

COMMENTARY

PUBLIC SECTOR UNIONS: A CONVENIENT SCAPEGOAT

Bruce T. Bocardy

For the last 30 years or so, antiunion business organizations and media bloviators have undermined or virtually decimated private sector unions. They are now determined to destroy unions in the public sector. Of course, unions discarded their own democratic paradigm back in the day, thus alienating many members. This facilitated those scurrilous attacks.

Breathtaking misinformation is peddled to the public. Public sector unions are portrayed as responsible for the economic immiseration of all working people. Never mentioned is a tax structure that unfairly burdens middle- and low-income taxpayers. The distinction between public sector union employees and management is often also conspicuously omitted.

Public sector union members are not living lavish lifestyles. Like all working people, they are struggling to pay unfair tax burdens for high-quality public services in their communities: police and fire protection, schools, childcare, libraries, public works, parks and recreational facilities, roads, bridges, veterans' homes, hospitals, community health centers, and city and town halls.

“Local governments have seen their budgets under enormous strain because of the recession and, in some cases, unwise ‘anti-tax’ policies that have benefited the wealthy,” says Marty Wolfson, former economist with the Federal Reserve Board and director of the Notre Dame Labor Studies Program.

Demonization

The opposing point of view is represented by Ed Lasky, in a diatribe on The American Thinker website. Lasky railed against “public unions and the havoc they have wrought on our public finances. . . . Public employee unions will spend millions to try to defeat measures to rein in their bloated salaries and pension benefits.” Investment expert John Maudlin reported last October that the average federal worker earned \$75,419 a year, while the average earning in

the private sector was \$39,751. This assertion is baffling, if not laughable. For one thing, “average” compensation has little meaning when the exorbitant salaries of managers can skew the data.

The Center for Economic Policy Research (CEPR) analyzed census data last September. It found that state and local government workers are often older and more educated than private sector employees, but they earn 4 percent less than those with the same age and education.

A study released last April by the Center for State and Local Government Excellence and the National Institute on Retirement Security analyzed data from the Bureau of Labor Statistics. They concluded that when education and work experience are included, state and local employees earn 11–12 percent less than comparable private sector employees.

Dean Baker of CEPR said, “The data shows that when you adjust for age and education, public sector workers actually get paid a bit less than private sector workers. The fiscal problem is due to plunging tax revenue due to the recession. We won’t fix this by paying public workers below market wages.”

A key indication of fair compensation is the ability to afford a residence. A study by the Center for Housing Policy in 2010 looked at more than 200 housing markets and 60 occupations. It found that police officers and elementary school teachers did not earn enough to buy a typical house in two out of five of the largest metropolitan areas. School bus drivers did not earn enough to afford rent on a standard two-bedroom apartment in those five areas. Firefighters and librarians were unable to afford the median home price in the New York, Los Angeles, and Chicago metro areas.

In 2008, the American Chamber of Commerce Research Association Cost of Living Index ranked Boston seventh in earnings required for a family of four. In Boston, \$84,173 must be earned to equal the national average of \$63,000 for *basic* living expenses. The salary for a patrolman graduating from the Boston Police Academy is \$46,000. The entry level salary for a first-year Boston Police patrol union officer is \$51,710. The hazardous night shift is \$57,170.

In Boston, critics have focused on anecdotal abuses by members in the police and fire unions. When a pattern of abusive behavior develops in any public service entity, the public has an indisputable right for accountability. However, the overwhelming majority of police and fire union members are committed to their work. The next time gunshots reverberate in your neighborhood or an incinerated building explodes, consider the compensation for those who answer that call.

Another public sector union under relentless siege is teachers. There is simply no data supporting the claim that “overpaid” teachers are responsible for underperforming schools. That is tantamount to blaming the Department of Public Works for increases in automobile accidents.

The real agenda behind this ploy is the decimation of the public school system, eventual costly privatization, and the elimination of teachers unions. This February, 89 school teachers were dismissed in Central Falls, Rhode Island for working in “underperforming schools.” Inexplicably, education secretary

Arne Duncan, applauded the mass firing. Not one of the teachers terminated ever received an unsatisfactory performance evaluation.

Research concludes that the causes of underperforming schools are largely deadening family poverty affecting parents and students, dilapidated facilities, inadequate curriculum, and overcrowded classrooms. Teachers unions are an indispensable ally in the project to reform the system. The alternative is having our children's future sacrificed for profits of the educational industrial complex.

Pension Follies

The charge that inflated union pensions are crippling states' economies is ludicrous. It is *management* pensions that must be reformed in some states and municipalities.

For example, in Illinois, pensions for the top 100 school administrators were posted in 2008 on a website dedicated to condemning the public sector. The pension amounts were outrageous—but the list was composed of nonunion, management administrators. The website's headline barked, "Certain states are broke for one reason—Public Employee Pensions." Reader comments identified public sector unions as culpable—absent any data on the state's union pensions.

In California, public sector unions and their pensions have been vilified by the governor among others. The California Public Employees Retirement System compiled data in 2010 from state records and demolished any union responsibility for the calamity that is now the California economy.

Again, "average" data can be highly misleading. Yet, in California, even with management pensions included, the average monthly benefit to California retirees is only \$2,101 per month, and 78 percent of retirees receive \$36,000 or less per year. Less than 1 percent received pensions over \$100,000. If the gaudy management pensions are excluded, the benefits to retired California public sector employees are even less. Of the top ten retirees, who receive six-figure packages, not one is a union member. Compare the \$208,000 pension of the former president of the University of Massachusetts, Boston, with a city worker's pension. According to the Boston Retirement Board in a report released in 2010, the median pension in Boston was approximately a paltry \$23,000. The average pension for Massachusetts state employees in 2010, which presumably included extravagant management pensions, is still only \$24,000—again hardly excessive.

Tax Iniquities

A mountain of literature documents the unfairness in our tax system. Corporate income tax laws in the majority of states are rife with dodges that permit large corporations to avoid paying tax on a significant share of their profits. These dodges include depreciation rules, exemptions, deductions, credits, tax sheltering, accelerated depreciation allowances, special tax provisions for particular business sectors, debt finance, and tax planning.

In July 2008, the Government Accountability Office reported that about two-thirds of corporations, including the vast majority of foreign companies operating in the U.S. legally paid no income taxes. “Less government” translates to “protecting corporate interests” or “corporate welfare.”

In 2008, the Treasury Department estimated that various corporate tax breaks will cost the federal government more than \$1.2 trillion over the years 2008–2017.

The second component of tax fairness is that public services are funded largely by the personal income tax. There are those who defend the top 1 percent of Americans who pay about one-third of all income taxes. However, it does not tell the whole story. Consider tax shelters. Taxpayers in the top 1 percent have shifted much of their income away from wages and into capital gains investments. These are taxed at a much lower marginal rate. Corporate, capital gains, dividend, estate, and interest tax rates primarily benefit the economic elites, not working people.

Those advocating tax cuts for the ultra wealthy ignore the array of regressive taxes paid by working people, which impact middle- and low-income folks in a harshly disproportionate manner. Social Security taxes, excise levies, and tariffs are regressive. Their effective rates decline as the payer’s income increases.

Payroll taxes also unfairly gouge the same middle- and low-income folks. The employer’s share of the Social Security tax is actually a levy on wages, because employers reduce wages to compensate for that tax instead of paying for it out of profits. When property taxes and fuel taxes are included in the equation, it is clear that our tax system is painfully unfair to middle- and low-income people.

The Institute on Taxation and Economic Policy released a study based on data from The Census Bureau, and Government Finances in 2007. It concluded that that the wealthiest 1 percent of Massachusetts residents paid only 4.8 percent of their total income in taxes while 80 percent of middle- and low-income residents paid over 10 percent of their total income. The burden of financing public services should not be primarily on those who can least afford it.

Distraction

Holding unions responsible for the ponderous economic burdens on middle- and low-income people is utter demagoguery. It distracts all working folks from the structural economic injustice that corrodes the spiritual, the moral and ethical fiber of individuals and communities.

Unions are not “special interest” groups. Corporate ideology has attempted to apply that label to include any organization that appears to place their interests over the common good. We are then asked to believe that corporations are really concerned with more than the profits for a tiny group of shareholders or executive salaries.

A job that offers fair compensation and retirement benefits, affordable health care, housing, and educational opportunities must not be privileges decided by the caprices of an upper class. That demographic comprises only about 1 percent of our country's population.

Economist Emmanuel Saez, director, Center for Equitable Growth at the University of California, Berkeley, reported in 2009 that 1 percent of U.S. households received 24 percent of all income in the nation.

Edward N. Wolff is an economist at New York University, a research associate at the National Bureau of Economic Research, and senior scholar at the Levy Economics Institute at Bard College. He authored a study in March 2010 that reported that as of 2007, the top 1 percent of households owned 34.6 percent of all privately held wealth. Corporate racketeers and union critics are obliquely telling all working people that they must be content with seeking the bottom rung of the economic ladder. It is dehumanizing; it is morally vacuous.

Unions have benefited the working class and a prosperous middle class that is now vanishing.

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