	36
collective bargaining rights (both terms)	8	4	276	3
	1	0	41	0

Sides, [http://themonkeycage.org/blog/2011/03/09/were_\[public_sector_unions_real/](http://themonkeycage.org/blog/2011/03/09/were_[public_sector_unions_real/)

H4:



4. Conclusion: What I Learned

Is CB associated with extraordinary wage and employment levels for public sector workers? No. Unions gain moderate wage advantages for members that are associated with lower differentials/inequalities.

Is CB associated with extraordinary pension benefits? Not according to Munnell analysis.

Is CB sensitive to budgetary problems? Concessions show yes. Unclear if larger/smaller than those in non-CB situations.

Are public sector unions associated with larger budget deficits?

Probably but in crisis this maintains demand for output. US state and local most cyclic govt sector “in world” so ameliorates that. No evidence that changes in union density increase budget deficits.

Are public sector unions associated with greater public debt/GDP and lower bond ratings? Yes. Debt may be positive if it represents good public sector investment but lower bond ratings not good by any measure.

NEED BETTER MEASURE OF CB COVERAGE IN PUBLIC SECTOR THAN CPS DATA TO GET STRONGER ANSWERS

Attack on public sector unions overstates H1 (McGinnis & Schanzenbach, 2010)

Are unions “the **primary** cause of the states’ long-term problems are their bloated public sectors — particularly their public pension obligations?” No, it could be “a cause” but not the primary cause. Examples of particular states without CB shows this is not primary — South Carolina is prime example.

Are public employee unions “the great reactionary force in public life today, using their privileged position both to defend the rewards their members receive and to block innovation”? They do fight for rewards of members. On innovation — need evidence. Massachusetts education shows CB of teachers consistent with best school performance in US. Teacher unions will undoubtedly fight to restore the huge education budget cuts, helping preserve public system.

As to who is the great r... force in public life, business lobbyists take deep offense at this understatement of their power. Their numbers/\$\$\$ dwarf that of public sector unions.

What will War against Public Sector CB produce?

a) Example from Australia: John Howard's Work Choices – national law to destroy all CB. Federal government took over traditional state powers. Enacted in great boom when Howard's coalition had brief majority in both chambers of parliament. Motivated by employer law firms and political desire to destroy unions who were bulwark of opposition labor party.

The law took effect. Employers used it immediately to give workers individual contracts at lower pay. Electorate tossed Howard out. Labor Party did not restore state powers and left parts of bill.

b) Example of US non-CB states -- Many union leader and union opponents believe that without CB unions are dead. But non-CB states, teachers unions, police, firefighters operate with some success. In nation as a whole, AFL-CIO's “Working America” signed up 3+ million members through door to door canvassing and Internet sign-up, without CB. Minority unionism is legal and protected. UFCW new effort at Walmart.

"In war more than anywhere else things do not turn out as we expect. Nearby they do not appear as they did from a distance."



n war everything is uncertain and variable, intertwined with psychological forces and effects, and the product of a continuous interaction of opposites.

Karl Von Clausewitz

Many intelligence reports in war are contradictory; even more are false, and most are uncertain.

Karl Von Clausewitz

) "In war more than anywhere else things do not turn out as we expect. Nearby they do not appear as they did from a distance."

"Der Krieg ist das Gebiet der Ungewißheit; drei Vierteile derjenigen Dinge, worauf das Handeln im Kriege gebaut wird, liegen im Nebel einer mehr oder weniger großen Ungewißheit. Hier ist es also zuerst, wo ein feiner, durchdringender Verstand in Anspruch genommen wird, um mit dem Takte seines Urteils die Wahrheit herauszufühlen."^[3]

(War is an area of uncertainty; three quarters of the things on which all action in War is based on are lying in a fog of uncertainty to a greater or lesser extent. The first thing (needed) here is a fine, piercing mind, to feel the truth with the measure of its judgment).

And later on:

"Endlich ist die große Ungewißheit aller Datis im Kriege eine eigentümliche Schwierigkeit, weil alles Handeln gewissermaßen in einem bloßen Dämmerlicht verrichtet wird, was noch dazu nicht selten wie eine Nebel- oder Mondscheinbeleuchtung den Dingen einen übertriebenen Umfang, ein groteskes Ansehen gibt."^[4]

(The great uncertainty of all data in war is a peculiar difficulty, because all action must, to a certain extent, be planned in a mere twilight, which in addition not infrequently — like the effect of a fog or moonlight — gives to things exaggerated dimensions and unnatural appearance.)