

# Imprimis

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## What Public Employee Unions Are Doing to Our Country

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*The following is adapted from a speech delivered on February 15, 2012, at a Hillsdale College National Leadership Seminar in Newport Beach, California.*

**Many scholars** are better versed on the history of public employee unions than I am, but there is one credential I can claim that they cannot: I am a taxpayer in the People’s Republic of New Jerseystan. That makes me an authority on how public sector unions—especially at the state and local level—are thwarting economic growth, strangling the middle class, and generally hijacking the democratic process to serve their own ends rather than the public.

Now in my experience, when one says the words “New Jersey,” people for some reason think it is a laugh line. Perhaps you know us from “The Sopranos” or “Jersey Shore.” You might think that such a state has nothing to teach you. If so, you would be very wrong. New Jersey offers something that can profit the entire nation: We are the perfect bad example.

As conservatives, of course, we believe in virtue. We like to point to policies and practices that work—low taxes and light regulation for the economy, a strong national defense to keep us safe from foreign attack, and social policies that favor community over government. These are all valuable. But the bad example has its honored place as well: It's how we illustrate our warnings.

As parents, for example, selling virtue only takes us so far. To make our point when we see a character trait we don't care for in our kids, we're far more likely to say something like, "You don't want to grow up to be like Uncle Bob, do you?"

This is the reason Governor Chris Christie's reforms have had such resonance. Almost anywhere he points, he has before him an example of how New Jersey's bloated public sector is hurting growth, limiting the efficiency of government services, and squeezing middle class families. How many state governors and legislators might be more inclined to do the right thing if before they acted they first said to themselves, "We don't want to be like New Jersey, do we?"

These days, when conservatives get together to discuss the debilitating role played by government workers, we reassure ourselves with statements by FDR and labor leader Samuel Gompers about the fundamental incompatibilities between a union of private workers working for a private company and a union of government workers laboring for our city, state, or federal governments. We also trace the line of

expansion to various events, including John F. Kennedy's executive order that opened the path for collective bargaining for public employees at the federal level.

I don't want to rehash that today. Today I want to talk about the situation as we find it, and suggest that the first step toward a cure is to diagnose the illness accurately. This means changing the way we think of public sector unions. And in what I have to say, I will concentrate on public sector unions at the state and local levels.

It's not that I don't consider the unionization of federal workers to be an issue. Plainly it *is* an issue when the teachers unions represent one of the largest blocs of delegates at Democratic conventions, when the largest single campaign contributor in the 2010 elections was the American Federation of State, County and Municipal Employees, when union money at the federal level goes at an overwhelming rate to Democratic candidates, and when the Congressional Budget Office tells us that

federal employees earn more than their counterparts in the private sector. Nonetheless, I believe that the greater challenge today—to state and city finances, to democratic representation, to the middle class—is at the state and local level. This is partly because state and city unions have the power to negotiate wages and benefits that their counterparts at the federal level largely do not. More fundamentally, it is because we cannot reform at the federal level without correcting a problem that is bringing our cities and states to bankruptcy.

When I say we need to change our understanding, what I mean is that we have to recognize that public

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[Latin]: in the first place

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sector unions have successfully redefined key relationships in our economic and civic life. In making this argument, I will suggest that the elected politicians who represent us at the negotiating table are not in fact management, that our taxing and spending decisions at the city and state level are in practice decided by our public sector contracts, and that when you put this all together, what emerges is a completely different picture of the modern civil servant. In short, we work for him, not the other way around.

## Who is Managing Whom?

Let me start with the relationship between government employee unions and our elected officials. On paper, it is true, mayors and governors sit across the table from city and state workers collectively bargaining for wages and benefits. On paper, this makes them management—representing us, the taxpayers. But in practice, these people often serve more as the employees of unions than as their managers. New Jersey has been telling here. Look at our former governor, Jon Corzine.

You Hillsdale folks are a genteel sort. When you speak about the unions being in bed with the Democratic politicians, you mean it metaphorically. In New Jersey, we take it to Snooki levels: Mr. Corzine once shared a home with the New Jersey leader of the Communication Workers of America, Carla Katz. Back when he was running for governor, he was asked whether that relationship would compromise his ability to represent the taxpayers in negotiations with outfits such as CWA. “As the governor,” Mr. Corzine responded, “you represent eight-and-a-half million people. You don’t represent one union. You don’t represent one person. You represent the people who elected you.”

That’s the way it ought to be. In real life, it turned out that during heated negotiations over a contested CWA contract, Mr. Corzine and Ms. Katz had a long email chain—subsequently

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published by the *Newark Star Ledger*, despite the governor’s legal attempts to keep them private—in which she pressed him on the union issues.

But it wasn’t just the CWA. Scarcely six months after he was elected, Governor Corzine appeared before a rally of state workers in Trenton in support of a one percent sales tax designed to bring in revenues to a state hemorrhaging money. Not cutbacks, but a tax. Naturally, Mr. Corzine’s solution was the one the public sector unions wanted: Get the needed revenues by introducing a new tax.

The twist was that there was someone in the New Jersey government who understood the problem—who understood that a new sales tax wouldn’t do much to fix New Jersey’s problems, and that the only way to get a handle on them was to get state workers to start contributing more to their health care and pensions.

These were the pre-Chris Christie days, so the author of this bold proposal was the Senate president, Stephen Sweeney. Mr. Sweeney is not only interesting because he is a prominent and powerful Democrat. He is also interesting because in addition to his political office, he represents the state’s ironworkers. And what Mr. Sweeney proposed for the public sector unions was something private union members such as his ironworkers already paid for. It was also common sense: He knew that if New Jersey didn’t get a handle on its gold-plated pay and benefits for its government employees, it would squeeze out the private sector that hires people such as ironworkers.

If the leader of an ironworkers union could realize that, surely so could a governor who had earlier served as a high-powered executive for Goldman Sachs. But Mr. Corzine was having none of it. Instead, he told the crowd of state workers: “We’re gonna fight for a fair contract.”

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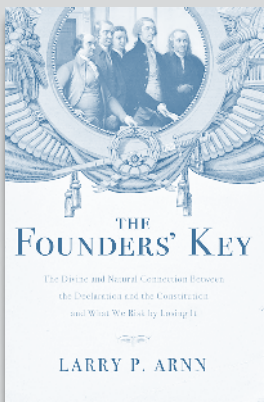
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The question is, whom was he planning on fighting? Wasn't he management in these negotiations?

Six months later, Governor Corzine proved this was not simply a slip of the tongue. When workers at Rutgers University were planning to unionize, he turned up at their rally. This was too much even for the liberal *Star Ledger*, which—in an article entitled “Jon Corzine, Union Rep?”—noted that Mr. Corzine's appearance at the rally raised the question whether he truly understood that “he represents the ‘management’ side in ongoing contract talks with state employees unions.”

Manifestly, the problem is not that Mr. Corzine and other elected leaders like him—mostly Democrats—do not understand. In fact, they understand all too well that they are the hired help. The public employees they are supposed to manage in effect manage them. The unions provide politicians with campaign funds and volunteers and votes, and the politicians pay for what the unions demand in return with public money.

In New Jersey as elsewhere, most leaders of public sector unions are not sleeping with the politicians who set their salary and benefits. They are, however, doing all they can to install and keep in office those they wish—while fighting hard against the ones they oppose. And until we recognize the real master in this relationship, we will never reform the system.

## The Tail Wagging the Dog

My second point relates to my first. Not only have the public unions too often become the dominant partner in the relationship with elected officials, but the contracts and the spending that

goes with them are setting the other policy agenda. In other words, even when we recognize that the packages favored by public employees are too generous, we think of them simply as spending items. We need to wake up and recognize that in fact these spending items are the tail wagging the dog—that they set tax and borrowing decisions rather than follow from them.

Take the case of Northvale, a small, affluent town of about 4,600 people at the northeast tip of New Jersey. Its median income is about \$99,000, comfortably above both the New Jersey and national levels, and its budget is \$21.8 million. Of this, \$13.2 million—or nearly two-thirds—goes to the schools. The lion's share of that, of course, goes to salaries and benefits.

Northvale's school budget is voted on in the spring. That's part of the scam, because turnout for these elections is much lower than it is in November for the regular elections. With lower turnout, it's easier for teachers and other interested parties to dominate the elections. Thus the great bulk of Northvale's budget is not determined in the regular elections, or by the mayor and city council. Effectively, it is determined by the education lobby and school officials—who in turn are chosen in elections involving only 20 percent of the electorate.

From the other one-third of the budget, Northvale has to run its police force and fire department, remove snow, arrange for garbage pickup, and so on. That means there is not much discretionary spending left. Even when voters rebel—last spring Northvale voters overwhelmingly repudiated the budget—they are frequently ignored, and the back door system ensures there is little in the way of accountability.

But there *are* consequences: This dynamic helps explain why, in the decade before Chris Christie was elected governor, the property taxes of New Jersey residents went up 70 percent.

Mr. Christie is not in charge of local spending. But he understands that this is part of an exceptionally unvirtuous circle.

So he's made some changes. Last year, for instance, with the help of allies such as Mr. Sweeney, he pushed a reform through the legislature that required public workers to start contributing to their health care and up their contributions to their pensions. It's not nearly the same percentage as their counterparts in the private sector, but it's a start.

Mr. Christie also put through a property tax cap that forces cities to go to the people for a vote if they increase property taxes by more than two percent. And just last month, he signed a bill that will allow towns to move their school budget votes to the November ballot—not only saving money, but also ensuring that more citizens vote, not simply those who have a vested interest.

At the same time, Mr. Christie has begun to campaign against abuses using language that people can understand. His most recent target is the practice of awarding six-figure checks to public employees who are allowed to accumulate—and cash out—unused sick pay. In New Jersey these payments are called “boat money,” largely because retired government workers often use the money to buy pleasure boats when they retire. Across the state, cities have liabilities of \$825 million because of these boat checks.

And what's been the opposition's response? Instead of agreeing to reasonable cuts, the Democrats keep thumping for a millionaire's tax. New Jersey being New Jersey, the millionaire's tax aims at people making far less than a million dollars. But even if it didn't, it's hard to see how driving millionaires out of the state will help it meet its huge and growing unfunded pension liabilities.

To summarize my second point: You and I make spending decisions the way all households do. We take our income, and we live within our means. In sharp contrast, public employee unions have introduced a whole new dynamic: They negotiate pay and benefits in contracts we can't rewrite. When the revenues to meet these obligations fall short, they push to raise taxes to make up the difference.

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## The Corruption of Public Service

That leads me to my third and final point: If I am right that the public employee unions are in fact the managers in the relationship with politicians, and that public sector spending is driving tax and borrowing policy, the inescapable conclusion is that you and I are working for them.

That’s not how we usually understand and speak of public service. Traditionally, the idea of a public servant is someone who is working for the public, with the implication that he or she is sacrificing a better material life to do so. But can anyone really define today’s relationship this way? Especially when health care and pensions are included, government workers increasingly seem to live better than the people who pay their salaries. How many of you

walk into some local, state or federal office these days and leave thinking, “The men and women here are working for me”?

In some ways the change has been driven by larger changes in union life. From one out of three workers at its high point in the 1950s, today fewer than one out of 14 private sector workers belongs to a union, and the percentage continues to drop. Conversely, the unionization of government employees continues to grow, to the point where public sector union members now outnumber their private sector counterparts for the first time in American history.

In a recent interview with the *Wall Street Journal*, Fred Siegel notes that public sector unions have

become a vanguard movement within liberalism. And the reason for that is it’s the public sector that

comes closest to the statist ideals of McGovern and post-McGovern liberals. And that is, there's no connection between effort and reward. You're guaranteed your job. You're guaranteed your salary increase. There's a kind of bureaucratic equality.

"This vanguard," Siegel continues, "becomes in the eyes of many liberals the model for the middle class. Public-sector unions are what all workers should be like. Their benefits are the kind of benefits everyone should get." So instead of the private sector defining the public, the public sector is thought to define the private.

As public employees unionize, their dues—often collected for the unions by the government—fund a permanent interest constantly lobbying for bigger government. To pay for this bigger and more expensive government, they advocate for higher taxes on those in the private sector. Only when they are threatened with layoffs are they inclined to compromise, and sometimes not even then. That is what I mean when I say that we work for them.

## Where to Go From Here

One of the few silver linings of our tough economy today is that it is forcing tough decisions. Big city mayors and governors are having issues with their public employees, because we've reached a point where we simply cannot afford business as usual. With a sluggish economy—and fewer taxpayers—the problems that have piled up are becoming too difficult to ignore.

Across the nation we have governors and mayors trying to solve their public employee problems with varying degrees of seriousness, from Chris Christie in New Jersey to Jerry Brown

in California to the great experiments going on in the Rust Belt—in Indiana, which has done the best, and Wisconsin, Ohio, and Michigan. Only Illinois, led by Democratic Governor Pat Quinn, has opted for business as usual with a mammoth tax increase that is now being followed up, in today's typical way of Democratic governance, with tax breaks for large companies threatening to leave Chicago because of the tax burden.

In most of these places, there's probably little we can do about the contracts that exist. What we can do is bring in new hires under more reasonable contracts and pro-rate contributions for existing employees. Even marginal changes can have a big impact, as Wisconsin found out when Governor Scott Walker's collective bargaining reforms for public workers helped restore many of the state's school districts back to fiscal health.

My father was a federal employee, as an FBI agent. I spent some time as a government worker in the White House. I also know many fine and devoted people on the public payroll who work hard, are good at what they do, and earn everything they get. But there are also those who work without results. I believe Americans are a generous people who can recognize the difference. We need to restore our public sector to a place where those in charge can make those distinctions and allocate rewards and resources accordingly.

In the meantime, I think the best thing we can do is speak honestly. That is what Mr. Christie is doing in New Jersey. His style isn't for everyone. Yet his popularity suggests that Americans appreciate a politician willing to talk about the reality of public employee

unions today—and the unreasonable costs they are imposing on our society.

We'll never return to the ideal of public service until the rest of us start speaking honestly as well. ■



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