NILRR FACT SHEET

National Institute for Labor Relations Research

5211 Port Royal Road, Suite 510 • Springfield, VA 22151 • Phone: (703) 321-9606 • Fax: (703) 321-7342 • research@nilrr.org • www.nilrr.org

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Big Labor's Bread and Butter

Relentless Growth of Government Payrolls Is Good News For Union Bosses, But Will State and Local Taxpayers Keep Picking up the Tab?

In mid-December, two of America's best known labor economists, Drs. Barry Hirsch and David Macpherson, released their analysis of Current Population Survey (CPS) data for the first 11 months of 2009, indicating strongly that last year, for the first time ever, a majority of unionized workers across America were government employees.[1]

Today Big Government, not the private sector, is Big Labor's bread and butter. That's why union bosses unabashedly push for higher taxes and bigger government, and seem unconcerned that the policies they advocate will surely slash overall private-sector job growth in future years.

And this winter, Congress appears poised to enact legislation that would fuel even faster growth of monopoly unionism in government employment. The so-called "Public Safety Employer-Employee Cooperation Act" (H.R. 413/S. 1611) is detrimental to the interests of private employees and businesses, indeed, of everyone who pays taxes.

Private-Sector Jobs Held by Unionized Workers Disappeared at More Than Double National Average Rate in 2008-2009

Looked at in conjunction with the similar analysis of American workers and unions that Drs. Hirsch and Macpherson previously did with CPS data for the Calendar Year 2008, the economists' latest findings indicate that, in the 2008-2009 recession, having a union exercising "exclusive" (monopoly) power to negotiate your pay, benefits, and working conditions is associated with far less job security for private-sector workers of all kinds.

From 2008 through the first 11 months of 2009, overall private-sector employment across the U.S. fell by 4.2%. But jobs held by unionized private-sector employees plummeted by 8.6%, more than double the national average.

[1] Nationwide unionization data for the first 11 months of 2009 are currently available at http://unionstats.com – a website maintained by Drs. Hirsch and Macpherson. In February, it is expected that the two economists will remove these interim statistics from their site and replace them with unionization data for the entire year 2009.

Job losses were far worse for unionized private-sector workers regardless of whether or not they were employed in the internationally competitive manufacturing sector. Unionized non-manufacturing private-sector employment plunged by 7.6%, well over double the 3.1% decline of union-free private-sector jobs outside manufacturing.

Only in the government sector do the Hirsch-Macpherson data tell a completely different story. From 2008 through the first 11 months of 2009, nonunion government jobs nationwide fell by 1.6%, but unionized government employment actually increased, despite the fact the economy as a whole was experiencing the worst recession in many years.

While today 51% of unionized workers nationwide are government employees, as recently as 1981 there were more than twice as many unionized private-sector workers as there were unionized public-sector workers. The ever-increasing concentration of Big Labor's power and influence in government employment will greatly exacerbate the harmful tendency of public employment to grow faster than private employment over time.

Unless this trend is reversed, American business employees and their employers appear destined to face ever-more onerous tax burdens to pay for bigger and bigger government in the decades to come.

Millions of Americans Are 'Voting With Their Feet' Against Public-Sector Union Monopoly Bargaining

Fortunately for the country as a whole, for a number of years taxpayers have been gradually increasing the pressure to change course on the state governments that most strenuously promote the corralling of public employees into unions. Taxpayers have been turning up the heat on pro-union monopoly state politicians through a simple method identified by economist Charles Tiebout more than half-a-century ago.

Dr. William Voegli, currently a visiting scholar at Claremont McKenna College in California, summed up what is often referred to as the "Tiebout effect" in an article[2] for the Autumn 2009 edition of the Manhattan Institute's *City Journal*:

> The "consumer-voter," as Tiebout called him, challenges government officials to "ascertain his wants for public goods and tax him accordingly." Each jurisdiction offers its own package of public goods, along with a particular tax burden needed to pay for those goods. As a result, "the consumer-voter moves to a community whose local government best satisfies his set of preferences." In selecting a jurisdiction, the mobile consumer-voter is, in effect, choosing a club based on the benefits that it offers and the dues it charges.

Annual data supplied by Drs. Hirsch and Macpherson measuring the public-sector unionization rates of each of the 50 states provide a simple and quite reliable index for which states have most strongly promoted union monopoly bargaining over government employees, and which states have put up the most resistance to it. And over the years public-sector unionization has varied far more markedly from state to state than has private-sector unionization.

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[2] Voegeli's article is entitled, "The Big-Spending, High-Taxing, Lousy-Services Paradigm."

For example, in 2000, fewer than 25% of public employees in 17 states (Arizona, Arkansas, Georgia, Idaho, Kansas, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Texas, Virginia and Wyoming) were subject to union monopoly control.

In 18 other states (Alabama, Alaska, Colorado, Delaware, Florida, Illinois, Indiana, Iowa, Kentucky, Maryland, Montana, Nebraska, Nevada, New Hampshire, Tennessee, Utah, Vermont, and West Virginia), public-sector unionization was over 25%, but less than 50%. And in 15 states (California, Connecticut, Hawaii, Maine, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Washington and Wisconsin), more than half of public-sector employees were unionized.

<u>On average, residents of the states in which public-sector union officials wield the most power have to fork over a significantly greater share of their incomes in taxes than do residents of the states in which government union bosses wield the least power</u>.[3]

And both U.S. Census Bureau and IRS data going back many years indicate that "consumer voters" as a group strongly believe they are better off with the combination of taxes and public services they get in states with low public-sector unionization.

According to data furnished in a Census report issued late last year, from April 1, 2000 through July 1, 2009, a net total of nearly 4.7 million people moved out of the 15 states with a 2000 public-sector union density of more than 50.0%.[4] Nearly 3.2 million of these net out-migrants moved to states with a 2000 public-sector union density of 24.9% or less, while roughly 1.5 million moved to states with a 2000 public-sector union density of 25.0% to 49.9%.

Government Union Boss-Controlled States' Income Losses Are Recurring and Compounding

Meanwhile, data calculated and made available by the Statistical Information Service (SIS) of the IRS show that <u>public-sector union strongholds are losing massive amounts of personal income (and tax revenue) as well as people due to domestic out-migration</u>.

Besides recording the number of personal income tax filers who move (typically with their dependents) across state lines each year, the SIS also calculates and makes available to the public the aggregate adjusted gross incomes for households in the year immediately following their move.[5]

While SIS data do not convey how much taxpayers who flee government union boss-dominated states earn any later than the first year after they depart, such states' losses due to net domestic out-migration are clearly recurring and compounding, year after year.

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[3] See, e.g., "Will Big Labor Congress Prime the Pump For More State and Local Tax Hikes?" This fact sheet was published by the Institute in April 2009. See also, "State, Local Taxpayers: Beware of H.R. 413," an article appearing in the April 2009 issue of the *National Right to Work Newsletter*.

[4] See "Cumulative Estimates of the Components of Resident Population Changes for the United States, Regions, States, and Puerto Rico: April 1, 2000 to July 1, 2009," released by the Census Bureau on December 22, 2009.

[5] All data pertaining to state-to-state migration cited below were derived from tables on a CD-R provided to the Institute by the SIS. To obtain more information, readers may contact the SIS at 202-874-0410.

Counting just the income lost by high government-union-density states in the first year after each tax filer moved to a medium or low government-union-density state, high government-union-density states lost a net total of $107.9 billion (in constant 2008 dollars) over the past eight years for which data are available (Tax Filing Years 2001 through 2008).

The actual total net loss, including income reported by tax filers in all years subsequent to their migration, is very likely at least four times higher, but cannot be calculated with available data.

High government-union-density states' ongoing losses are partly due to the fact that tax filers are far more likely to move out of such states than they are to move into them. Over the past eight tax filing years, nearly 9.7 million personal tax filers moved out of government union bosses' empire of 15 states, but fewer than 8.2 million tax filers moved into it.

Additionally, the eight-year average adjusted gross income of a household moving out of the government union bosses' empire was roughly $58,030 (in 2008 dollars), nearly $2400 more than the average for a household moving into the empire.

Gradual Erosion of Tax Bases
May Ultimately Force States Like
California to Reform Labor Laws

The "Tiebout effect," that is, state and local taxpayers' ability to vote with their feet against public-sector union monopoly bargaining and other policies detrimental to their interests by moving out of jurisdictions that adopt and maintain such policies, is gradually eroding the tax bases of government union boss-controlled states like California, New York, and New Jersey.

These states' enormous structural budget problems long predate the 2008-2009 recession and will clearly not go away even as the effects of this recession begin to fade away. As long as economically dynamic and diverse states like Texas, Georgia, and North Carolina continue to offer state and local taxpayers an alternative to rule by government union bosses, millions and millions of people will surely keep voting with their feet against union monopoly.

And in the not-too-distant future the out-migration of taxpayers from California, New York, New Jersey and other states with laws and policies encouraging government union monopolies could render those states fiscally unsustainable. In that eventuality, states like California would have no choice but to reform their labor laws and policies by taking away government union officials' monopoly privileges.

However, the Big Labor U.S. Congress is now poised to enact radical legislation that could impose union monopoly bargaining on state and local public employees nationwide – and thus leave beleaguered taxpayers on the West Coast, in the Northeast and elsewhere with nowhere to flee.

H.R. 413 and S. 1611, legislation introduced last year by union-label Congressman Dale Kildee (D-Mich.) and union boss-appeasing Sen. Judd Gregg (R-N.H.), would rewrite the public-sector labor laws of the vast majority of the 50 states to make them more pro-forced unionism.[6]

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[6] To review the text of this legislation, visit http://thomas.loc.gov on the Internet and write "Public Safety Employer-Employee Cooperation Act" in the "Legislation in Current Congress" box.

In states that don't currently authorize public-safety monopoly bargaining, Kildee-Gregg (referred to euphemistically by its supporters as the Public Safety Employer-Employee Cooperation Act) would federally impose it, denying state and local governments the option to refuse to grant a single union the power to speak for all front-line employees, including those who don't want to join. And in most states that already authorize public-safety monopoly bargaining, H.R. 413/S. 1611 would widen its scope.

Kildee-Gregg would force countless policemen, firefighters and EMT's to accept as their monopoly-bargaining agent a union they never voted for, and want nothing to do with.

It would also constitute a major step towards Big Labor's decades-old goal of enacting a federal law that foists union monopoly bargaining on front-line state and local government employees of all types across America. Enactment of such a law would surely empower Big Labor to seize monopoly-bargaining control over more than half of government employees in all 50 states, rather than in just 17 states, as is the case today.[7]

Kildee-Gregg would take the country in a direction the overwhelming majority of Americans don't want to go – and that would be true at any time. In the current political environment, with federal personal and business tax burdens already poised to get much heavier over the next few years and cities, towns and counties across America already facing their worst fiscal crisis in decades, popular opposition to schemes like Kildee-Gregg is mounting.

Before Congress and the President impose a federal public-safety monopoly-bargaining mandate on states and localities nationwide, they must first at least stop and consider whether they really want to bear the responsibility for the consequences.

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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.

[7] In 2008, the latest year for which Drs. Hirsch and Macpherson have collected state-by-state unionization data, more than half of public employees in 17 states (Alaska, California, Connecticut, Hawaii, Illinois, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Washington and Wisconsin) were subject to a workplace contract negotiated by a union monopoly-bargaining agent.