The Trouble with Public Sector Unions

Daniel DiSalvo

When Chris Christie became New Jersey’s governor in January, he wasted no time in identifying the chief perpetrators of his state’s fiscal catastrophe. Facing a nearly $11 billion budget gap—as well as voters fed up with the sky-high taxes imposed on them to finance the state government’s profligacy—Christie moved swiftly to take on the unions representing New Jersey’s roughly 400,000 public employees.

On his first day in office, the governor signed an executive order preventing state-workers’ unions from making political contributions—subjecting them to the same limits that had long applied to corporations. More recently, he has waged a protracted battle against state teachers’ unions, which are seeking pay increases and free lifetime health care for their members. Recognizing the burden that such benefits would place on New Jersey’s long-term finances, Christie has sought instead to impose a one-year wage freeze, to change pension rules to limit future benefits, and to require that teachers contribute a tiny fraction of their salaries to cover the costs of their health insurance—measures that, for private-sector workers, would be mostly uncontroversial.

The firestorm that these proposals have sparked demonstrates the political clout of state-workers’ unions. Christie’s executive order met with vicious condemnation from union leaders and the politicians aligned with them; his fight with the public-school teachers prompted the New Jersey Education Association to spend $6 million (drawn from members’ dues) on anti-Christie attack ads over a two-month period. Clearly, the lesson for reform-minded politicians has been: Confront public-sector unions at your peril.

Daniel DiSalvo is an assistant professor of political science at the City College of New York.
Yet confront them policymakers must. As Christie said about the duel with the NJEA, “If we don’t win this fight, there’s no other fight left.” Melodramatic as this may sound, for many states, it is simply reality. The cost of public-sector pay and benefits (which in many cases far exceed what comparable workers earn in the private sector), combined with hundreds of billions of dollars in unfunded pension liabilities for retired government workers, are weighing down state and city budgets. And staggering as these burdens seem now, they are actually poised to grow exponentially in the years ahead. If policymakers fail to rein in this growth, a fiscal crack-up will be the inevitable result.

New Jersey has drawn national attention as a case study, but the same scenario is playing out in state capitals from coast to coast. New York, Michigan, California, Washington, and many other states also find themselves heavily indebted, with public-sector unions at the root of their problems. In exchange, taxpayers in these states are rewarded with larger and more expensive, yet less effective, government, and with elected officials who are afraid to cross the politically powerful unions. As the Wall Street Journal put it recently, public-sector unions “may be the single biggest problem . . . for the U.S. economy and small-d democratic governance.” They may also be the biggest challenge facing state and local officials—a challenge that, unless economic conditions dramatically improve, will dominate the politics of the decade to come.

The State of the Union

Since the middle of the 20th century, organized labor in America has undergone two transformations with major implications for the nation’s politics. The first is the dramatic decline in overall union membership. In 1955, organized labor represented one-third of the non-agricultural work force; today, it represents just 12.3%. The second transformation, however, is even more significant: the change in the composition of the unionized work force.

As private-sector unions have withered, public-sector unions have grown dramatically. The Bureau of Labor Statistics reports that, in 2009, for the first time ever, more public-sector employees (7.9 million) than private-sector employees (7.4 million) belonged to unions. Today, unionized workers are more likely to be teachers, librarians, trash collectors, policemen, or firefighters than they are to be carpenters, electricians, plumbers, auto workers, or coal miners.
This shift has produced a noticeable change in the demographic profile of union members; gone is the image of a union man as a beefy laborer in a hard hat and steel-toed boots. According to data from the University of Michigan’s American National Election Study, in 1952, about 80% of union members were blue-collar workers, while 20% were white-collar workers; by the mid-1990s, those classified as white-collar workers gained majority status. Nor do men dominate unions any longer: In the 1950s, more than 80% of union members were men, but today there is near gender parity. Union members also have much more schooling than they once did. In 1960, more than 35% of union members had not finished high school and barely 2% had college degrees. Today, almost every union member has completed high school, and more than 25% have college degrees. The typical union member no longer lives in a major city center close to the factory; by the 1990s, union members were more likely to live in suburban than urban areas. Unions have also become multi-racial: Nearly a quarter of union members are now non-white. Unions today represent a vastly different slice of America than they did at the height of the country’s manufacturing prowess.

The rise of government-worker unionism has also combined with the broader transformation of the American economy to produce a sharp divergence between public- and private-sector employment. In today’s public sector, good pay, generous benefits, and job security make possible a stable middle-class existence for nearly everyone from janitors to jailors. In the private economy, meanwhile, cutthroat competition, increased income inequality, and layoffs squeeze the middle class. This discrepancy indicates how poorly the middle class has fared in recent decades in the private economy, which is home to 80% of American jobs. But it also highlights the increased benefits of government work, and shines a spotlight on the gains public-sector unions have secured for their members. Perhaps this success helps explain why, on average, 39% of state- and local-government employees belong to unions. (Differences in state and local laws of course mean that the percentage varies from state to state; New York tops the chart with roughly 70% of state employees in unions, while many Southern right-to-work states hover in the single digits.)

The emergence of powerful public-sector unions was by no means inevitable. Prior to the 1950s, as labor lawyer Ida Klaus remarked in 1965, “the subject of labor relations in public employment could not
have meant less to more people, both in and out of government.” To the extent that people thought about it, most politicians, labor leaders, economists, and judges opposed collective bargaining in the public sector. Even President Franklin Roosevelt, a friend of private-sector unionism, drew a line when it came to government workers: “Meticulous attention,” the president insisted in 1937, “should be paid to the special relations and obligations of public servants to the public itself and to the Government…. The process of collective bargaining, as usually understood, cannot be transplanted into the public service.” The reason? F.D.R. believed that “[a] strike of public employees manifests nothing less than an intent on their part to obstruct the operations of government until their demands are satisfied. Such action looking toward the paralysis of government by those who have sworn to support it is unthinkable and intolerable.” Roosevelt was hardly alone in holding these views, even among the champions of organized labor. Indeed, the first president of the AFL-CIO, George Meany, believed it was “impossible to bargain collectively with the government.”

Courts across the nation also generally held that collective bargaining by government workers should be forbidden on the legal grounds of sovereign immunity and unconstitutional delegation of government powers. In 1943, a New York Supreme Court judge held:

To tolerate or recognize any combination of civil service employees of the government as a labor organization or union is not only incompatible with the spirit of democracy, but inconsistent with every principle upon which our government is founded. Nothing is more dangerous to public welfare than to admit that hired servants of the State can dictate to the government the hours, the wages and conditions under which they will carry on essential services vital to the welfare, safety, and security of the citizen. To admit as true that government employees have power to halt or check the functions of government unless their demands are satisfied, is to transfer to them all legislative, executive and judicial power. Nothing would be more ridiculous.

The very nature of many public services — such as policing the streets and putting out fires — gives government a monopoly or near monopoly; striking public employees could therefore hold the public hostage. As
long-time *New York Times* labor reporter A. H. Raskin wrote in 1968: “The community cannot tolerate the notion that it is defenseless at the hands of organized workers to whom it has entrusted responsibility for essential services.”

Another common objection to collective bargaining with public-employee unions was that it would mean taking some of the decision-making authority over government functions away from the people’s elected representatives and transferring it to union officials, with whom the public had vested no such authority. In this view, democracy would be compromised when elected officials began sharing with union leaders the power to determine government employees’ wages, benefits, and working conditions. Furthermore, collectively bargained work rules could alter what public servants did day to day in ways not condoned by either elected officials or the voting public.

Given the forces and arguments aligned against public-sector unions, what led to their enormous growth? Three conditions prepared the ground for the legal reforms that facilitated collective bargaining in the public sector (and the subsequent swelling of the ranks of unionized government employees).

The first was the weakening of party machines at the state and (especially) local levels. In many of America’s large cities, the responsibility for filling government jobs fell to the party machines; turnover in government employment was therefore high, connected as it was to election results. In New York during the 1930s and ’40s, for instance, the average tenure of a cop or garbage collector was five years. Another effect of the machines’ influence over government hiring was political: People in patronage jobs inevitably devoted a portion of their nominal working hours to party affairs. Because government employment under the machine system was both relatively brief and partisan in nature, a culture of professionalism was never really able to take hold.

Reformers’ chief weapon in the war against the machines was the enactment of civil-service laws. Such laws sought to deprive ward bosses of control over patronage, which was their lifeblood. Civic groups, the press, and public-employees’ associations believed that greater professionalization of the government work force would draw in talent, increase efficiency, and reduce corruption. In the 1950s, according to historian Leo Kramer, the leadership of the American Federation of State, County, and Municipal Employees (AFSCME) “saw itself as part of a great movement
to reform government,” one of whose principal aims was “the extension of the merit system to all nonpolicy determining positions in all government jurisdictions.”

By the end of the 1950s, reformers had put the old machines on the defensive. And professionalization had had its intended effect: In their 1963 book *City Politics*, Edward Banfield and James Q. Wilson found that, by 1961, 52% of cities with populations over 500,000 had placed nearly all government employees under civil-service protections.

One important consequence of civil-service reform was that, with the end of election-based turnover — and with protections against undue political interference in hiring and firing — public employees gained nearly lifetime job security. This gave workers a long-term interest in their jobs and increased their capacity to express themselves collectively, thereby helping to make the unionization of public employees possible.

The second precondition for public-sector unionization was economic and demographic change. In the post-war period, the number of government jobs grew rapidly: Between 1950 and 1976, state- and local-government employment increased from 9.1% to 15.3% of the non-agricultural work force (an increase from roughly 4 million workers to about 12 million). A large part of this spike was the result of increased demand for government services caused by the Baby Boom. Huge numbers of young people meant a greater need for workers in schools in particular; the number of Americans working as teachers, principals, and administrators thus increased dramatically. It is hardly surprising, then, that some of the first public employees to unionize (and some of the most militant) were teachers. In the 1970s in New York state alone, there were, on average, 20 teacher strikes a year.

Finally, the third precondition was the solidification of the alliance between organized labor and the Democratic Party. Franklin Roosevelt’s signing of the Wagner Act (which protected the rights of private-sector workers to organize and bargain collectively) in 1935 fully bonded labor to the Democrats; their partnership was reinforced during the fight over the Taft-Hartley Act of 1947, which was a Republican initiative to rein in union power. By mid-century, Democrats began to rely on labor unions for both funding and on-the-ground campaign organizing. In the 1950s and ’60s, according to political scientist J. David Greenstone, “labor functioned as the most important nation-wide electoral organization for the Democratic Party.” As a political tag team, both Democrats and labor had an incentive
to broaden the base of the labor movement—and they came to see public-sector workers as the most promising new hunting ground, especially as private-sector union membership began to decline.

Democrats began to mobilize this new constituency in the late 1950s. In 1958, New York City mayor Robert Wagner, Jr., issued Executive Order 49, known as “the little Wagner Act.” It gave city employees bargaining rights, and provided their unions with exclusive representation (meaning that the unions alone were legally authorized to speak for city workers, regardless of whether those workers belonged to the unions or supported them). And in 1962, President John Kennedy issued Executive Order 10988, reaffirming the right of federal workers to organize and codifying their right to bargain collectively.

From the mid-1960s through the early ’70s, states and cities followed with a plethora of laws providing public-employee unions with collective-bargaining rights. In many cases, the consequences were almost immediate. In New York state, one year after the passage of the so-called Taylor Law in 1967, 360,000 state- and local-government employees became unionized; the New York Times described the law as having an “almost revolutionary effect.” Other states and cities experienced similar expansions in the number of public-sector union members. For example, in 1968, California passed the Meyers-Milias-Brown Act—a law granting local-government workers bargaining rights—and then extended those rights to teachers a few years later; in the 1970s and ’80s, both membership in public-sector unions and the number of strikes in California skyrocketed. Nationwide, by 1970, the AFSCME had negotiated more than 1,000 collective-bargaining agreements, nearly twice the number in place in 1964. And by 1972, nearly half of the states had public-employee collective-bargaining laws in place at either the state or local level.

Collective-bargaining laws gave government workers powerful incentives to join unions. Between 1960 and 1980, the portion of full-time unionized public employees jumped from 10% to 36% of the public-sector work force. The AFSCME grew from 99,000 members in 1955 to just under 1 million members in 1980. Over the same period, the American Federation of Teachers grew from 40,000 to more than half a million members. Today, its membership stands at more than 1.5 million—which makes the AFT larger than the largest exclusively private-sector union, the United Food and Commercial Workers (1.3 million members). But even the AFT is dwarfed by the largest labor
union in the United States: the National Education Association, which claims 3.2 million members.

Organized labor in America thus increasingly consists of government employees, and government employees increasingly belong to unions. This shift has clearly reshaped the country’s labor movement. Far more important to most Americans, though, is the way it has transformed the relationships between public employees, the governments they work for, and the public they serve—often with less than salutary results.

**The Public-Sector Difference**

When it comes to advancing their interests, public-sector unions have significant advantages over traditional unions. For one thing, using the political process, they can exert far greater influence over their members’ employers—that is, government—than private-sector unions can. Through their extensive political activity, these government-workers’ unions help elect the very politicians who will act as “management” in their contract negotiations—in effect handpicking those who will sit across the bargaining table from them, in a way that workers in a private corporation (like, say, American Airlines or the Washington Post Company) cannot. Such power led Victor Gotbaum, the leader of District Council 37 of the AFSCME in New York City, to brag in 1975: “We have the ability, in a sense, to elect our own boss.”

Since public-sector unions began to develop in earnest, their importance in political campaigns has grown by leaps and bounds. Starting from almost nothing in the 1960s, government-workers’ unions now far exceed private-sector unions in political contributions. According to the Center for Responsive Politics, from 1989 to 2004, the AFSCME was the biggest spender in America, giving nearly $40 million to candidates in federal elections (98.5% of it to Democrats). It is important to stress that this was spending on federal elections; the union represents mostly state and local workers. But given the magnitude of federal contributions to state budgets, the AFSCME is heavily involved in electioneering to shape Washington’s spending in ways that protect public workers and the supply of government services. And so over that 15-year period, the AFSCME was willing and able to outspend any other organization in the country.

The political influence of public-sector unions is probably greatest, however, in low-turnout elections to school boards and state and local offices, and in votes to decide ballot initiatives and referenda. For
example, two of the top five biggest spenders in Wisconsin’s 2003 and 2004 state elections were the Wisconsin Education Association Council and the AFSCME-affiliated Wisconsin PEOPLE Conference. Only the state Republican Party and two other political action committees—those belonging to the National Association of Realtors and SBC/Ameritech—spent more. The same is true in state after state, as unions work to exert control over the very governments that employs their members.

This political dimension of public-sector unionism also changes the substantive priorities and demands of the unions themselves. Although private-sector unions in the United States have engaged in leftist “social activism,” they have mostly concentrated their efforts on securing the best wages, benefits, pensions, and working conditions for their members: “pure and simple unionism,” as longtime American Federation of Labor president Samuel Gompers used to call it. Rarely do they demand more hiring, since—given the constant private-sector imperative to keep operating costs minimal—increasing the number of a company’s employees can limit wage and benefit increases for the workers already on the company’s payroll.

By contrast, as economist Richard Freeman has written, “public sector unions can be viewed as using their political power to raise demand for public services, as well as using their bargaining power to fight for higher wages.” The millions spent by public-employee unions on ballot measures in states like California and Oregon, for instance, almost always support the options that would lead to higher taxes and more government spending. The California Teachers Association, for example, spent $57 million in 2005 to defeat referenda that would have reduced union power and checked government growth. And the political influence of such massive spending is of course only amplified by the get-out-the-vote efforts of the unions and their members. This power of government-workers’ unions to increase (and then sustain) levels of employment through the political process helps explain why, for instance, the city of Buffalo, New York, had the same number of public workers in 2006 as it did in 1950—despite having lost half of its population (and thus a significant amount of the demand for public services).

For a case study in how public-sector unions manipulate both supply and demand, consider the example of the California Correctional Peace Officers Association. Throughout the 1980s and ’90s, the CCPOA lobbied
the state government to increase California’s prison facilities—since more prisons would obviously mean more jobs for corrections officers. And between 1980 and 2000, the Golden State constructed 22 new prisons for adults (before 1980, California had only 12 such facilities). The CCPOA also pushed for the 1994 “three strikes” sentencing law, which imposed stiff penalties on repeat offenders. The prison population exploded—and, as intended, the new prisoners required more guards. The CCPOA has been no less successful in increasing members’ compensation: In 2006, the average union member made $70,000 a year, and more than $100,000 with overtime. Corrections officers can also retire with 90% of their salaries as early as age 50. Today, an amazing 11% of the state budget—more than what is spent to educate California’s nearly 6.3 million public-school students—goes to the penal system. Governor Arnold Schwarzenegger now proposes privatizing portions of the prison system to escape the unions’ grip—though his proposal has so far met with predictable (union supported) political opposition.

A further important advantage that public-sector unions have over their private-sector counterparts is their relative freedom from market forces. In the private sector, the wage demands of union workers cannot exceed a certain threshold: If they do, they can render their employers uncompetitive, threatening workers’ long-term job security. In the public sector, though, government is the monopoly provider of many services, eliminating any market pressures that might keep unions’ demands in check. Moreover, unlike in the private sector, contract negotiations in the public sector are usually not highly adversarial; most government-agency managers have little personal stake in such negotiations. Unlike executives accountable to shareholders and corporate boards, government managers generally get paid the same—and have the same likelihood of keeping their jobs—regardless of whether their operations are run efficiently. They therefore rarely play hardball with unions like business owners and managers do; there is little history of “union busting” in government.

Additionally, the rise and fall of businesses in the private sector means that unions must constantly engage in organizing efforts, reaching out to employees of newly created companies. In government agencies, on the other hand, once a union organizes workers, they usually remain organized—because the government doesn’t go out of business. Public-employee unions can thus maintain membership levels with much less effort than can private-sector unions.
Finally, public-sector unions enjoy a privileged position in relation not only to their private-sector counterparts but also to other interest groups. Public-sector unions have automatic access to politicians through the collective-bargaining process, while other interest groups must fight for such entrée. Government unions can also more easily mobilize their members for electoral participation than other interest groups can—since they are able to apply pressure at the workplace and, in many cases, can even arrange for time off and other benefits to make members’ political activism easier. Furthermore, most interest groups must devote a great deal of time and effort to fundraising; public-sector unions, on the other hand, enjoy a steady, reliable revenue stream, as union dues are deducted directly from members’ paychecks (often by government, which drastically reduces the unions’ administrative costs).

Taken together, the intrinsic advantages that public-sector unions enjoy over private-sector advocacy groups (including private-sector unions) have given organized government laborers enormous power over government at the local, state, and federal levels; to shape public finances and fiscal policy; and to influence the very spirit of our democracy. The results, unfortunately, have not always been pretty.

A UNIONIZED GOVERNMENT

The effects of public-sector unionism can be grouped under three broad headings. The first centers on compensation, which includes wages, pensions, health care, and other benefits easily valued in monetary terms—the core issues at stake in collective-bargaining negotiations. The second involves the amount of government employment, or the size of government, as reflected in the number of workers and in public budgets. The third involves the productivity and efficiency of government services. Insofar as unions negotiate detailed work rules, they share the power to shape the day-to-day responsibilities of public servants—which influences what government does, and how well it does it.

These are complex matters that are hard for social scientists to measure, and on which scholars disagree. Nevertheless, the evidence supports a few broad conclusions.

Most economists agree that public-sector unions’ political power leads to more government spending. And recently, Chris Edwards of the Cato Institute documented how government unionism has abetted growth in public-sector compensation. Generally speaking, the public sector pays
more than the private sector for jobs at the low end of the labor market, while the private sector pays more for jobs at the high end. For janitors and secretaries, for instance, the public sector offers an appreciably better deal than the private economy: According to the Bureau of Labor Statistics, the average annual salary for the roughly 330,000 office clerks who work in government was almost $27,000 in 2005, while the 2.7 million in the private sector received an average pay of just under $23,000. Nationwide, among the 108,000 janitors who work in government, the average salary was $23,700; the average salary of the 2 million janitors working in the private sector, meanwhile, was $19,800.

For workers with advanced degrees, however, the public-sector pay scale is likely to be slightly below the private-sector benchmark. Private-sector economists, for instance, earn an average of $99,000 a year, compared to the $69,000 earned by their government colleagues. And accountants in the corporate world earn average annual salaries of $52,000, compared to $48,000 for their public-sector counterparts.

Not as easily captured is the comparable worth of those government workers who lack counterparts in the private sector, such as policemen, firefighters, and corrections officers. But that very monopoly status has given the union representatives of these workers enormous leverage, which they have converted into major gains. For example, in New York state, county police officers were paid an average salary of $121,000 a year in 2006. In that same year, according to the Boston Globe, 225 of the 2,338 Massachusetts State Police officers made more than the $140,535 annual salary earned by the state’s governor. Four state troopers received more than $200,000, and 123 others were paid more than $150,000. While people whose jobs entail greater risk of life and limb certainly deserve higher pay, union power has clearly added a substantial premium.

When all jobs are considered, state and local public-sector workers today earn, on average, $14 more per hour in total compensation (wages and benefits) than their private-sector counterparts. The New York Times has reported that public-sector wages and benefits over the past decade have grown twice as fast as those in the private sector. These aggregate pay differentials stem partly from the fact that government work tends to be more white-collar, and that public employees tend to be better educated and more experienced, and to live in urban areas. Another factor is the hollowing out of the middle of the income distribution in the private sector. But union influence still plays a major role.
When unions have not been able to secure increases in wages and salaries, they have turned their attention to benefits. *USA Today* journalist Dennis Cauchon notes that, since 2002, for every $1-an-hour pay increase, public employees have gotten $1.17 in new benefits; private-sector workers, meanwhile, have received just 58 cents in added benefits.

Of special interest to the unions has been health care: Across the nation, 86% of state- and local-government workers have access to employer-provided health insurance, while only 45% of private-sector workers do. In many cases, these plans involve meager contributions from employees, or none at all—in New Jersey, for instance, 88% of public-school teachers pay nothing toward their insurance premiums.

The unions’ other cherished benefit is public-employee pensions. In California, for example, state workers often retire at 55 years of age with pensions that exceed what they were paid during most of their working years. In New York City, firefighters and police officers may retire after 20 years of service at half pay—which means that, at a time when life expectancy is nearly 80 years, New York City is paying benefits to 12,000 retired cops who are less than 50 years old. Those benefits quickly add up: In 2006, the annual pension benefit for a new retiree averaged just under $73,000 (and the full amount is exempt from state and local taxes).

How, one might ask, were policymakers ever convinced to agree to such generous terms? As it turns out, many lawmakers found that increasing pensions was very good politics. They placated unions with future pension commitments, and then turned around, borrowed the money appropriated for the pensions, and spent it paying for public services in the here and now. Politicians liked this scheme because they could satisfy the unions, provide generous public services without raising taxes to pay for them, and even sometimes get around balanced-budget requirements.

Unfortunately, the hit pension funds took recently in the stock market has exposed the massive underfunding that results from states’ and municipalities’ not paying for the public services they consume. In Illinois, for example, public-sector unions have helped create a situation in which the state’s pension funds report a liability of more than $100 billion, at least 50% of it unfunded. Yet many analysts believe the figure is much higher; without a steep economic recovery, the Prairie State is looking at insolvency. Indeed, Northwestern University finance professor Joshua Rauh puts the date of collapse at 2018; he also predicts that
six other states—Connecticut, Indiana, New Jersey, Hawaii, Louisiana, and Oklahoma—will see their pension funds dry up before the end of fiscal year 2020. What’s more, according to the Pew Center on the States, 18 states face long-term pension liabilities in excess of $10 billion. In the case of California, like that of Illinois, the unfunded pension liability exceeds $50 billion. In fact, Pew estimates that, when retiree health-care costs are added to pension obligations, the unfunded liabilities of the states total an astounding $1 trillion.

The skyrocketing costs of public employees’ pensions now present a huge challenge to state and local governments. If allowed to persist, such massive obligations will inevitably force a fundamental re-ordering of government priorities. After all, if government must spend more on pensions, it cannot spend more on schools, roads, and relief for the poor—in other words, the basic functions people expect their governments to perform. But because many states’ pension commitments are constitutionally guaranteed, there is no easy way out of this financial sink hole. Recent court decisions indicate that pension obligations will have to be fulfilled even if governments declare bankruptcy—because while federal law allows bankruptcy judges to change pension and health-care packages in the private sector, it forbids such changes in public employees’ agreements.

Yet as skilled as the unions may be in drawing on taxpayer dollars, many observers argue that their greater influence is felt in the quality of the government services taxpayers receive in return. In his book The Warping of Government Work, Harvard public-policy scholar John Donahue explains how public-employee unions have reduced government efficiency and responsiveness. With poor prospects in the ultra-competitive private sector, government work is increasingly desirable for those with limited skills; at the opposite end of the spectrum, the wage compression imposed by unions and civil-service rules makes government employment less attractive to those whose abilities are in high demand. Consequently, there is a “brain drain” at the top end of the government work force, as many of the country’s most talented people opt for jobs in the private sector where they can be richly rewarded for their skills (and avoid the intricate work rules, and glacial advancement through big bureaucracies, that are part and parcel of government work).

Thus, as New York University professor Paul Light argues, government employment “caters more to the security-craver than the
risk-taker.” And because government employs more of the former and fewer of the latter, it is less flexible, less responsive, and less innovative. It is also more expensive: Northeastern University economist Barry Bluestone has shown that, between 2000 and 2008, the price of state and local public services has increased by 41% nationally, compared with 27% for private services.

Finally, insofar as government collective-bargaining agreements touch on a wide range of economic decisions, public-sector unions have extraordinary influence over government policies. In the classic model of democratic accountability, citizens vote in competitive elections for candidates offering distinct policy agendas; once in office, the winners implement their programs through public agencies. But when public-employee unions bargain collectively with the government, elected officials partially cede control of public agencies to unelected labor leaders. Many policy choices are then settled in the course of negotiations between office holders and unions, rather than originating with the people’s duly elected representatives. Over the long term, these negotiated work rules can drive public policy in directions that neither elected officials nor voters desire. And once enacted, these policies can prove very hard to reverse, even through elections: A new mayor or governor—no matter how hard-charging a reformer—will often find his hands tied by the iron-clad agreements unions managed to extract from his predecessors.

Stanford University political scientist Terry Moe has made exactly this argument with respect to the education sector. “Teachers unions have more influence on the public schools than any other group in American society,” Moe argues. “Their massive memberships and awesome resources give them unrivaled power in the politics of education, allowing them to affect which policies are imposed on the schools by government—and to block reforms they don’t like.” One need only look at the debates over charter-school caps or merit-pay proposals to see Moe’s point.

Public-sector unions thus distort the labor market, weaken public finances, and diminish the responsiveness of government and the quality of public services. Many of the concerns that initially led policymakers to oppose collective bargaining by government employees have, over the years, been vindicated.

As a result, it is difficult for defenders of public-sector unions today to make a convincing case that such unions benefit the public at large.
Their argument has basically been reduced to three assertions. One is that most public employees live modest lives, and so criticizing efforts to improve their lot distracts attention from wealthy CEOs and Wall Street bankers who are the real culprits behind today’s economic woes. Another is that the unions defend the dignity of public service, thereby preserving a middle class that would otherwise be plunged — through conservatives’ efforts to privatize such work — into the vicious race to the bottom that now plagues the private sector. Finally, government-workers’ unions help advance leftist politics by keeping the labor movement hobbling along.

To be sure, there is some merit to each of these arguments, though none is especially convincing. But even if these claims were completely true and obvious, they would not offer sufficient reason to put up with the other, manifestly negative consequences of public-sector unionism.

GOVERNING IN THE REAL WORLD

“At some point,” New Jersey governor Chris Christie said in a February speech to his state’s mayors, “there has to be parity between what is happening in the real world and what is happening in the public-sector world.”

Achieving such parity will not be easy, as some early attempts to curtail the power of public-sector unions have shown. Some state and local officials (like California governor Arnold Schwarzenegger) have sought to appeal directly to the people through referenda, only to be thwarted by the unions’ electoral clout. Others have pursued stop-gap measures like wage freezes and furloughs of public employees, which inevitably draw some public backlash. There have even been calls for some cities to follow the example of Vallejo, California, and declare bankruptcy so that they can renegotiate employment contracts with the unions.

A few places are attempting more serious long-term solutions. As the Wall Street Journal reported in June, public-employee unions in Vermont, Iowa, Minnesota, and Wyoming have recently agreed to modest reductions in pension benefits—though none of the cuts is large enough to bring the finances of that state’s pension funds fully into balance. In the Garden State, Governor Christie succeeded in getting the state legislature to approve a 2% annual growth cap on property taxes in order to limit local spending—thereby indirectly curtailing the power of teachers’ unions to demand more public dollars. Yet even well-designed tax caps can
unleash unpleasant consequences, including more crowded classrooms, layoffs of state workers, and increases in pension debt. Few politicians will want to suffer those consequences, and the unions will fiercely oppose all policies that even hint at reform.

All of these efforts are, of course, attempts to deal only with the symptoms of the looming state fiscal crisis—not with its underlying causes. To address those causes, policymakers may even need to re-open the question of whether government workers should enjoy the privilege of collective bargaining.

After all, even without collective bargaining, government workers would still benefit from far-reaching protections under existing civil-service statutes—more protections than most private-sector workers enjoy. And they would retain their full rights as citizens to petition the government for changes in policy. Public-sector workers’ ability to unionize is hardly sacrosanct; it is by no means a fundamental civil or constitutional right. It has been permitted by most states and localities for only about half a century, and, so far, it is not clear that this experiment has served the public interest.

It is true that ending government workers’ ability to organize is politically inconceivable today in the states where it exists. But if states’ and cities’ fiscal ills grow painful enough, the unthinkable could someday become political necessity. For all Americans—including public-sector employees—it would of course be better if the situation did not reach that point of catastrophe. We can all hope that a robust economic revival will take the pressure off of states and cities and give policymakers more room to maneuver. If such a rapid recovery is not forthcoming, though, the most appealing solution will be for everyone to re-enter the real world—if only public officials and public-sector unions can be sensible enough to try.