

No. 61 • March 2010

## Public-Sector Unions

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Labor unions play a diminishing role in the private sector, but they still claim a large share of the public-sector workforce. Public-sector unions are important to examine because they have a major influence on government policies through their vigorous lobbying efforts. They are particularly influential in states that allow monopoly unionization through collective bargaining.

Collective bargaining is a misguided labor policy because it violates civil liberties and gives unions excessive power to block needed reforms. To provide policymakers with greater flexibility and to improve government efficiency, states should follow the lead of Virginia and ban collective bargaining in the public sector.

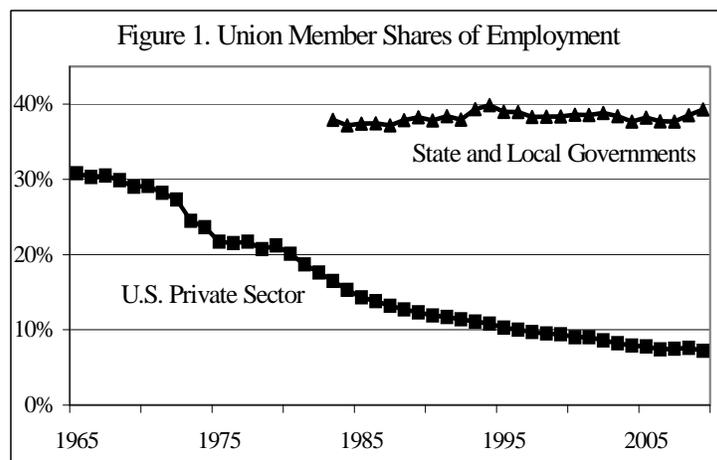
### Growth in Public-Sector Unions

In 2009, 39 percent of state and local workers were members of unions, which was more than five times the share in the private sector of 7 percent, as shown in Figure 1.<sup>1</sup> About two-thirds of government fire department and education workers are members of unions.<sup>2</sup> If you include federal workers, the public sector accounts for more than half of all union members in the nation.

Prior to the 1960s, unions represented less than 15 percent of the state and local workforce.<sup>3</sup> At the time, courts generally held that public-sector workers did not have the same union privileges that private workers had under the 1935 Wagner Act, such as collective bargaining.

That changed during the 1960s and 1970s, as a flood of pro-union laws in dozens of states triggered a dramatic rise in public-sector unionism.<sup>4</sup> Many states passed laws that encouraged or required collective bargaining in the public sector, and states also passed laws to impose compulsory union dues and fees on government workers.

Princeton University's Henry Farber has documented the rise in public-sector unionism since the 1950s.<sup>5</sup> He found that the number of states allowing collective bargaining for public-sector workers jumped from just one in 1955 to 10 by 1965. New York City granted collective-bargaining privileges to most city workers in 1958.



Source: U.S. Bureau of Labor Statistics.

By 1970, about half of the nation's state-level workers had collective-bargaining privileges, while more than half of the states allowed collective bargaining in local governments. Pro-union legislation advanced further during the 1970s, but the advance has slowed since then.

Today, about 26 states have collective bargaining for essentially all state and local workers. A further 12 states have collective bargaining for a portion of their state and local workers. The remaining 12 or so states do not have collective bargaining in the public sector.<sup>6</sup>

Why has public-sector unionism thrived while private-sector unionism has shriveled? One reason is that public agencies tend to be static—once a union has organized a group of workers they tend to stay organized. By contrast, the private sector is dynamic, with businesses going bankrupt and new businesses arising all the time. Since all new businesses start out nonunion, greater organizing efforts are needed to sustain private-sector unions.

Another factor is that many government services are legal monopolies, such as police and fire. The result is that consumers don't have the option of abandoning unionized public services if they become too inefficient, as they can with unionized services in the private sector.

Finally, public-sector unions push for higher pay and higher government spending with little restraint. They don't care if the cost of government services goes up because the burden is borne by someone else. By contrast, private-sector unions are aware that higher costs for employers may result in lost sales and fewer union jobs.

### Union Shares by State

Table 1 shows the shares of union members in state and local workforces.<sup>7</sup> These shares are strongly correlated with state rules regarding collective bargaining. The rules range from states that actively require collective bargaining, to states that allow it, to states that ban it, such as Virginia and North Carolina. In states that require collective bargaining, half or more of public workers are unionized. In states with no collective bargaining, public-sector union membership averages just 17 percent.<sup>8</sup>

State union shares are also correlated with "agency shop" rules. Agency shop rules require workers to either join the union or pay a fee to the union. Today, 28 states have agency shop rules, while 22 are "right-to-work" states where workers cannot be forced to join a union or pay union fees.<sup>9</sup> Right-to-work states generally have much lower union shares in their workforces.<sup>10</sup>

Some of the most pro-union states also allow public-sector strikes and some have mandatory arbitration, which usually works in favor of the unions. Note that union rules can vary within states for different types of public-sector worker. For example, teachers are more likely to be allowed to strike than police or fire department workers.

Table 1. Union Shares of State and Local Government Employment

New York	73%	Vermont	45%	New Mexico	18%
Rhode Island	71%	Ohio	44%	Utah	17%
Hawaii	67%	Montana	43%	Tennessee	17%
New Jersey	66%	Maryland	41%	North Dakota	16%
Connecticut	64%	Delaware	40%	Kansas	16%
Alaska	61%	Nevada	37%	Idaho	15%
Massachusetts	61%	Alabama	32%	Texas	14%
Washington	59%	Iowa	31%	Kentucky	14%
Michigan	58%	Nebraska	28%	Wyoming	14%
California	58%	West Virginia	27%	Louisiana	13%
Oregon	57%	Indiana	27%	Virginia	11%
Pennsylvania	55%	Florida	25%	Arkansas	10%
Minnesota	55%	Colorado	24%	Georgia	10%
Wisconsin	52%	Arizona	22%	South Carolina	9%
Illinois	50%	Missouri	19%	Mississippi	9%
New Hampshire	48%	Oklahoma	19%	North Carolina	8%
Maine	45%	South Dakota	18%		

Source: James Sherk based on Bureau of Labor Statistics data.

### Unions Increase Costs and Reduce Efficiency

Unionized public sector workers have much higher average wages and benefits than nonunionized public sector workers. Bureau of Labor Statistics data in Table 2 show that union members have a 31-percent advantage in wages and a 68-percent advantage in benefits.

Table 2. State and Local Workers, Union vs. Nonunion, 2009  
Average Compensation in Dollars per Hour Worked

	Union	Nonunion	Ratio
Total compensation	\$47.46	\$33.33	1.42
Wages and salaries	29.90	22.86	1.31
Benefits	17.57	10.47	1.68
Health insurance	5.91	3.07	1.93
Defined-benefit pension	3.98	1.94	2.05
Defined-contribution pension	0.25	0.36	0.69
Other benefits	7.43	5.10	1.46

Source: U.S. Bureau of Labor Statistics. Data for June.

However, part of this union-nonunion pay difference stems from general labor market variations across states. States with generally higher wages tend to be more unionized. Analyses that hold constant such cross-state differences find that public-sector unions increase average pay levels by roughly 10 percent.<sup>11</sup>

Besides raising compensation costs, unions reduce government efficiency in other ways. Unions tend to protect poorly performing workers, they often push for larger staffing levels than required, and they discourage the use of volunteers in government activities. Further, they tend to resist the introduction of new technologies and they create a more rule-laden workplace.

In the private sector, businesses can mitigate such union-caused inefficiencies. In response to union demands for higher pay, for example, businesses can substitute capital for labor. Unfortunately, public-sector managers have little incentive or flexibility to make such changes.

A final type of inefficiency created by public-sector unions is the cost of strikes. In November, for example, transit workers in Philadelphia went on a six-day strike over disagreements regarding pay.<sup>12</sup> The strike created chaos for the 800,000 residents of the city who rely on government subway and bus services, and it likely caused substantial damage to the local economy.

### Unions and Public Policy

Public-sector unions are some of the nation's most powerful special interest groups. They generally favor increases in government spending because they personally benefit from expanded programs. The rise of public-sector collective bargaining in the 1960s and 1970s encouraged

millions of government workers to become politically active. Public-sector workers are more likely to vote than other Americans, which magnifies their power.<sup>13</sup>

The largest public-sector unions are the National Education Association, the American Federation of Teachers, the American Federation of State, County, and Municipal Employees, and the Service Employees International Union. These organizations have more than 7 million members combined, and they are very well financed. The NEA and AFT, for example, collect about \$2 billion a year in member dues and fees, most of which is from jurisdictions with agency shop rules.<sup>14</sup>

With their large war chests, public-sector unions are very active in political campaigns. Over the last two decades, AFSCME was the second-largest contributor to campaigns in the United States. The NEA was the seventh largest, the SEIU tenth largest, and the AFT fifteenth largest.<sup>15</sup> In the first six months of 2009, the head of the SEIU was the most frequent visitor to the White House, which illustrates the group's influence.

During 2007 and 2008, public-sector unions spent \$165 million on campaigns and ballot measures.<sup>16</sup> In states such as California and Oregon, they have spent millions of dollars on various ballot measures, nearly always favoring the side of higher taxes and spending. Public-sector unions fight against school choice, privatization, and many other policies that can improve government efficiency.

## Conclusions

Like other private groups, unions have free speech rights to voice their opinions about public policy. But collective bargaining gives unions the exclusive right to speak for covered workers, many of whom may disagree with the views of the monopoly union. Furthermore, collective bargaining is inconsistent with the right to freedom of association.<sup>17</sup> Individuals are prevented from dealing directly with their employer and they can't choose to be represented by another organization.

Collective bargaining gives a privileged position in our democracy to government insiders who focus on expanding the public sector to their personal benefit. The special position of unions is strengthened in states that have mandatory union dues and fees. Workers can opt out of paying the portion of dues going toward union politicking, but they have to leave the union and actively solicit to get back a portion of their payments.

Monopolies in business usually create higher cost and lower quality services. Monopoly unions create similar problems in labor markets. State governments should ban collective bargaining in the public sector, following the

successful policies of Virginia and North Carolina. With the many large fiscal challenges facing governments—such as huge pension funding gaps—policymakers need flexibility to make tough budget decisions. But powerful unions make budget reforms very difficult, as New Jersey Governor Chris Christie, for example, is finding out.

To put citizens and taxpayers back in control of their governments, collective bargaining and forced union dues should be outlawed in the public sector. Public employees should be free to join worker associations, but they should not be given a special legal status and handed extra power to block desperately needed fiscal reforms.

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<sup>1</sup> Bureau of Labor Statistics, "Union Members 2009," January 22, 2010.

<sup>2</sup> See Henry S. Farber, "Union Membership in the United States," Working Paper 503, Industrial Relations Section, Princeton University, September 2005, p. 5.

<sup>3</sup> Richard Freeman, "Unionism Comes to the Public Sector," *Journal of Economic Literature* 29 (March 1986), p. 45.

<sup>4</sup> Freeman, pp. 47–48.

<sup>5</sup> Farber.

<sup>6</sup> Government Accountability Office, "Collective Bargaining Rights," GAO-02-835, September 2002, p. 8. These totals have changed a bit since this 2002 study.

<sup>7</sup> James Sherk, Heritage Foundation, from the Bureau of Labor Statistics, Current Population Survey, 2006–2009.

<sup>8</sup> Farber, p. 20.

<sup>9</sup> See National Right to Work, [www.nrtw.org/rtws.htm](http://www.nrtw.org/rtws.htm).

<sup>10</sup> Farber, p. 22.

<sup>11</sup> See Chris Edwards, "Public Sector Unions and the Rising Costs of Employee Compensation," *Cato Journal*, Winter 2010. And see James Sherk, "Fiscal Impacts of Public-Sector Unions," in "Sweeping the Shop Floor," Evergreen Freedom Foundation, February 10, 2010.

<sup>12</sup> Vince Lattanzio, "SEPTA Workers Walk Off the Job," *NBC Philadelphia*, November 5, 2009.

<sup>13</sup> Don Bellante, David Denholm, and Ivan Osorio, "Vallejo Con Dios: Why Public Sector Unionism Is a Bad Deal for Taxpayers and Representative Government," *Cato Institute Policy Analysis* no. 645, September 28, 2009, p. 7.

<sup>14</sup> National Institute for Labor Relations Research, "Two Million K–12 Teachers Are Now Corralled into Unions," August 18, 2008.

<sup>15</sup> Center for Responsive Politics, "Top All-Time Donors List, 1989–2010," [www.opensecrets.org](http://www.opensecrets.org).

<sup>16</sup> National Institute on Money in State Politics, "Top National Donors," [www.followthemoney.org](http://www.followthemoney.org). Solomon Stein provided research assistance.

<sup>17</sup> See David Y. Denholm, "Beyond Public Sector Unionism," Public Service Research Foundation, October 1994. And see Charles W. Baird, "Labor Relations Law," *Cato Handbook for the 108th Congress*, Cato Institute, January 2003.