

House Democratic Steering and Policy Committee
“The State-by-State and Congressional Assaults on Workers’ Rights and the
Middle Class”

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The assault on public sector unions is an assault on the American middle class and American democracy. States and communities across the country are facing traumatic budget shortfalls. While there is widespread agreement that the 2008 financial implosion and the subsequent plummeting of state revenues got us into this mess, Republican governors have of late begun to scapegoat public employees as the cause of the fiscal troubles that states find themselves in. While many leaders of necessity are calling for shared sacrifice, these governors tend to view public employees as *the* sacrifice.

Republican governors in Wisconsin and Ohio have taken a major additional step: they propose dumping collective bargaining and rolling back worker rights in addition to tough financial givebacks. Is this approach simply a case of tough times requiring tough measures? Not really. These governors are using a real crisis to ram through a highly charged political agenda. It is union-busting masquerading as fiscal responsibility.

This onslaught affects all working Americans, the vast majority of whom oppose any rollback in worker rights¹. If the rollback succeeds, it will go beyond the dismantling of collective bargaining in the public sector. It will pummel middle class families—union and nonunion alike—and diminish the checks and balances vital to any democracy. Moreover, squeezing public workers and dismantling their rights won’t drive us out of the financial quagmire states are in. Ironically, targeting public workers makes public problems far more difficult to address.

The context

¹ A *New York Times* poll found Americans oppose weakening barking rights of public employees 60 percent to 33 percent. “Majority in Poll Back Employees in Public Sector Unions,” *The New York Times*. February 28, 2011.

While the onset of the Great Recession triggered the current fiscal problems, decades of cutting corporate tax rates and irresponsibly slashing taxes for the wealthiest have disastrously undermined the ability of governments at all levels to provide the services that their constituents want and need. Now the same political leaders who have fiscally undermined government are trying to use the mess they have created to attack public sector unions.

Consider Wisconsin. Despite the fact that the state is in better shape than most, it faces a daunting \$3.6 billion deficit over the next two years. The new Republican Governor Scott Walker's plan is to reduce taxes on the business community—he pushed through \$117 million in tax breaks in January²—and to demand \$330 million in benefit cuts from public workers.³ Acknowledging that sacrifices were necessary, the unions accepted these cuts, which amount to about an 8 percent decline in wages,⁴ a concession that should have laid the basis for tackling the real problems ahead.

Instead, it was just the beginning of the current conflict. The governor's latest proposal seeks to eviscerate both unions and collective bargaining. Typical of the new hurdles unions would face is a requirement that they be recertified annually through a secret ballot election in which the union would need a majority of everyone in a workplace, not just a majority of those actually voting. Collective bargaining would be dismantled except for very limited bargaining over wages, which would be capped by the consumer price index. In other words, unions would be free to slide downwards but strictly limited on any gains. Overnight, a vital workplace institution would become the equivalent of an appendix, a vestigial organ.

Ohio is on the verge of passing even more draconian cuts. The state Senate has already narrowly approved the measure, and it will likely soon be ratified by the assembly and signed by the governor. At least 10 other states from Florida to Idaho are considering measures that would weaken unions or even wipe them out in the public sector.⁵

² Juravich, Tom. "U.S. Recovery Might Need Public-Sector Unions," *Bloomberg Business Week*. March 5, 2011.

³ "Governor Threatens Layoffs in Wisconsin Impasse." *The Associated Press*. March 4, 2011.

⁴ *Ibid.*

⁵ Stein, Mark. "Unions Contend with Inhospitable States." *The Wall Street Journal*. March 4, 2011.

Public workers are the demographic heart of today's labor movement, representing 7.6 million workers or 52 percent of the country's 14.7 million unionized workers. In the public sector, 36.2 percent of workers are organized versus 6.9 percent in the private sector.⁶ Should this onslaught spread, it would threaten over half the labor movement. Mitch Daniels, Indiana's Republican governor, maintains that union membership slid by 90 percent in the public sector after he abolished collective bargaining six years ago. After a week, the state troopers union simply disbanded, with its president remarking, "There's no use to have one if we can't do collective bargaining."⁷

When President Reagan fired the members of the Professional Air Traffic Controllers (PATCO) union in the wake of their 1981 strike, that act had a powerful symbolic impact on labor-management relations in the private sector over subsequent decades. It signaled private sector employers that hardball is the order of the day. While 11,000 workers lost their jobs, the impact resonated far more broadly throughout the economy.⁸ Today, over 500,000 public sector workers are in danger of losing their bargaining rights—360,000 in Ohio⁹ and 170,000 in Wisconsin.¹⁰ This onslaught would amount to PATCO on steroids hammering labor at its core.

Legislators in Michigan and Indiana are already crafting measures that would undermine unions in the private sector as well. South Carolina, which prohibits public sector collective bargaining already, is considering a law that voids a proposed federal regulation requiring private firms to notify workers of their right to join a union.¹¹ "We are not going to post posters that encourage unions. It's ridiculous," Republican Governor Nikki Haley said. "I think it sends a bad message."¹²

⁶ "Union membership declines in 2010," Bureau of Labor Statistics, January 25, 2011.

⁷ Greenhouse, Steven. "In Indiana, Wisconsin May See Its Future." *The New York Times*. Feb 26, 2011.

⁸ White, Joseph. "Reagan Firings Signaled End to Strike Era." *The Wall Street Journal*. Feb 22, 2011.

⁹ "The Buckeye Union Lesson." *The Wall Street Journal*. March 4, 2011.

¹⁰ Merrick, Amy and Kris Maher. "Wisconsin Governor Seeks Deep Cuts." *The Wall Street Journal*. March 2, 2011.

¹¹ Stein, Mark. "Unions Contend with Inhospitable States." *The Wall Street Journal*. March 4, 2011.

¹² Adcox, Seanna. "SC Lawmakers Consider Another Anti-Union Bill." *The Associated Press*. Feb 24, 2011.

Some insist that we can't afford unions during traumatic economic times. Ironically, this is when collective bargaining is most vital. It allows unions and managers to address tough problems jointly and to insure fairness at a critical time. And, we ought not to link core democratic rights to the state of the economy. Would we suspend the bill of rights if the Dow falls below a certain level?

The middle class

The argument here is straightforward: many economists believe that unions were vital in the creation of a robust middle class after World War II; dismantling public sector unions today would unwind many of those gains. Instead of a highway to the middle class for working families, this onslaught against labor puts many on exit ramps. If wages and benefits are reduced in the public sector, it is unlikely that compensation for comparable jobs in the private sector will rise as a result.

Unions forged a link between soaring economic productivity and rising paychecks for workers and their families. The result was that median-family income, adjusted for inflation, doubled from 1947 to the mid-1970s, roughly tracking the growth of productivity.¹³ Moreover, unions pioneered benefits such as paid medical care and pensions that provided a measure of security to working Americans and their families. Soon after the war, unions represented one out of every three people in the workforce.¹⁴ As Paul Krugman points out, "government policies and organized labor combined to create a broad and solid middle class."¹⁵

As workers entered the middle class, their skills and hard work sustained strong productivity growth. "Under the midcentury social contract," Jacob S. Hacker argues, "workers received job security, guaranteed benefits, and good pay, and employers got loyal, productive workers who invested in skills specific to their jobs."¹⁶ The most important model that rolled off Detroit's assembly lines was the middle class, and its wages fueled unprecedented consumer demand and economic growth.

¹³ "The benefits of increased productivity over the last 35 years have not gone to the middle class." The State of Working America: Economic Policy Institute.

<http://www.stateofworkingamerica.org/charts/view/145>

¹⁴ "Union Membership in the United States, Annual Averages 1930-80." Bureau of Labor Statistics, Directory of National Unions and Employee Associations.

¹⁵ Krugman, Paul. "The Great Wealth Transfer." *Rolling Stone*. Dec 14, 2006, 46.

¹⁶ Hacker, Jacob S. "Reclaiming Middle-Class America." *The American Prospect*. Feb 16, 2011.

Unions ensured that as workers produced more, they earned more. Collective bargaining made this possible where it existed, but it also set the standard for many industries or firms where it didn't. The bargaining clout of unions is heftier, however, when they represent one of three workers than when they organize one of eight workers as they do today.

As labor's strength declined, the productivity/wage link fractured. Workers produced more but earned less. National output per worker rose 55 percent between 1973 and 2005, but average real hourly earnings for production and nonsupervisory workers slid 8 percent during that period.¹⁷ The 2002-07 economic expansion became the first to record median family income below the level at the end of the last expansion.¹⁸

As much as a third of the jump in wage inequality over the last four decades could result from labor's slide, according to sociologists Bruce Western and Jake Rosenfeld.¹⁹ While middle-class Americans were sliding, the wealthiest Americans were seemingly jet-propelled economically. The top .1 percent saw their share of pre-tax national income quadruple from less than 3 percent in 1970 to more than 12 percent in 2007.²⁰

Compounding the problem for the middle class was the fact that labor's decline limited its influence on public policy. Tax policy, for example, has tilted towards the wealthiest in recent decades, shrinking resources that benefit the middle class. Where does this weakening lead? Even before the 2008 financial implosion, Alan Greenspan, former Federal Reserve Board chair, noted that growing inequality of income and wealth were "very disturbing." He added that "a free market democratic society is ill-served by an economy in which the rewards of that economy [are] distributed in a way which too many of our population do not feel is appropriate... I think it is a major issue in this country."²¹ In a disturbing trend, we have brought back the retro look of the 1920s, not in fashion, but in income distribution.

¹⁷ Freeman, Richard B. *American Works: Critical Thoughts on the Exceptional U.S. Labor Market*. (New York: Russel Sage Foundation, 2007), 36.

¹⁸ Hacker, Jacob S. "Reclaiming Middle-Class America." *The American Prospect*. Feb 16, 2011.

¹⁹ Hacker, Jacob S. and Paul Pierson. "The Wisconsin union fight isn't about benefits." *The Washington Post*. March 6, 2011.

²⁰ Ibid.

²¹ Greenspan, Alan. Testimony before the Committee on Banking, Housing, and Urban Affairs, United States Senate, One Hundred Ninth Congress, July 21, 2005.

An assault on labor in its area of greatest strength—the public sector—is bound to exacerbate these already negative trends and, of course, will spread to the private sector as well. The result will be new pressure on an already beleaguered middle class.

Collective bargaining

Gutting collective bargaining throttles worker rights on the job and eliminates bargaining over wages and benefits. The issue is not the sacrifices demanded today—unions have already shown a willingness to accept cuts—but rather the ability to improve conditions tomorrow, when times are better and revenues improve. The law would permanently freeze real wages on the upside and provide no safety net skidding down.

Competitive wages and benefits are not simply a cost to the taxpayer; they are vital to attracting capable workers. Having the “lowest-cost” fire fighter is not exactly a promising idea if your house is burning, and having a teacher who earns “rock-bottom” wages is not exactly a bargain for your children or your state’s future. With a skilled, qualified, high-morale workforce, the public sector can be far more productive and deliver critical services more effectively. The issue ought not to be simply labor costs, but the quality and cost of the services and products delivered. In fact, competitive salaries and satisfied workers can lower overall costs, not raise them.

The good news is that collective bargaining is thriving and making a strong contribution to economic recovery; the bad news is that this is taking place in Europe not the United States. Positive labor relations between trade unions and their employers brought the European Union through recent economic traumas in 2008-10, a European Commission report concluded.²² “We have to emerge from the crisis with more and not less social dialogue,” EU Employment Commissioner Laszlo Andor added in a statement, “this will also help bolster the competitiveness of Europe’s economy... The Member States where social partnership is strongest are those that are successfully overcoming the crisis.”²³

²² “Industrial Relations in Europe 2010.” European Commission: Directorate-General for Employment, Social Affairs and Inclusion, Unit B1. October 2010.

²³ “Europe’s Social Dialogue Vital to Overcoming Crisis Says New Report.” <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/251&format=HTML&aged=0&language=EN&guiLanguage=en>

Those who are so eager to demolish collective bargaining in the public sector have little understanding of its role in history. It was meant to bring effective dispute resolution and stability to the workplace. “In much the same way that the electoral process and majority rule have institutionalized political conflict in a democracy,” the labor economist Robert Dublin concluded in the early 1950s, “collective bargaining has created a stable means for resolving industrial conflict.”²⁴

Collective bargaining for state workers was pioneered over five decades ago in Wisconsin. Governor Gaylord Nelson, best known for Earth Day, signed the bill authorizing it in 1959.²⁵ Despite strong evidence to the contrary, the myth persists that collective bargaining has resulted in excessive wages and lavish benefits for government workers. This would come as news to most public employees who are struggling to get by. The average AFSCME (American Federation of State, County, and Municipal Employees) worker earns \$45,000 and a retiree \$19,000 annually, hardly the highlife.

Comparing compensation between the public and private sector is somewhere between convoluted and complex. A large and growing literature exists that tries to make sense of this complicated terrain. Considerable variation exists by geography, occupation, education, and experience, among other factors, but the evidence holds that collective bargaining has hardly caused wages to spiral out of control in the public sector. Overall, total compensation—wages and benefits—as a share of state and local spending has slid from 63 percent three decades ago to about 52 percent today.²⁶

Many observers and solid studies find that state and local workers earn comparable wages and benefits to their private sector counterparts. *The New York Times* business columnist David Leonhardt writes, “government workers receive compensation that is similar—with somewhat lower salaries and somewhat better benefits on average—to that of private sector workers with similar qualifications.” He finds, “there is no good case that

²⁴ Lichtenstein, Nelson. *State of the Union: A Century of American Labor*. (Princeton: Princeton University Press), 149.

²⁵ “Wisconsin’s Crowded Capitol: Collective-Bargaining Protest Grows.” *PBS News Hour*. Feb 17, 2011.

²⁶ Hunt, Albert. R. “Attacking Teachers Reveal Cost Less Than ’81: Albert R. Hunt.” *Bloomberg Business Week*. March 6, 2011.

government pay is a major cause of the budget problems now facing states.”²⁷

Bender and Heywood second Leonhardt’s conclusions in an April 2010 comprehensive study done for the National Institute on Retirement Security. “If the goal is to compensate public and private workforces in a comparable manner,” they find, “then the data do not call for reductions in average state and local wages and benefits.”²⁸ Comparing workers with similar earnings determinants such as education levels, they also conclude that state employees earn 11.4 percent less, and when benefits as well as wages are included, 6.8 percent less, than their private sector counterparts.²⁹

In Wisconsin, wages and benefits for public workers lag their counterparts in the private sector by nearly 5 percent when factors such as education and experience are taken into account. A high school teacher averages \$49,000 a year, while a firefighter in the state earns about \$33,000 annually.³⁰

Historically, much of the concern over public sector compensation was the extent to which it lagged the private sector. Kearney and Carnevale, examining evidence before the mid-1960s, commented that until “the rise of unions in the public sector, public employees were consistently underpaid relative to similar workers in the private sector.”³¹

Comparability of public and private compensation ought to be a benchmark, not an iron clad rule. In some states, public workers at the lowest end of the pay scale may earn more than their private sector counterparts. These low private sector wages often reflect a turbulent private labor market in which workers have few rights. In these cases, the public sector should be the model employer, setting standards that influence the private sector, rather than adopting the lowest possible standards.

²⁷ Leonhardt, David. “Union Contracts, Not Pay, Are State’s Problem.” *The New York Times*. March 1, 2011.

²⁸ Bender, Keith and John Heywood. “Out of Balance? Comparing Public and Private Sector Compensation over 20 Years.” National Institute on Retirement Security and Center for State and Local Government Excellence. April 2010, p 16.

²⁹ *Ibid.*, 14-15.

³⁰ Keefe, Jeff. “Wisconsin Public Versus Private Employee Costs: Why Compare Apples to Oranges.” Economic Policy Institute, Policy Memorandum #173, Feb 15, 2011.

³¹ Kearney, R.C., and Carnevale, D. G. *Labor Relations in the Public Sector*, 3rd Edition. (New York: Marcel Dekker, 2001).

And that vaunted job security? As many as 400,000 public workers have lost their jobs nationally since the Great Recession began,³² and many more are fearful about their future.

All this is not to say that states and localities are not experiencing severe problems, particularly in the area of pensions and health care. Pension issues reflect the financial collapse and under-funding even in good times. The funding gap was “caused in large part by losses suffered during the financial crisis,” the Wall Street Journal reports.³³ Federal Reserve Chairman Ben Bernanke, however, pointed out that “states and localities may start to get a little breathing space,” as revenues rise with income and consumption and demand for programs such as Medicaid decline.³⁴ Rising health care costs reflect the soaring costs more generally in this sector. Where fiscal problems exist, collective bargaining ought to be part of the solution. Eliminating bargaining dismisses the concerns of workers who have often spent their professional lives serving the public.

Unions also set decent and livable standards for working conditions. New York’s Mayor Michael Bloomberg writes that unions “play a vital role in protecting against abuses in the workplace.”³⁵ Well, you might say, that’s fine theoretically, but what about costly benefits and work rules? Collective bargaining is far from perfect, but problems more often than not reflect attitudes on both sides of the table. Mayor Bloomberg contends that if contract terms no longer make sense, then the best route is to renegotiate them, not abolish rights.³⁶

Underlying the anti-union assault is the unstated assumption that an employer is never biased, unfair, vindictive, or just plain wrong. What unions add is the perspective of workers and the balance that is vital to a healthy, productive workplace. Governor Walker and others insist that civil service protections will still be available for state workers. However, that is no substitute for elected representatives speaking for all workers as well as insuring the rights of any individual. The best civil service protection available still means that a worker stands alone. And, civil service itself is

³² Bureau of Labor Statistics, Mass Layoff Statistics. <http://www.bls.gov/mls>

³³ Neumann, Jeannette. “Battered Public Pensions Do Better.” *The Wall Street Journal*. March 7, 2011.

³⁴ Ibid.

³⁵ Bloomberg, Michael. “Limit Pay, Not Unions.” *The New York Times*. Feb 27, 2011.

³⁶ Ibid.

vulnerable in a crunch. When Mississippi Governor Haley Barbour decided to fire corrections employees to cut costs, he simply convinced the legislature to suspend their civil-service protections.³⁷

Mayor Bloomberg also points to a role unions can play in managing a complex, high-tech work environment. “In my experience,” he writes, “they are integral to training, deploying and managing a professional work force.”³⁸ Why? Because these workers value their skills and the unions that represent them want to make sure these skills are developed and effectively utilized for the long haul. These priorities are clearly also in the public interest.

Some argue that an inherent conflict exists between unions bargaining with people they helped elect. Strangely, these same critics ignore the fact that corporations already do just that, albeit with far more resources. Throttling unions doesn’t level the playing field; it simply provides exclusive access for business interests.

Overall, some states with collective bargaining are doing well right now, and some states without it are sinking. Montana Governor Brian Schweitzer collaborated with unions to make changes, some quite painful, to benefit the state.³⁹ California Governor Jerry Brown is working with unions to climb out of that state’s fiscal quagmire, not seeking to pulverize them.

The recent experience of the private sector is worth looking at. The domestic automobile industry has been much maligned, but the Ford Motor Company and the United Auto Workers have transformed a sputtering company into a global leader. Last year, Ford became the second most profitable automaker in the world, trailing only highly unionized Volkswagen.

Finally, unions provide dignity for those who work. In his last days, the Reverend Martin Luther King, Jr. journeyed to Memphis, Tennessee to march with city sanitation workers for recognition of their union and their collective bargaining rights. The workers wore buttons that said “I Am a Man.” For King, the struggle was for a moral right as well as for economic justice.

³⁷ Pettus, Emily Wagster and Erik Schelzig. “Union Bargaining Just A Dream for Many Gov Workers.” *The Washington Post*. Feb 27, 2011.

³⁸ Bloomberg, Michael. “Limit Pay, Not Unions.” *The New York Times*. Feb 27, 2011.

³⁹ Gov. Brian Schweitzer “Politico Interview.” *Politico*. Feb 27, 2011.

The dignity of work is also celebrated by local community members and fellow citizens. Lisa Haberling, 35, a Wisconsin nurse's aide who twice journeyed six hours to the Madison demonstrations, told the *Detroit Free Press* that "these people are my snowplow drivers, city workers and my neighbors," adding "these are the jobs that my children might want some day."⁴⁰

Democratic society

The ability to form a union is fundamental to any democratic society. The first thing dictators tend to do when they seize power is to destroy independent unions. It doesn't make it any more palatable if fundamental rights are trampled by elected leaders. "Tyranny and oppression are just as possible under democratic forms as any other," Robert M. La Follette wrote.⁴¹

President Reagan applauded the right to a union in Poland 30 years ago, praising unions for providing "the right to work and reap the fruits of one's labor, the right to assemble, the right to strike, and the right to freedom of expression."⁴² If it's good enough for Poland, it ought to be good enough for us. The First Amendment provides rights to free speech and assembly in the community. Unions bring those rights to the workplace through collective bargaining. And, if unions are denied those rights in the workplace, it silences the voices of workers in the community and in politics.

As important, unions add balance in the electoral arena. They represent their members to be sure, but they also speak for the middle class and the disadvantaged. We tend to forget that old bumper sticker portraying unions as "the folks who brought you the weekend." Union-led gains after World War II didn't come at the expense of other workers; they paved the way for pensions, health care, and rising wages for workers—union and nonunion alike—throughout the economy. They have fought for civil rights and the

⁴⁰ Spangler, Todd, and Kathleen Gray. "Battle Over Union Rights Boils Over." *Detroit Free Press*. Feb 27, 2011.

⁴¹ Nichols, John. "First Amendment Remedies: How Working Wisconsin Took Their Constitution Back." *The Nation* (<http://www.thenation.com>).

⁴² Woolsey, John, and Gerhard Peters. The American Presidency Project [online]. Santa Barbara, CA: University of California (hosted), Gerhard Peters (database). <http://www.presidency.ucsb.edu/ws/?pid=42487>

fair treatment of immigrants. Do we think that measures such as the minimum wage or the 40-hour week simply dropped out of thin air?

“You don’t have to love unions,” Paul Krugman wrote, “you don’t have to believe that their policy positions are always right, to recognize that they’re among the few influential players in our political system representing the interests of middle- and working-class Americans, as opposed to the wealthy.”⁴³

Throttling public sector unions silences labor’s voice at a particularly critical moment. Today, in the wake of the Supreme Court’s 2010 Citizens United decision, corporations can shower unlimited contributions on the causes and candidates of their choice. The political context was unbalanced before Citizens United. Now, that decision combined with the recent assault on unions creates the danger of unchecked corporate influence. If politics were a pinball machine, the tilt lights would be blinking.

To the extent other states follow Wisconsin’s lead, the collateral damage will be to democracy itself. Former Republican Secretary of State and Labor, George Shultz, has said, “free societies and free unions go together.”⁴⁴ And you can’t have effective free unions under the onerous new terms being proposed.

As the economy begins to improve, the key to a broadly shared recovery is a strong and vital labor movement. Destroying public sector unions decimates labor more broadly and squeezes the middle class. It widens the gap between a growing economy and American families’ share of those gains. And, it undermines the democratic values we pride ourselves on. We need to strengthen – not weaken unions – as America’s most important counterbalance to the corporate influence that led to financial deregulation, Wall Street scandal, and our current fiscal crisis. Insuring core democratic rights is the foundation of a healthy middle class and a vibrant democracy.

⁴³ Krugman, Paul. “Wisconsin Power Play.” *The New York Times*. Feb 20, 2011.

⁴⁴ Silk, Leonard. “Economic Scene; Worrying Over Weakened Unions.” *The New York Times*, Dec 13, 1991.