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Unions at crossroads in states’ budget wars

Public employees are taking big hits

By Patrice Hill

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Public employee unions, the last bastion of an American labor movement in decline, are facing the fight of their lives this year as strapped state and local governments seek to permanently downsize their pensions, pay, benefits and bargaining rights.

Powerful unions such as the National Education Association (NEA) and the American Federation of State, County and Municipal Employees (AFSCME) have been bruised in battles with Republican governors and legislators in Ohio, Wisconsin, Indiana and other states that are grappling with record budget shortfalls and fighting to stave off insolvency.

Even where state governments are controlled by Democrats, public employees such as teachers, firefighters, police and janitors are facing unprecedented layoffs, furloughs and cutbacks as a result of hemorrhaging revenues and burgeoning demand for services caused by the Great Recession.

After Republicans took control of state governments in fall elections, Democrats from the Oval Office on down came to the defense of unions, which have been among the party's most ardent and generous backers for decades.

Even with powerful political figures such as President Obama in labor's corner, analysts expect the sheer size of record budget gaps at all levels of government to force unions this year to produce even more major concessions. They point to the significant curbs in labor costs accepted by Detroit's autoworkers in 2009 in the wake of the industry's bankruptcy and national financial crisis.

"A lot can be learned from the auto industry in the last three years. For the survival of GM and Chrysler, the unions had to change a lot of the formulas for retirement. They had to do it because the cost of benefits is way too high," said George Walper, president of the Spectrum investment group.

A different environment

Like the auto industry, state and local governments negotiated generous retirement formulas and health care benefits for employees in decades past, when such perks seemed less costly and the U.S. economy and industries were not facing stiff global competition for jobs, he said.

"It's a different environment today," and governments that depend for their revenues on taxing private-sector industries and employees are finding that, just like businesses, they can no longer afford overly generous benefits, he said.

General Motors Co., Chrysler LLC and other top American corporations have been forced to downsize and reform or face bankruptcy in recent years, while state, local and federal governments were able to postpone their reckoning by going deeper into debt.

Generous aid in Mr. Obama's $821 billion stimulus bill in 2009 provided money for education, infrastructure and energy projects, allowing states and cities to postpone major cutbacks, layoffs and reforms.

But this year, the federal aid is disappearing, states and cities are reaching the limits of their capacity to borrow at favorable rates, and the delayed effects of dramatic drops in revenues from sales, property and other taxes are being felt with full force. The result: showdowns in state government over budgets and spending from coast to coast.

Nicole Gelinas of the Manhattan Institute said the stimulus and record state and local debt issuance of more than $3 trillion in recent years only papered over overspending problems and postponed the inevitable trade-offs.

"States are spending too much money on their work forces," she said. As "disastrous" as the bailouts of GM and Chrysler were, "at least the auto companies and unions had to acknowledge that their labor costs were outdated and unaffordable."

Last stand

The same process is starting to happen in the public sector, but unions representing government and public-sector workers are well aware that they face the battle of their lives and are pulling out all the stops to defend their pay and perks.

Union leaders portray the battle as a last stand to protect America's middle class, which they say has shrunk as a result of the forces of globalization in the private sector and is now under attack from wealthy conservatives who sponsor their Republican opponents.

"Corporate-backed politicians are clearly gunning for working people in every state," said Alison Omens, media director at the AFL-CIO, the parent of AFSCME, the leading state and local employee union.

She said the highly publicized battle in Wisconsin, where Republican legislators this month passed legislation by Gov. Scott Walker that repeals unions' collective-bargaining rights over pensions and benefits despite a walkout by Democratic legislators, is only the tip of the iceberg.

Laws curtailing the rights and compensation of public employees or calling for privatization of public services have been introduced as well in Arizona, Florida, Idaho, Iowa, Kansas, Maine, Michigan, Minnesota, New Hampshire, New York, Ohio, Oklahoma, Tennessee and Utah, she said.

School teachers and administrators are facing cutbacks inAlabama, Florida, Minnesota, New Hampshire, and Pennsylvania, and "right-to-work" bills, which prohibit compulsory unionization, have been introduced in more than a dozen states, including Maine, Missouri, Michigan, Pennsylvania, Alaska, Tennessee and Indiana, she said.

Unions insist that the public sides with them in the battle, especially on maintaining the right to bargain collectively. But public opinion polls have been mixed, with many Americans saying they support cuts in union perks over cuts in services for taxpayers.

Ms. Omens compared today's struggle to the civil rights movement of the 1960s.

"Even in states where the outcry has not been as publicized as Wisconsin, working families have stepped up to express their dismay to lawmakers who would rather play partisan games and tip the scales against the middle class than create jobs," she said.

Fighting back

The unions have been sponsoring protests and rallies in the battleground states and are planning a big national protest April 4.

As with the private unions that have lost power at the negotiating table, the public unions are turning increasingly to political tactics to try to preserve their gains. They are sponsoring recall petitions, for example, for the GOP politicians in Wisconsin who voted to cut their benefits.

But the overtly political tactics of the unions has brought increased scrutiny and criticism of their use of compulsory member dues to finance their political activities.

The largest public-sector unions, which include the NEA, AFSCME, the American Federation of Teachers and the Service Employees International Union, have more than 7 million members nationwide and collect more than $2 billion in dues, mostly through automatic deductions on employee paychecks.

The vast majority of the union funding goes to back Democratic candidates and causes. Besides devoting millions of dollars and man-hours to elect Mr. Obama and other Democrats, the unions help finance campaigns for ballot measures to raise taxes and maintain spending on public employees and programs. They fight outsourcing of public services, school choice and other conservative causes.

But polls of union members show that not all support the political agenda of the union leadership, and sometimes a majority oppose it.

Because of the overwhelmingly liberal slant of union activities, Republican governors and legislators are seeking to end the automatic deduction of union dues in several states.

Unions say the legislators are politically motivated and are more interested in curbing a major source of funding for their Democratic opponents than in improving state finances.

Taxpayers in control

But because average taxpayers who pay for the union activities do not have the same kinds of powerful and well-financed groups defending their interests, analysts say, unions have had a disproportionate influence over decisions by state and local governments.

Chris Edwards of the Cato Institute said taxpayers need to be put back in control of the government, and that means curbing the power of public employee unions.

The unions have come to dominate the public work force — representing nearly 40 percent of all state and local workers — because of hardball political tactics and the monopoly powers they gained from legislatures in the past, he said.

Before the 1960s, unions represented less than 15 percent of the public work force, and courts generally ruled that public workers should not have collective-bargaining privileges like those of private workers.

In the 1960s and 1970s, states and cities enacted laws to enable unions to flourish in government. Some states and cities, New York for example, even required collective-bargaining and compulsory union dues.

By the time the budget battles started in earnest last year, 26 states had laws allowing all of their workers to bargain collectively, and another 12 allowed some of their workers to do so. The remaining 12 states — mostly in the South — did not permit collective bargaining, according to the Government Accountability Office.

The road ahead

How much Republicans are able to roll back those laws remains to be seen.

Even as the public-sector unions grew in strength in recent decades, private-sector unions dramatically declined from more than 40 percent of the work force in the 1950s to less than 10 percent today.

Unions have all but lost control over private-sector wage and benefit levels because many of the private industries that were unionized in the past either went bankrupt or located factories overseas, where they found cheaper, nonunion labor, analysts say.

That option is not available for state and local governments. A few local governments, such as Vallejos, Calif., have been able to annul burdensome union contracts by using the Chapter 9 bankruptcy code.

The Cato Institute's Mr. Edwards contrasted the willingness of public employees to push for higher taxes to finance their benefits with the willingness of unions in the private sector to bow to economic realities and negotiate significantly lower wages and benefits when needed to preserve jobs.

Detroit's autoworkers, for example, agreed to manage the financing of their pension plans in the future and accept much lower pay scales and benefits for new workers as part of the bankruptcy process in 2009.

"Private-sector unions are aware that higher costs for employers may result in lost sales and fewer union jobs," Mr. Edwards said, while public-sector workers know they can pass the costs on to someone else.