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FACT SHEET

National Institute for Labor Relations Research

5211 Port Royal Road, Suite 510, Springfield, VA 22151 • Phone: (703) 321-9606 • research@nilrr.org • www.NILRR.org

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Will Big Labor Score a Pyrrhic Victory Over Wisconsin's Private Sector?

Restoration of Teacher and Other Government Union Bosses' Forced-Union-Dues Privileges Would Quash Business Employment Growth, Undermine Public Institutions

This month, top officials of the National Education Association (NEA), the American Federation of State, County and Municipal Employees (AFSCME/AFL-CIO), and other government unions hoped to take a major step in their ongoing campaign to overturn the public-sector Right to Work law approved by the Wisconsin Legislature and signed by GOP Gov. Scott Walker early this year.

Wisconsin's Act 10, commonly referred to as the Budget Repair Act of 2011, took effect in late June after withstanding a Big Labor-inspired state court challenge. A second legal bid to invalidate Act 10, filed by Badger State affiliates of the NEA, AFSCME and other government unions, is now pending in federal court.

Act 10 represents a comprehensive effort to rein in long-term, unsustainable spending growth by the state of Wisconsin and its localities. Key provisions abolish all forced union dues and fees for teachers and many other public employees and limit the scope of union monopoly bargaining in most government agencies.

From the beginning, forced-unionism apologists have publicly claimed Act 10 is unnecessary to put Wisconsin's budget in order. But the evidence is clear both that government spending has excessively burdened Wisconsin's private-sector employees and businesses and that restoring public servants' Right to Work without being fired for refusal to pay dues or fees to an unwanted union will go a long way toward correcting the problem.

From 2000 to 2010, total taxpayer costs for compensation of Wisconsin state and local employees grew by an inflation-adjusted 9.2%, to a total of $19.83 billion last year. By 2010, state and local government compensation swallowed up the equivalent of nearly 17% of all private-sector wages, salaries, bonuses and benefits in Wisconsin. And over the past decade Badger State government employee compensation grew *more than two-and-a-half times as fast* as private-sector employee compensation, in percentage terms.[1]

[1] Data extracted from the "Compensation of employees by industry" file of the Annual State Personal Income and Employment database maintained by the U.S. Commerce Department at http://www.bea.gov – the web site of Commerce's Bureau of Economic Analysis. Multi-year data adjusted for inflation by converting data for all years into 2010 dollars using the CPI-U.

This happened even as the markets for several key public employee services were shrinking. From 1999 to 2009, for example, the number of K-12 school-aged Wisconsites (that is, 5-17 year-olds) declined by nearly 7%, and the school-aged share of the state's total population shrank by nearly 14%.[2]

Private-sector compensation growth in Wisconsin could be realigned with government compensation growth over time by accelerating the former, decelerating the latter, or some combination thereof. And there is strong empirical evidence that protecting the Right to Work of public-sector employees spurs faster private-sector economic growth.

As of 2010, 29 states either had Right to Work laws on the books banning all forced union dues, or at least had no statute explicitly authorizing public-sector forced unionism.[3] Over the past decade, private-sector business outlays for employee compensation in these 29 states increased by an average of 10.1% in real terms. That's nearly triple Wisconsin's private-sector compensation growth, and 10 times the average for the 21 states with public-sector forced-unionism statutes. Nine of the bottom 11 states for private-sector compensation growth have public-sector forced-unionism laws.[4]

Average State and Local Tax Burden Far Higher in States With Public-Sector Forced Unionism

For what reason is there such a strong negative correlation between public-sector forced union dues and business compensation growth? Without a doubt, one important factor is that, whenever government union officials wield forced-dues powers, a huge share of the extra revenue they rake in goes into efforts to elect and reelect politicians who typically favor heavier tax and regulatory burdens on businesses and individuals.

Big Labor's massive, forced dues-funded "independent expenditures" on behalf of Tax & Spend politicians have a major impact. A National Institute for Labor Relations Research analysis of data furnished in a recent report by the nonpartisan, Washington, D.C.-based Tax Foundation[5] shows that, on average, residents of public-sector forced-unionism states had to fork over 10.6% of their incomes to pay their state and local taxes in the Fiscal Year 2009. That burden is roughly 20% heavier, as a share of personal income, than the average for the 29 states in which public servants have the Right to Work.

To put it in more concrete terms, in FY 2009 residents of public-sector compulsory-dues states had to work nearly a week longer than residents of public-sector Right to Work states, just to pay off their state and local taxes! In Wisconsin alone, the state-and-local tax burden was 11.0%, 25% higher than the average for public-sector Right to Work states. And, as a recent analysis for the American

[2] U.S. Commerce Department, *Statistical Abstract of the United States*, Table 16 in the 120th edition (2000) and Table 16 in the 130 th edition (2011).

[3] The 22 Right to Work states are Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, and Wyoming. The six non-Right to Work states with no statutory authorization for public-sector forced unionism are Colorado, Indiana, Kentucky, Missouri, New Hampshire, New Mexico, and West Virginia.

[4] See Footnote 1 above.

[5] Special Report No. 189 (February 2011), "State-Local Tax Burdens Fall in 2009 as Tax Revenues Shrink Faster Than Income," authored by economists Mark Robyn and Gerald Prante. See especially Table 6. For its analysis, the Institute used the data in this table and U.S. Census Bureau state population data to derive aggregate state personal income and state-and-local taxation data.

Legislative Exchange Council (ALEC) concluded, the "overall level of taxation has an inverse relationship to economic growth in a state."[6]

If Wisconsin's Budget Repair Act, under which the Right to Work of the vast majority of public servants is protected, and only public-safety and transportation union bosses retain their forced-unionism privileges, remains in place, then the Badger State tax burden can be expected to lighten considerably over time. But that does not mean, in all likelihood, that less tax revenue will ultimately be available for K-12 schools, higher education, and other important public services.

Over time, even though tax *burdens* as a share of income have been consistently lower in public-sector Right to Work states than in government forced-unionism states, tax *revenues* have generally grown more far more rapidly in the former group. Because their private economies grow more rapidly, public-sector Right to Work states end up having more money for public institutions.

From FY 1998 through FY 2008, the overall average state-and-local tax burden increased moderately, from 8.6% to 8.9%, in public-sector Right to Work states. But these states' tax advantage actually widened a bit over the decade, because the average tax burden for government forced-unionism states rose over the same period to 10.7% from 10.3%.[7]

States without public-sector forced union dues had a 16.8% lighter state-and-local tax burden relative to forced-union-dues states in FY 2008, compared to 16.5% in FY 1998. But over the course of that decade total tax revenues, in constant dollars, increased by 33.4% in public-sector Right to Work states. The real increase for government forced-unionism states over the same period was just 28.0%.[8]

Will Big Labor Cut Off Its Nose to Spite Its Face?

The negative correlation between public-sector forced unionism and state-and-local tax revenue growth is robust. Eight of the 10 states with the fastest 2000-2010 tax revenue growth protected public employees' Right to Work throughout the decade. But just three of the 10 states with the slowest tax revenue growth did so. Wisconsin's tax revenue growth of 10.9% was slower than that of *every single one* of the 29 public-sector Right to Work states.

With unionization of the government workforce in Wisconsin exceeding unionization of its private-sector workforce by roughly 450%,[9] one might assume union officials would favor any policy that would help accelerate the growth of state and local tax revenue. From 2000 to 2010, of the 50 states, only Michigan had tax revenue growth slower than Wisconsin's.

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[6] Arthur B. Laffer, Stephen Moore, and Jonathoan Williams, *Rich States, Poor States* (4th Edition), American Legislative Exchange Council, Washington, D.C., 2011, p. 18.

[7] See the tables for 1998 and 2008 in the "State-Local Tax Burdens, All States" data base located at http://www.taxfoundation.org – the web site of the Tax Foundation. For its analysis, the Institute again supplemented the data in these tables with U.S. Census Bureau state population data to derive aggregate state personal income an state-and-local taxation data.

[8] Calculations based on statistics taken from the databases for FY 1998 and FY 2008 on the "State & Local Government Finance" page of http://www.census.gov – the U.S. Census Bureau web site. Data for FY 1998 are converted into 2008 dollars according to the CPI-U.

[9] See "Union Membership, Coverage, Density and Employment by State and Sector, 1983-2010," a data base available at http://unionstats.com – a web site maintained by labor economists Barry Hirsch (Georgia State University) and David Macpherson (Trinity University).

But Big Labor in general, and government union officials in particular, appear determined to overturn the recently enacted public-sector Right to Work protections in Wisconsin, even if that means slower tax revenue growth as well as slower private-sector job and income growth for the Badger State.

In addition to the ongoing bid by lawyers for the NEA, AFSCME and other government unions to persuade U.S. District Judge William Conley to issue a restraining order blocking enforcement of the Right to Work and other key provisions of Act 10, electoral politics are very much a part of Big Labor's plan of attack.

Earlier this year, well before Act 10 even took effect, union operatives launched petition campaigns for "recall elections" of eight Senate supporters of the measure. Elections in which pro-forced unionism candidates challenged six of the pro-Right to Work senators occurred on August 9. Big Labor picked up two of the six seats. Two union-label Democrat senators who opposed the Budget Repair Bill and temporarily fled the state to prevent it from becoming law survived recall votes a week later.

Now that the union political machine has ousted two pro-Right to Work senators and protected both the Big Labor senators who faced challenges this month, government union chiefs are vowing next to push for a recall of Gov. Walker himself. Their objective is to have lined up, by early 2013, legislative majorities and a governor all willing to support the reinstatement of forced-dues extractions from all types of state and local government employees in Wisconsin.

Ironically, as we have seen, if the union bosses prevail, within a few years the predictable outcomes will include *slower* tax revenue growth for the government institutions Big Labor purportedly wants to protect as well as fewer and worse-paying jobs for private-sector employees. The extended labor-policy battle in Wisconsin shows (not for the first time by any means) that preservation and expansion of their power to force employees to pay dues, or be fired, outweigh all other considerations for union officials.

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Nothing here is to be construed as an attempt to aid or hinder the passage of any bill before Congress or any state legislature.