

Labor Unions and the Democratic Party *Growing Rifts in the Coalition*

By Ivan Osorio and Trey Kovacs

Summary: Recently AFL-CIO President Richard Trumka compared recent efforts to curb union power to a “wrecking ball.” He warned, “If leaders aren’t blocking the wrecking ball and advancing working families’ interests, working people will not support them. This is where our focus will be—now, in 2012 and beyond.” Of course, “Working families’ interests” is union-speak for union interests just as “working people” is a code word for labor unions. And 2012 is a reference to the upcoming elections. What is interesting is where Trumka directed his threats—at Democrats.



AFL-CIO President Richard Trumka addresses the National Press Club, May 20, 2011

AFL-CIO President Richard Trumka has been issuing increasingly explicit warnings to the Democratic Party: Shape up or organized labor will ship out. It’s not news when the president of the 11-million member labor federation savages Republican policies and politicians. But when the chief of Big Labor criticizes Democrats, however obliquely, people take notice. In a May 20 speech at the National Press Club, Trumka warned Democrats metaphorically: He said “lead-

ers” must block “the wrecking ball” or they will lose union support.

Less than a month later, in a June 7 speech to a nurses group, Trumka was far more explicit. He repeated the “wrecking ball” metaphor and reminded Democrats that unions are “an independent labor movement” whose “goal is not to help parties and candidates...For too long, we have been left after Election Day holding a canceled check waving it about — ‘Remember us? Remem-

ber us? Remember us?’ — asking someone to pay a little attention to us. Well, I don’t know about you, but I’ve had a snootful of that [expletive deleted].”

July 2011

Labor Unions and the Democratic Party

Page 1

Labor Notes

Page 8

Trumka is voicing organized labor's frustration with Democrats over their inability—or unwillingness—to give unions just about everything they want. After contributing record sums to Democratic candidates in 2008, unions had every reason to expect that their demands would be met. In 2009 they were elated when Barack Obama was sworn into office and both houses of Congress came under the control of Democratic majorities.

So what happened to the so-called Employee Free Choice Act (EFCA), which would allow unions to circumvent the secret ballot and use card check organizing (“sign the card here and you're in”) to overcome the attrition of union membership? In March 2009, President Obama had announced to 100 top union leaders, “We will pass the Employee Free Choice Act.” Yet the bill went nowhere.

Labor bosses also expected to see union partisans appointed to the National Labor Rela-

tions Board (NLRB). But in March 2011, Obama had to settle for a recess appointment of radical union lawyer Craig Becker to the NLRB after Senate Republicans filibustered his nomination—and for good reason. In his writings, Becker, a former associate counsel to the Service Employees International Union, said employers should play no role in the unionization process and suggested that the NLRB could enact card check on its own. Republican gains in the Senate reduce the likelihood of more terrible appointments, and Republican control of the House of Representatives means there is little hope that organized labor can make major legislative gains before the 2012 election.

Union officials have yet another reason to be frustrated. Across America, state and local elected officials are trying to close huge budget deficits, and they are taking aim at labor costs. Public sector union officials could have foreseen that if Republican candidates were successful they would try to curb or end union collective bargaining privileges. After Republicans won big in 2010 they quickly introduced bills to limit these privileges, starting with a proposal by Governor Scott Walker and newly-elected Republican majorities in the Wisconsin state legislature to curtail collective bargaining for state employees. (Control of both houses of the Wisconsin legislature switched from Democratic to Republican for the first time since 1938). Big Labor mobilized all its forces to protest Walker's budget proposal,

and it did the same in Ohio where Republican John Kasich was elected governor and Republicans won control of the state legislature.

Unions and Democrats

Surprisingly, however, union leaders face another more troubling (for them) and unexpected challenge: Democrats elected to state offices are trying to rein in union compensation in the public sector. In Massachusetts, of all places, they are even working to restrict collective bargaining privileges.

To gain some measure of control over their runaway public finances, Democrat-controlled states are acknowledging that they will have to make tough decisions that Big Labor will hate. Despite accepting millions of dollars in union campaign contributions, some Democratic officeholders are ignoring Big Labor's demands. They are seeking budget cuts and union concessions.

“Public unions have a symbiotic relationship with the Democratic Party,” observes Manhattan Institute senior fellow Daniel DiSalvo. “They provide essential campaign dollars and boots on the ground to Democratic candidates. ... Therefore, most efforts to alter collective bargaining rules, to give government managers greater autonomy to innovate, or to reduce the costs of compensation, are likely to come from Republicans.”

Editor: Matt Patterson

Publisher: Terrence Scanlon

Address: 1513 16th Street, NW
Washington, DC 20036-1480

Phone: (202) 483-6900

Email: mpatterson@capitalresearch.org

Website: www.capitalresearch.org

Labor Watch is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for \$2.50 prepaid to Capital Research Center.

New from Capital Research Center!

The Neighbor's Kid
A Cross-Country Journey in Search of
What Education Means to Americans

by CRC Education Fellow Philip Brand

Phil Brand drove his car across America visiting 100 schools, public and private, religious and secular, typical and unusual. Rather than interview education bureaucrats in Washington, D.C. he talked to parents and students, teachers and principals from Maine to California about what they like and dislike about their schools. His principal discovery: When it comes to picking a school parents care most about the kids with whom their own children associate. Not the curriculum, not the teachers, but the other kids.

180 pages, paperback
\$18.00

To order from CRC call 202/483-6900 or
Contact www.amppubgroup.com

The Neighbor's Kid
A Cross-Country Journey
in Search of What
Education Means to Americans
Philip Brand



CAPITAL RESEARCH CENTER

However, DiSalvo has noticed that larger changes are taking place. Writing in *The Washington Examiner*, he argues that, “[T] here are outside forces that may make reform inevitable. Global competition and technological innovation will demand it. That is if the huge unfunded liabilities for pensions and health care don’t catch up with state and local governments first.”

State budget problems have spiraled out of control since the 2008 financial crisis, and they are causing governors and mayors to

agree on one goal whatever their ideological leanings: They don’t want their states to go broke. Transcending the usual left-right political divide, some Democrats are defying their labor union allies, and are moving aggressively to cut their budgets and limit the power of public sector unions.

When Republicans in Wisconsin and Ohio do this, they create an intense union backlash. But what happens when elected officials with a “D” next to their names take on union privileges in deep-blue states like Massachusetts, Connecticut, and New York?

Massachusetts

The Democrat-controlled Massachusetts House of Representatives shocked the nation on April 26, when it voted 111-42 to limit collective bargaining for municipal employees in the state through a provision in the state’s Fiscal Year 2012 budget proposal (H.3400, Amendment #749). The bill is now in the state Senate, where it faces a tougher battle. Governor Deval Patrick, a Democrat, has not promised to sign the bill, but he praised the House for its “important” vote, and earlier this year he floated a similar proposal.

“We have got to get a handle on this,” House Ways and Means Committee Chairman Brian Dempsey (D-Haverhill) told *The New York Times* (Dempsey supports the plan). “The fact of the matter is costs are going up and the money is not going to the areas we desperately need it to.”

The Massachusetts proposal would limit collective bargaining over health benefits. While it doesn’t go as far as proposals by Republican lawmakers in other states, the fact that the bill is proposed by Democrats makes it politically significant. Eighty-one House Democrats in this bluest of blue states voted for the measure. (The 160-member lower house has 128 Democrats and 32 Republicans.)

The bill would limit the collective bargaining privileges for municipal employees (though not for state employees) in negotiating health care benefits. Officials of some 351 Massachusetts cities and towns could unilaterally set health insurance co-payments and deductibles for their employees after a month-long discussion period with unions, enabling elected officials to unilaterally shift health care costs for co-payments and deductibles directly onto employees—as in the private sector.

The bill requires state officials to transfer employees from municipal health care plans to the state health care plan, called the Group Insurance Commission (GIC), if the GIC can

achieve cost savings. On average, municipal health plans are more expensive to the taxpayer by at least \$3,000 than either the GIC or federal employees’ health insurance, according to the Massachusetts Taxpayers Association. The savings when municipal public employees start contributing to their own healthcare is estimated at \$100 million.

The bill also bars compulsory arbitration. Fiscally, this is important, because third-party mediators typically side with the union. Moreover, with binding arbitration the union can never receive anything less than management’s final offer.

Why would traditionally union-friendly Democrats vote for such a policy change and risk angering union leadership? Quite simply—it’s fiscal reality. The ever-increasing cost of healthcare has put pressure on the other parts of municipal budgets dedicated to education and public safety, and city and town governments struggling to balance their budgets think employee healthcare is tying their hands.

According to the Massachusetts Taxpayers Foundation, municipal healthcare costs have risen by 11 percent annually over the last decade, “cannibalizing” local budgets and far outpacing local revenues, which have risen by 4 percent on average during the same period. Without an increase in public employee’s contribution toward their own healthcare, local governments would either

need to initiate mass layoffs or make cutbacks in essential government services such as fire and police departments.

The changes proposed for municipal employees are quite modest, and include important concessions to the unions. For instance, the bill gives union representatives 30 days to negotiate with local officials, who can impose healthcare changes unilaterally only at the end of that period. And if the unions signal their disagreement with the changes, the law provides that the municipalities must return 20 percent of any savings accrued from the changes to the employees. In addition, the proposal preserves collective bargaining over healthcare premiums and it caps premium increases and unilateral co-pay costs to levels set by the Group Insurance Commission.

The unions offered a weak counter-proposal, sponsored by Rep. Martin Walsh (D-Forest), under which municipal employees would have 45 days to bargain over changes to employee health plans. If the parties were unable to reach target goals for cost savings, they would submit to binding arbitration by an unnamed third party, which would then decide whether employees would be required to join the Group Insurance Commission or accept changes proposed by local officials.

Workers also would share in at least 25 percent of the savings that cities and towns

might realize by shifting health costs, with another 25 percent going to local governments, and the rest up for negotiation.

Union officials have said that their proposal envisions the agreement to last three years and deliver \$120 million in health insurance savings annually. In the first year, \$60 million in savings would be given back to local public employees, not to cities and towns. Union officials said the money could help offset any higher copayments and deductibles accepted by municipal employees. In other words, the union plan's cost-saving measures benefit union members, not taxpayers.

Under the union plan, half the members of the GIC board would be union officials, thus allowing them to block any healthcare benefit cuts. So much for union healthcare reform. Massachusetts Taxpayers Foundation President Michael J. Widmer was critical: "Their proposal is a convoluted and cumbersome process, which fails to achieve anything close to the savings that are necessary in order to preserve the jobs of public employees."

The House Democratic majority caught the ire of Big Labor after it passed the bill. The unions have launched radio ads, rallied union members to protest at the state Capitol, and warned politicians that they will lose union support if they support the reform. Massachusetts AFL-CIO

President Robert Haynes thundered, "All votes relating to the matters discussed in this letter may be considered Labor Votes and calculated into Labor Voting Records upon which endorsements and levels of support are determined." The unions' efforts have been effective. Many members say they will "reconsider" their position, and half of the 26 Democrats on the Ways and Means Committee have signed onto the union counter-proposal, even though the committee endorsed the House-passed measure.

Connecticut

Connecticut has chosen a different route to achieve a balanced budget. Democratic Governor Dannel Malloy was elected in November 2010. Facing a \$3.2-billion deficit, the highest per capital debt in the nation, he proposed a two-year budget deal that both raises taxes and makes comprehensive budget cuts. While much of the Democrats' agenda in other areas of legislation is far to the left (lawmakers have raised taxes and mandated paid sick leave for some workers), 45,000 unionized state employees are taking the brunt of the cuts with \$1 billion in wage and benefits concessions and program cuts. Still, the budget falls short of its two-year goal and needs to be reduced by another billion dollars annually for this year and next. Negotiations between Governor Malloy and union officials stalled over concessions as the governor, a former mayor of Stamford,

held fast to his position. Malloy has said that he will "refuse to raise taxes beyond what has already been agreed to...asking everyone to share in the sacrifice, including my fellow state employees."

Unions counter that reports of excessive public employee compensation are overstated and that wages for public employees are lower than for those in the private sector. The unions say Wall Street and the "super-rich" should pay more to fix the state budget because they are responsible for the economic crisis.

This leaves Governor Malloy with the prospect of initiating public employee layoffs to cut the state's budget deficit. The threat of layoffs has led to a tentative agreement between the state and union leaders. It projects \$1.6 billion in savings toward the \$2 billion in cuts needed. Key components of the agreement include changes to state employees' health care coverage, retiree health care plans, pensions, wages, longevity bonuses, and a two-year no-layoff promise.

The deal includes a two-year wage freeze projected to save an estimated \$138.8 million in 2011-2012 and \$309.5 million in 2012-2013. However, starting in 2014, the proposal calls for 3-percent annual pay increases for public employees over the following three years. The agreement raises the retirement age by two years and lowers cost of living payments. However, these restric-

tions apply only to new employees and to current employees who retire after 2022, which may encourage some to retire early to secure more generous payments.

Connecticut lawmakers and Governor Malloy want to get their fiscal house in order. However, without legislative changes and real cuts, Connecticut still faces a fiscal crisis. Gov. Malloy has said, “I am attempting to bring the benefits enjoyed by state employees—wages, healthcare, and pension benefits—more in line with those enjoyed by their counterparts in the private sector and federal workforce.” That should be a first step, not the last.

New York

In New York, the most unionized state in the nation, elected officials normally toe the organized labor party line. Unions wield great influence in the state, which has worked to Republicans’ electoral disadvantage.

New York Governor Andrew Cuomo and New York City Mayor Michael Bloomberg are hardly right-wingers, which makes the reforms proposed by both officials all the more surprising (Bloomberg switched his affiliation from Democrat to Republican when he first ran for mayor and is now registered as an independent). They are seeking fiscally responsible budgets, limits on government services, and pension reform.

The State of New York budget had a deficit of \$9.8 billion. To produce the savings to close the deficit, Governor Cuomo and the Legislature enacted a \$132-billion budget for the 2011 fiscal year. The governor ordered state agencies to cut 10 percent from their spending, which amounts to \$1.5 billion in savings. He also announced cuts of \$1 billion from Medicaid and \$1.54 billion from education. Importantly, Cuomo’s proposed cuts are intended to be permanent unlike those in other liberal states. New York has an opportunity to set itself on a fiscally responsible path for years to come.

Cuomo has proposed pension reform, arguing that the current system is unsustainable. His proposal is intended only for new state employees and is estimated to save the state \$93 billion over 30 years. It would raise the minimum retirement age for state employees to 65 (up from 62 for most employees and up from 57 for teachers), end early retirement, double the amount state employees contribute to their pensions, and cap state pension payouts.

The plan also would end “pension spiking.” This occurs when pension payouts are set according to an employee’s final year of income, rather than the average of annual earnings, and state employees nearing retirement work excessive overtime during their final year of employment in order to boost those earnings—and consequently their pensions. Contract language and state laws

allow some high-level administrators and teachers to retire at 55 and cash in vacation days and sick days, for a large final-year boost in their earnings.

In July 2010 the *Buffalo News* profiled several public employees who cashed out big time. John H. George was a North Tonawanda school superintendent whose pension—\$205,809—was bigger than his salary of \$183,417. He cashed in 195 vacation days for \$149,026 (he already got summers off and took no additional time off) and 426.5 sick days for \$165,649, which increased his last year’s salary to \$533,749, adding \$52,865 to his annual pension.

The Buffalo News noted that lump sum payments for unused sick and vacation time are not included in pension calculations for employees hired after 1971, “[b]ut some 10,000 educators remain in the state’s Tier 1 pension classification, meaning they were hired before 1973, including an unknown number of people hired before 1971.” [Emphasis added]

Governor Cuomo’s reforms in Albany have had a beneficial impact on New York City, spurring Mayor Michael Bloomberg to initiate his own budget reforms. Because New York State cut \$4.6 billion from New York City’s budget for education, Medicaid, and social services, Bloomberg was prompted to propose a \$65.7 billion city budget for FY 2012 that contains cuts and proposes no new taxes.

Taking a cue from Cuomo, Bloomberg's budget also addresses pensions. The city's pension costs have risen from \$1.5 billion in 2002 to an estimated \$8.4 billion in 2012. The mayor seeks the power for the city to negotiate benefit terms directly with the unions without state approval. Bloomberg wants new city employees to contribute to their retirement benefits, and he would require employees to work until 65 to receive a full pension. These relatively minor requirements would result in \$1 billion in savings by 2019.

Mayor Bloomberg wants to create charter schools to replace failing public schools and would give his administration greater control over teacher hiring and firing. He has threatened to layoff 4,100 teachers if his budget is not approved. Needless to say, liberal interest groups and teacher unions are outraged.

Conclusion

It was national news when government employee unions took over the Wisconsin state capitol building to protest Republican governor Scott Walker's proposal to curtail collective bargaining "rights" to address the state's budget crisis. Republican lawmakers were denounced and the mainstream media imagined that the Republican victories in 2010 had created conditions for a holy war against labor unions.

The reality is far different. Democrats too must address huge state budget deficits, and they have recognized that their states' personnel costs make up large and increasing parts of the budget. Their union supporters are not happy. Normally, the prospect of union financial and manpower contributions at election time is enough for Democratic politicians to fend off budget cuts that affect unionized public employees. But these are not normal times.

Fixing broken state budgets is a policy goal that appeals to a wide cross-section of voters. They are paying attention and they are not about to reward politicians who fail to address their states' fiscal problems. In voter anger, public employee unions may finally have met their match.

Ivan Osorio is editorial director and a labor policy analyst at the Competitive Enterprise Institute (CEI). Trey Kovacs is a research associate at CEI.

LW

Please consider contributing now to the Capital Research Center.

We need your help in the current difficult economic climate to continue our important research.

Your contributions to advance our watchdog work is deeply appreciated.

Many thanks,

**Terrence Scanlon
President**

LaborNotes

Two things are a sure bet these days: 1) unemployment will continue to be atrociously high, and 2) the mainstream media will continue to be shocked by this. A June 9th *Reuters* headline was typical: “U.S. New Jobless Claims Unexpectedly Rise.” The crack journalists at *Reuters* continue: “The number of Americans filing new claims for unemployment benefits unexpectedly rose last week, according to a report on Thursday that could reinforce fears the labor market recovery has stalled.” Why are journalists so shocked at persistent bad economic news? Pure ideology – the elite who staff the world’s top news organizations have religious faith in liberal economic policies, despite overwhelming evidence that they fail miserably to improve job markets. For proof, see: the 1930’s, 1970’s, and 2009-2011.

At a June conference in Washington hosted by the **National Nurses United**, **ALF-CIO** President **Richard Trumka** renewed his call for the labor movement to declare independence from its “traditional” allies in the **Democratic Party**. Yet the nurses were in town to rally in support of a Sen. **Barbara Boxer** (D-Calif.) sponsored bill “that would ensure that minimum nurse-to-patient ratios are met,” according to *The Hill*, something that sounds suspiciously like it would benefit the nurses financially. This farce revealed the truth about the Labor/Democrat nexus – neither can thrive without the other. So much for independence.

Big Labor is in a state of shock that the public at large seems to have turned on unions so suddenly and so viciously. Labor leaders are quick to blame dastardly Republicans and Wicked Wall Street types, when they should really be looking in the mirror. On June 8th, the *MacIver News Service* posted a video to YouTube showing union thugs disrupting an event to celebrate **Special Olympics** athletes featuring Wisconsin Gov. **Scott Walker**. As Walker began his speech praising the Special Olympians, protesters unhappy with the Governor’s collective-bargaining reforms (and dressed as zombies) formed a line in front of the podium, blocking cameras and the view of the athletes who had come to meet and hear the Governor praise their accomplishments. The disgusting spectacle can be viewed at <http://www.youtube.com/watch?v=dcuqM1LEi5c&feature=youtu.be>.

Labor unions working to put Democrats in office we’re used to, but Republicans? That’s the word from California, where the **Service Employees International Union** (SEIU) has announced the creation of a new political action committee, “aimed at electing moderate Republicans to the state Legislature,” according to the *L.A. Times*. The push comes in response to a new electoral map coming from **California’s Citizens Redistricting Commission**, which the union feels will produce more “moderate” districts. What kind of Republicans are the SEIU looking to elect in these new districts? The kind that loves taxes, it seems. According to **Bob Schoonover**, president of **SEIU Local 721**, “We’re looking for problem solvers...When you have a revenue shortfall, it doesn’t necessarily mean you have to raise taxes. You should look at all the other options first. But I don’t think you should take revenue enhancements off the table either.” Hmmm....SEIU-approved Republicans look a lot like Democrats. Go figure.

More good news from where we least expect it, this time from Illinois, where Gov. **Pat Quinn** has signed into law a sweeping education reform measure designed to link teachers’ hiring and tenure to performance, rather than seniority. The **Chicago Teachers Union** was not on board, but surprisingly, “Two other unions, the **Illinois Education Association** and the **Illinois Federation of Teachers**, have thrown their support behind the measure,” reports *State EdWatch*. More surprisingly: “...when the measure came before the Democratically-controlled legislature, it passed overwhelmingly, with votes of 59-0 in the Senate and 112-1 in the House.” Kudos to Illinois.