COMMENTARY

Class warfare in the USA

Anti-unionism and the legislative agenda of the 1%

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The past year has brought an unprecedented series of attacks on public employee unions in state legislatures across the United States. The most dramatic such assault came in Wisconsin, where newly elected governor Scott Walker pushed through legislation that effectively eliminated the right to collective bargaining for his state's 175,000 public employees.[1] Yet while Wisconsin became the crucible through which much of the population viewed these issues, it was part of a much broader legislative pattern. In 2011, bills restricting the collective bargaining rights of public employees were introduced in twenty-eight of the fifty states, and adopted in twelve. Ohio, for instance, prohibited employees from bargaining over anything but wages, and from striking. New Jersey eliminated public employees' right to negotiate over health insurance. Idaho abolished tenure for schoolteachers. Michigan established unelected 'emergency managers' with the power to nullify union contracts in cities facing budget deficits. Furthermore, while media attention focused on the struggles of public-sector unions, the year also brought a host of initiatives aimed at restricting the rights of private employees – both union and non-union – as well as cutbacks in social and economic protections for the poor and working class.

In what follows, I will describe the broad agenda that frames the attacks on government unions and will try to explain why these initiatives came at this particular historical moment, before describing the actors and interests that have been most central in advancing this agenda.

Fiscal crisis as opportunity

In Wisconsin and elsewhere, attacks on public employee unions were justified as a necessary response to the fiscal crises facing state governments. Commentators regularly suggested that budget deficits were the fault of unions that used their political clout to pad government payrolls and extract exorbitant benefits from hard-working taxpayers. Wisconsin's Governor Walker explained that the union-busting law was needed because 'our people are weighed down paying for a larger and larger government' and 'we can no longer live in a society where the public employees are the haves and taxpayers who foot the bills are the have-nots'.[2]

But this characterization does not fit the facts of economic reality. Public employees generally make slightly *less* than their private-sector counterparts.[3] And both the number of public employees per capita and the proportion of state budgets devoted to employee compensation have been flat for the past decade.[4]

The budget shortfalls of 2011 were actually the product of sudden economic crisis. In 2007, state budgets were in balance, with several states reporting surpluses.[5] Three years later, the states faced a combined shortfall of almost $200 billion, by far the largest on record.[6] What changed in that short time span was no increase in state spending, but a dramatic fall-off in revenues caused by the collapse of the housing market and the onset of the Great Recession.[7]

Budget deficits struck nearly every state in the country, regardless of employees' union status. Statistical analysis shows no correlation whatsoever between the presence of public employee unions and the size of state budget deficits.[8] Indeed, the state of Texas – which prohibits collective bargaining for nearly all public employees – faced a massive shortfall of $18 billion, or 20 per cent of state expenditures.[9] If unions didn't cause the deficits, it's also true that eliminating unions is not a realistic strategy for addressing fiscal problems. Employee concessions in certain circumstances may be a legitimate part of closing budget gaps, but this has nothing to do with the abolition of bargaining rights. This was made painfully clear when Wisconsin's unions agreed to 100 per cent of Governor Walker's economic proposals – including significant reductions in benefits – only to have Walker declare that no deal was acceptable as long as workers retained the legal right to bargain. Under questioning by members of Congress, Walker conceded that many of the most anti-union provisions in his legislation 'wouldn't save [the state] anything'.[10] So, too, the governor of Ohio – which adopted a law similar to Wisconsin's only to see it overturned by a subsequent voter referendum – conceded that his law 'does not affect our budget'.[11]

Eliminating collective bargaining rights was not a fiscal strategy; it was a political power play.

Permanently downsizing the state

The fiscal crisis facing state governments has been nearly universally invoked as requiring steep cuts in public services and the sell-off of public assets. But upon close examination, legislators seem to have been driven less by urgency to close budget gaps than by the opportunity to advance long-held goals of shrinking the state and undermining the political and economic leverage of working people.

These political priorities were first made evident in the choice of many conservative governors to extend new tax breaks to corporations and the wealthy even as they forced drastic cuts in public services. Wisconsin itself, for instance, was one of the few states not facing a budget crisis going into 2011. The state's nonpartisan legislative research service reported that the government was in line to enjoy a budget surplus; the budget went into the red only after the governor, as one of his first acts in office, enacted new business tax cuts.[12] Likewise, the state of Ohio repealed its inheritance tax, and Michigan cut corporate taxes by 80 per cent, all while slashing essential services.

If elected officials were simply concerned with closing budget gaps, they had many alternative methods for achieving this end. For instance, the deficits in all fifty states could have be erased *entirely* through two simple policy changes: undoing the Bush tax cuts for the top 2 per cent of income earners, and taxing capital gains at the same rate as ordinary income. Yet none of the Republican governors advocated this road to fiscal balance. Instead, state after state enacted steep cuts in employee compensation and safety-net programmes for those suffering through the Great Recession. All told, nearly 600,000 state and local government jobs have been eliminated in the past three years.[13] Funding for schools, child care, public transportation, and care for the elderly infirm have all suffered dramatic cuts.

Similarly, recent legislation will also make life harder for those unlucky enough to be without a job. Florida, Indiana, Michigan, Missouri and Wisconsin, among others, all reduced unemployment insurance benefits. In Indiana, employer contributions to the state's unemployment insurance fund were cut by more than 25 per cent, with workers' benefits reduced by a similar amount. Wisconsin now requires unemployed workers to go a full week with no benefits whatsoever before they are eligible for state support, and several states promoted new eligibility requirements for recipients, including increased pressures to take any job offered, no matter how low the wage, rather than continue searching for a position in one's field or closer to one's previous wage rate.

It is telling that these cuts were not generally presented as unwanted but temporarily necessary acts. Cuts were not structured as temporary measures that expire when the economy rebounds and state coffers are replenished. On the contrary, many states enacted new structural impediments to increasing revenues even after the economy recovers – requiring supermajorities to raise tax rates, or prohibiting the budget from ever increasing faster than the rate of inflation – that aim at locking in the newly shrunken size of government as the new high-water mark of public-sector activity. In all these states, then, the agenda for the public sector is not merely to get rid of unions and cut employees' pay; it is to shrink permanently the capacity of the state to provide essential services or to regulate corporate practices.

Beyond public employees

While policy debates have been largely framed around the need for fiscal austerity, the year also saw widespread attacks on the legal rights and economic standards of private- sector workers. Eighteen states introduced so-called 'right to work' laws, aimed at undermining private-sector unions. This Orwellian named policy does not guarantee anyone a job. Rather, it makes it illegal for a union to require that employees who benefit from a collective contract contribute their fair share of the costs of administering that contract. By weakening unions' ability to sustain themselves financially, such laws aim to weaken the bargaining power of organized workers, and ultimately to drive private-sector unions out of existence.

So, too, a dozen states introduced bills restricting the ability of both public- and private-sector unions to participate in the political process, by requiring unions to obtain annual written authorization from each member in order to spend dues money on politics. Since both federal and state law already allow anyone covered by a union contract to withhold dues from political uses, such laws provide no new rights to employees, but consume considerable union resources in the bureaucratic activity of collecting annual notifications, and aim to muzzle the political voice of organized workers.[14] Similarly, thirteen states introduced bills banning public employees from having union dues deducted through the state payroll system – even for employees who voluntarily choose to pay dues. Since there is virtually no cost to states for electronic payroll deductions, the sole purpose of such legislation is to cripple unions financially and limit the ability of organized labour to participate in electoral politics.

The assault on wage standards extends to non-union as well as unionized employees. Most states uphold 'prevailing wage' laws, for instance, which ensure that publicly funded construction doesn't serve to undercut local wage standards. Such laws benefit union and non-union employees alike, but have long been opposed by non-union contractors who believe they could make higher profits with lower wage standards. This year they saw their chance to advance this agenda. Legislation weakening or eliminating prevailing wage standards was introduced in fourteen states and passed in five, severely eroding construction pay scales.

Similarly, minimum wage and overtime laws were scaled back in multiple states, undermining the most important wage protections available to non-union workers. Both Maine and Wisconsin adopted laws relaxing child labour protections. Meanwhile, budget cuts weakened the ability of states to police even those regulations that remain on the books. In Missouri, for instance, the governor's budget eliminated all funding for labour investigators charged with policing minimum wage, child labour and similar violations. This package of lower wage standards, less enforcement and reduced benefits for those out of work combines to render employees more dependent than ever, with fewer options but to accept whatever job they may be offered, on whatever terms employers choose to provide.

A coordinated assault on labour standards

One of the most striking aspects of the past year is not only the extent to which these legislative initiatives appeared simultaneously in so many states, but also the extent to which such a disparate array of proposals were promoted as components of a coherent policy agenda. Michigan, for example, not only restricted public employees' union rights and reduced corporate taxes, but also cut unemployment benefits, prohibited the regulation of repetitive-motion injuries at work, instituted a new tax on pensions, privatized school support services, and may well abolish its prevailing wage law. The commitment to this range of proposals is not based on the specific needs of the local economy. Pension 'reform' did not arise organically in states with particularly large unfunded liabilities; nor was school privatization the particular domain of states with under-performing schools. These laws were not home-crafted responses to local problems; they were part of a long-standing agenda driven primarily by national business organizations.

The attacks on workers have been promoted by a coalition of anti-union ideologues, Republican Party operatives, and corporate lobbies. Republican strategists have long identified labour unions and government employees as key 'pillars' of the Democratic Party – unions contributing funds and public employees providing the army of volunteers knocking on doors in support of big-government Democrats. It's no mistake that the hardest-fought anti-union campaigns have taken place in states that are also political battlegrounds for the presidential election. If Republicans can cut off union funds and volunteers in key swing states, this may alter control of the federal government.[15] Partly for this reason, when the 2010 elections swept Republicans into power in these states, a host of anti-union initiatives that had long lingered on policy wish-lists suddenly became top legislative priorities.

But behind the network of Republican operatives, the most important forces spurring this agenda forward are a cluster of extremely wealthy individuals and corporations, including traditional corporate lobbies such as the Chamber of Commerce and the National Association of Manufacturers, along with newer and more ideologically extreme organizations such as the Club for Growth and the Koch-backed Americans for Prosperity. Recent trends have conspired to endow this coalition with unprecedented political leverage. As the US economy has grown dramatically more unequal over the past few decades, it has produced a critical mass of extremely wealthy conservative businesspeople. At the same time, elections for public office have become dramatically more expensive, leaving politicians ever more dependent on those with the resources to fund campaigns. Finally, the Supreme Court's 2010 *Citizens United* decision opened the door to unlimited corporate spending on political campaigns. In this way, dramatically unequal distribution of wealth has been translated into equally outsized political influence for those at the top. The 2010 elections were the first ever conducted under the new rules, and they saw record levels of spending by business political action funds.[16] The series of anti-union attacks launched in 2011, in large part, reflect the success of that strategy.

At the centre of this coalition is the American Legislative Exchange Council (ALEC), a national network that brings state legislators together with the country's largest corporations – including Wal-Mart, Coca-Cola, ExxonMobil and leading tobacco and pharmaceuticals firms – to promote business-friendly legislation. Thanks to an exposé by a disgruntled member, the inner workings of the organization have recently been brought to light (see www.alecexposed.org). ALEC's 2,000 member legislators include a large number of Senate presidents and House speakers. Legislators are invited to swanky conferences where committees composed of equal numbers of public and private officials develop model legislation. ALEC's staff convert these into legislative language and produce supportive policy reports. Thus state legislators with little time, staff or expertise are able to introduce fully formed legislation. Ultimately, the 'exchange' that ALEC facilitates is between corporate donors and state legislators: the corporations pay ALEC staff's expenses, contribute to legislators' campaigns and fund the think-tanks that promote legislation; in return, legislators carry the corporate agenda into their state houses. Over the past decade, ALEC's leading corporate backers have contributed more than $370 million to state elections and over one hundred laws a year are adopted based on ALEC's model bills.[17]

In many cases, ALEC pursues initiatives that directly benefit the bottom line of its corporate patrons. For instance, ALEC gets money from energy companies and lobbies against environmental controls; it gets money from drug companies and advocates prohibiting cities from importing discounted drugs from Canada; it gets money from technology companies and works to stop cities from providing free broadband Internet to their residents. But ALEC also promotes a broader economic and deregulatory agenda that is not directly tied to the profitability of specific donors. Virtually all of the initiatives described here reflect model statutes promoted by ALEC; these are not aimed at immediately enhancing donors' revenues, but at fundamentally reshaping the balance of power between workers and employers.

Unions: first on the chopping block

Long-term economic decline in the USA has produced widespread economic anxiety. The broad popular sympathy for both the Tea Party and the Occupy movement points to the volatility of this sentiment, and its capacity to manifest itself in either progressive or reactionary directions. Those at the top of the economy work hard to channel this combustible mix of fear and resentment in directions that are benign for the elite. In this context, public employees are an easy and obvious target. Yet while both Republican and corporate operatives have focused on anti-union legislation, it's clear that the ultimate goal of these organizations is an economic transformation that extends far beyond the labour movement. Unions are the primary target largely because their elimination will make the rest of the corporate agenda much simpler to achieve.

For the corporate lobbies, the attack on unions has multiple appeals. On average in the United States, an employee with a union makes about 15 per cent higher wages, and has a 20–25 per cent better chance of getting health insurance and pension through their job, than a similarly skilled non-union employee in the same industry.[18] Naturally, corporate lobbies would like to eliminate unions in order to pay less and profit more. No doubt many firms also simply resent having to negotiate with their employees, regardless of what such a process may ultimately cost. In addition to these personal motives, the corporate lobbies correctly identify labour unions as the single most important obstacle to a broad agenda of neoliberalism. The labour movement is much shrunken, but its 14 million members remain by far the largest and most potent force in progressive politics. When the US Chamber of Commerce pursues its goals for health care, child care, paid sick leave, unemployment insurance, international trade, capital gains and inheritance taxes and school funding, the labour movement is its most powerful opponent on every score. If the business lobbies could abolish unions, they'd have a free hand to design the country's economic policy more or less at will.

Why now, and what next?

Why was 2011 the year that brought such a ferocious assault on labour standards? At the most macro-level, the legislative battles of the past year must be viewed in the context of the long-term economic decline experienced by working- and middle-class Americans. For the past thirty-five years, wages for non-professional employees have been on a steady, if gradual, decline, while the number of hours one needs to work in order to make ends meet has increased significantly. At the same time, the elements of a secure life – health insurance, a pension, a reasonable chance at owning a home or putting a child through college – have become unattainable for a growing swathe of the country. We are witnessing the first generation of Americans that expects to do worse than their parents. If the country continues in the broad policy directions of neoliberal trade, privatization, de-unionization and deregulation, there is no possibility but that living standards for most Americans will continue to decline, as the country is slowly but inexorably competed down to the level of less wealthy trading partners. This broad reality provides the fundamental background framing contemporary politics. For the economic elite, the primary political challenge is how to manage the politics of decline – that is, how to advance an ever-more-radical neoliberal agenda without provoking a popular backlash.

In part, conservative business elites have encouraged a revolution of falling expectations. When people come to feel lucky just to have a job with health insurance (and then just a job even without health insurance, so long as they can pay the rent); when 25 or 35 kids in a class comes to seem fortunate because others are in classes of 50; when retaining fully funded Social Security and Medicare even without a pension from one's job seems lucky – all these shifts serve to lower people's expectations of the economy and their demands of employers. In this sense, the draconian cuts in public services may serve a long-term political strategy, quite apart from their material impact on taxes or government regulations. Most of the time, expectations decline gradually. But occasionally there are crises that legitimate a sudden redefinition of what is reasonable to expect from government or employers.

This was certainly the case in the years following the September 2001 attack on the World Trade Center, when dramatic tax cuts for the wealthy, budget cuts for the poor, and roll-backs of union wage standards were all presented as a necessary part of patriotic belt-tightening in a time of war. The fiscal crises of 2011 offered another such moment, when the normally gradual degradation of the state could suddenly be sped up in a frenzy of dismantling public services; when the public could come to accept a quantum step downwards in its expectations.

Whether this strategy succeeds remains an open question. The Wisconsin legislation sparked the largest sustained labour mobilization in many years, and Governor Walker will likely face a recall election later this year. Several of the governors who spear-headed the most aggressive anti-union initiatives have watched their popularity ratings plummet, and voters in Ohio resoundingly rejected the anti-union statute enacted by their legislature. Nevertheless, conservative politicians retain the backing of extremely powerful supporters who appear willing to spend almost unlimited sums to ensure their allies remain in office. In the 2010 federal elections, labour unions were outspent 13:1 by corporations, and this imbalance is certain to increase under the new regime of unlimited corporate spending.

The great unknown in this drama is how the vast majority of anxious, insecure, non-union American workers will make sense of these issues. To this end, it is critical to understand clearly the past year's legislative battles for what they were: the leading edge of an ambitious agenda that extends far beyond anti-unionism and that, if successful, will transform the nation to the detriment of almost everyone.

Notes

1. While not technically outlawing unions, the bill is likely to lead to the same end. Public employee unions are prohibited from negotiating about anything other than wages; wage increases for local government employees are limited to the rate of inflation and must be approved by referendum of local voters; unions can no longer require those who benefit from contracts to pay their fair share of the costs of administering them, and even those who volunteer to pay union dues cannot have those dues deducted through the state payroll system; all unions are presumptively decertified every year, and must win support in an annual employee referendum in order to remain in existence; and participation in any type of job action is grounds for immediate dismissal. The bill also completely strips unionization right from faculty and graduate student employees in the state university system. Roger Bybee, 'After Proposing Draconian Anti-Union Laws, Wisconsin Governor Walker Invokes National Guard', *In These Times*, 15 February 2011. Number of employees affected is from *Losses to the Working Families of Wisconsin*, Wisconsin State AFL–CIO, August 2011.
2. *Text of Governor Walker's Budget Address*, State of Wisconsin, 1 March 2011, http://walker.wi.gov/journal_media_detail.asp?locid=177&prid+5668; Steven Greenhouse, 'Strained States Turning to Laws to Curb Labor Unions', *New York Times*, 4 January 2011, p. A1, www.nytimes.com/2011/01/04/business/04labor.html?pagewanted=all.
3. John Schmitt, *The Wage Penalty for State and Local Government Employees*, Center for Economic and Policy Research, May 2010, www.cepr.net/documents/publications/wage-penalty-2010-05.pdf; Jeffrey Keefe, *Are Wisconsin Public Employees Over-Compensated*, Economic Policy Institute Briefing Paper 290, 10 February 2011, www.epi.org/publication/are_wisconsin_public_employees_over-compensated.
4. Sylvia Allegretto, Ken Jacobs and Laurel Lucia, *The Wrong Target: Public Sector Unions and State Budget Deficits*, University of California at Berkeley, Institute for Research on Labor and Employment, October 2011; David Madland and Nick Bunker, *State Budget Deficits Are Not an Employee Compensation Problem*, Center for American Progress, Washington DC, 10 March 2011.
5. Elizabeth McNichol, Iris Lav and Ifie Okwuje, *States Still Playing 'Catch-Up' in New Budgets*, Center on Budget and Policy Priorities, Washington DC, 2 August 2006, www.cbpp.org/files/8-2-06sfp.pdf.
6. Elizabeth McNichol, Phil Oliff, and Nicholas Johnson, *States Continue to Feel Recession's Impact*, Center on Budget and Policy Priorities, Washington DC, 17 June 2011, www.cbpp.org/files/9-8-08sfp.pdf.
7. Ibid.
8. Allegretto et al., *The Wrong Target*.
9. Erica Williams, Michael Leachman and Nicholas Johnson, *State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful*, Center on Budget and Policy Priorities, 28 July 2011. Police and firefighters have the right to collective bargaining in Texas if the city or town they are employed by has voted by referendum to grant such rights.
10. Quoted in Zaid Jilani, 'Scott Walker Admits Union-Busting Provision "Doesn't Save Any" Money for the State of Wisconsin', *Think Progress*, 14 April 2011, http://thinkprogress.org/politics/2011/04/14/158690/walker-admits-union-money.
11. Joe Vardon, 'Kasich Moves on from Loss on Issue 2', *Columbus Dispatch*, 16 November 2011. www.dispatch.com/content/stories/local/2011/11/16/kasich-moves-on-from-loss-on-issue-2.html.
12. Wisconsin's nonpartisan fiscal bureau issued a memo to legislators in January 2011 stating that the government had been on track to end the year with a surplus of $121 million. Governor Walker's claim that the state faced a deficit was primarily due to his enactment, shortly after assuming office, of $140 million in tax breaks. Brian Beutler, 'Wisconsin Gov. Walker Ginned Up Budget Shortfall to Undercut Workers Rights', Talking Point Memo, 17 February 2011.
13. Williams et al., *State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful*.
14. In 2011, such legislation was introduced in a dozen states and adopted in two, Alabama and Arizona.
15. The Wisconsin Senate Majority Leader, for instance, explained that one of the key goals of the Walker bill was to defund unions in order to ensure that 'President Obama is going to have a … much more difficult time getting elected and winning the state of Wisconsin'. Sen. Scott Fitzgerald, quoted in Lee Fang, 'WI Senate GOP Leaders Admits On-Air That His Goal is to Defund Labor Unions, Hurt Obama's Reelection Chances', *Think Progress*, 9 March 2011, http://thinkprogress.org/politics/2011/03/09/149655/scott-fitzgerald-obama.
16. National Institute for Money in State Politics, 'Independent Spending in the States', January 2012, http://www.followthemoney.org/database/independentspending.phtml.
17. *Legislating Under the Influence: Money, Power, and the American Legislative Exchange Council*, Common Cause, 2011, www.commoncause.org.
18. John Schmitt, *The Unions of the States*, Center for Economic and Policy Research, Washington DC, 2010.