POLICY MATTERS OHIO

CLEVELAND: 3631 PERKINS AVENUE SUITE 4C - EAST • CLEVELAND, OHIO, 44114 • TEL: 216/361-9801 • FAX: 216/361-9810
COLUMBUS: 300 EAST BROAD STREET, SUITE 490 • COLUMBUS, OHIO, 43215 • TEL: 614/ 221-4505 • FAX: 614/ 224-8132
HTTP://WWW.POLICYMATTERSOHIO.ORG

Press Briefing on Unions, Working Families, Public Employees and Public Budgets
Wendy Patton, Senior Associate
December 30, 2010

Historically and through today, Ohio has had trade unions to protect workers from management excesses and provide a way to collectively bargain for wages and rights. In Ohio, unions represent 14.2 percent of workers and represent the largest collective and institutional voice for working people in the state.

Allowing public sector workers to bargain collectively reduces labor strife, reduces the likelihood of strikes, and can lead to better training and higher productivity for public sector workers. While the National Labor Relations Act of the 1930s has protected the rights of American workers in the private sector to form unions and bargain collectively, the public sector is subject to state law. In Ohio, the rights of private sector workers were extended to the pubic sector in 1983 with the passage of state collective bargaining legislation.

Some would use budget problems as an excuse to deny workers their bargaining rights. We have seen this over the course of the past decade. Mitch Daniels in Indiana and Matt Blunt in Missouri eliminated collective bargaining agreements for state employees; so did Kentucky Gov. Ernie Fletcher in 2003. In this time of economic recession, however, these states have budget shortfalls, like 46 other states and the District of Columbia. The point is not to highlight the struggles of individual states; it is to illustrate that the right of public workers to bargain collectively is not the cause of the budget shortfalls and eliminating that right to collective bargaining has not fixed the problem in states that have tried it. Deeper and broader problems: disinvestment, capital markets, trade and currency, are what shape the economies of America's regions.

The recession is hurting states around the country.

Some states that forbid collective bargaining for state workers – Arizona, North Carolina, Nevada – face some of the highest state budget deficits going into 2011, all exceeding 30 percent. And some states that allow and encourage collective bargaining – Montana, Massachusetts, New Mexico, South Dakota – are in better budgetary positions with deficits under ten percent.

In truth, states with and without collective bargaining rights face similar budget deficits going into 2011. The Center for Budget and Policy Priorities has posted tables of budget shortfalls in all of the states on their web site.[1] AFSCME International provided a list of collective bargaining laws in the states. We found that on average, the budget gaps of states with and without collective bargaining for public employees are similar in 2011:

- The 9 states with *no* collective bargaining rights for any public employees face an average budget shortfall of 16.5 percent in the current fiscal year, while the 15 states (including the District of Columbia) with collective bargaining for *all* public employees face an average budget shortfall of 16.2 percent.

- For the 42 states (including the District of Columbia) with some (or all) collective bargaining rights for some (or all) public workers, the 2011 budget gap averages 16.6 percent.

- The 31 states (including the District of Columbia) with collective rights for *state* workers face an average budget gap of 17.6 percent while those without rights for state workers face an average budget shortfall of 15.1 percent.

These numbers are all very close. The point is, the right of public workers to unionize is not driving the fiscal crisis of states.

Nationwide studies of public employee compensation indicate that when you control for age and experience, public sector workers are paid less than workers in the private sector. An April 2010 study, jointly released by the National Institute on Retirement Security and the Center for State and Local Government Excellence and conducted by University of Wisconsin – Milwaukee economists Keith Bender and John Heywood, compared twenty years of publicly available data from the U.S. Bureau of Labor Statistics.[2] They found that:

• Public jobs require more education on average than private sector jobs. State and local public employees are twice as likely to have an advanced degree as private sector workers.

• The wages and salaries of state and local employees are 11 and 12 percent lower, respectively, than those for private sector workers with comparable education and experience.

• Over the last two decades, earnings for state and local employees have generally declined compared to similar private sector workers.

• Benefits, such as pensions, make up a greater share of compensation in the public sector.

• Including benefits, state and local employees still have lower total compensation.

On average, they found total compensation is 6.8 percent lower for state and 7.4 percent lower for local workers, relative to comparable private sector workers.

In a report issued in May 2010, economist John Schmitt of the Center for Economic and Policy Research found a slightly lower wage penalty for working in the public sector. [3] They found the

[1] http://www.cbpp.org/research/index.cfm?fa=topic&id=40
[2] http://www.nirsonline.org/storage/nirs/documents/final_out_of_balance_report_april_2010.pdf
[3] http://www.cepr.net/documents/publications/wage-penalty-2010-05.pdf

level of education much higher in the public sector than the private sector: half of state and local employees have a four-year college degree or more, and nearly one-fourth have an advanced degree, whereas less than 30 percent of private sector workers have a four-year college degree and less than 10 percent have an advanced degree. The report also found an age difference: the typical state or local worker is about four years older than the typical private-sector worker.

Schmitt found that when state and local government employees were compared to private-sector workers of similar education and experience levels, state and local workers earned a little less than 4 percent less, on average, than their private- sector counterparts. The public sector penalty was about 2 percent of earnings for women and about 6 percent of earnings for men. The penalty increases as you go up the income scale, rising to as much as 11 percent at the highest educational levels. But at the bottom of the income scale, public sector workers are not paid as poorly as private sector workers. Keep in mind, In the private sector, particularly in retail and service sector positions, many working families need Medicaid and food stamps to make ends meet. This is not a functional economic model for either the private or the public sector. Someone who puts in an honest day's work should be able to support him or herself.

And that is what unions do for working families. Every year Policy Matters Ohio puts out the State of Working Ohio, a report on how working households in the state are faring.[4] In Ohio, where the median hourly wage has fallen by $.68 per hour over the past 30 years and where income gains have accrued on average only to top earners, households with members associated with a union have been less battered by rising inequality and falling median wages.

While public workers actually earn less than similarly educated private sector workers, unions do, in general, raise median wages and make wages more equal. Controlling for demographics, men, women, black workers and white workers with union representation can each earn at least $4.00 more per hour than their non-union counterparts at the median.
Black workers who were in a union in 2008-09 earned more than white workers who were not in a union, and women in a union earned more than men who were not unionized. While gender and race were not erased by the presence of unions (when considering all occupations together), unions had a substantial equalizing effect.

Unions increase compensation of the lowest paid workers, reduce disparities between top and bottom earners, reduce racial and gender disparities in compensation, and help ensure that workers are better trained and more productive. When spending is designed to meet public needs or improve the economy, allowing for unionization ensures that true economic development takes place – that in fact the workers compensated by projects are provided a reasonable wage for their work.

I'll close by referencing a statement of the Cleveland Plain Dealer in a recent editorial entitled: "Labor laws in GOP cross hairs." Their closing statement, which we agree with, was this: "But no economy ever grew by arbitrarily driving down the living standards of working people -- including those who toil for their fellow taxpayers."

[4] http://www.policymattersohio.org/SOWO2010.htm