

# **The Impact of Public Sector Unions on Government Operations and Worker Welfare**

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More than 40 years ago, the state legislature enacted an explicit statutory proscription of collective bargaining for North Carolina's state and local government workers. As advocates for public sector workers in the state begin the long process of changing the law, it is natural for workers and government officials alike to ask what difference public sector collective bargaining would make. Officials will want to know whether unions would hamper productivity and increase costs. Workers will want to know if their wages and benefits would improve and whether personnel practices would become fairer. We have read widely in the scholarly literature to try to put together answers to these legitimate questions. Every state is different, but patterns do emerge. The rest of this paper is divided into sections that examine union effects on government productivity; government efficiency and costs; worker welfare, including wages and benefits; and the fairness of personnel practices.

### ***EFFECT OF UNIONS ON GOVERNMENT PRODUCTIVITY***

Research about union impacts on worker productivity typically relies on the measurement of changes in the production of an end product. Other measures have been created for use in the public sector, due to the frequent lack of tangible goods produced. Most studies of public sector worker productivity have found that unions have **no effect** on productivity levels. One researcher's review of eleven productivity studies revealed that unions had no measurable effect on productivity in seven of the eleven cases (Freeman 1986). The other four studies were split evenly between productivity increasing or decreasing as a result of public sector unions. These eleven studies included findings from police, firefighters, hospital workers, teachers, librarians, building inspectors, public transportation workers, and state government workers as a whole. Fears that public sector unions diminish government productivity, for example by diminishing worker motivation, appear unfounded.

Researchers have had to be ingenious in order to weigh the effect of unions on the productivity of public sector workers. In one such study, unionized and non-unionized librarians were compared in terms of the number of inquiries addressed by each group of librarians, as well as the number of interlibrary loans completed by each library (Ehrenberg et al. 1983). These measures offered information about the willingness and capability of the librarians to serve their patrons, but these specific measures would not be transferable to other studies. Researchers have to develop separate productivity measures for each individual sector of the government, so

the findings are not comparable across sectors (Mitchell 1988, Piskulich 1992).

Advocates for public sector unionization point to benefits that unions provide that may improve government productivity indirectly. These include an increased sense of satisfaction at work, a greater sharing of responsibility on the job, and inclusion in decision-making processes. Workers who feel that they are treated fairly by employers may be more cooperative in efforts to improve their performance. Furthermore, plans negotiated by public sector unions that reward employees for removing inefficient work rules from their labor contracts, or provide bonuses for employees who improve departmental efficiency, have been implemented in some areas of the country. These programs, referred to as "productivity bargaining", have seen success in many areas including Flint, Michigan, Tacoma, Washington, and Orange, California (Kearney 2001).

### ***Effect of Unions on Government Efficiency (Costs to Employer)***

#### **Employment Growth**

One worry about public sector unions is that these unions will demand increases in the number of government employees, which would in turn lead to increases in state and local government revenue requirements. When these employment increases do not improve service, they amount to featherbedding and compromise the efficient use of resources. Studies measuring the employment effect of public sector unions have resulted in a variety of findings. In general, unions do seem to increase public sector employment (Freeman 1986, Valetta 1989, Spengler 1999). However, the causes of this are somewhat unclear. In one study, strong unions exercised their political influence to increase the demand for municipal services, which then boosted the number of employees needed to complete the work (Spengler 1999). Another study found that while individual unionized departments increased employment levels and budgets, the overall municipal budget was unaffected. The same study pointed out that, due to the way budgets operate in the public sector, department heads often support union demands because these demands will increase their annual budgets (Valletta 1989).

## Striking

Opposition to public sector unions frequently raises the fear that public employees may strike and interrupt such essential services as garbage collection and fire protection. However, the most recent evidence shows that public sector strikes have consistently declined in the past decade. Also, the few recent strikes have tended to be of shorter duration than those in the private sector (Kearney 2001). Fewer and shorter public sector strikes result from the development of more comprehensive bargaining and arbitration procedures (Freeman 1986). Employers and employees are required to bargain until an agreement is reached, and work stoppages are often illegal in the public sector under any circumstances. Overall, unionized public sector workers are using strikes less frequently than unionized private sector workers, even in an era of less frequent private sector strikes.

## Wage Costs

There are concerns that allowing public sector workers to organize will result in ever-climbing, unregulated wage and salary increases for these workers, regardless of what employees in the private sector are earning. The best evidence is that public sector workers with collective bargaining rights earn five to eight percent more than those without such rights (Kearney 2001). This is certainly a noteworthy difference, but it does not come close to matching the full range between states with low and high government expenditures: New York, the state with the highest per capita state and local government expenditures (excluding Alaska, which is a true "outlier") spent almost twice as much in 1999 as Arkansas, the state with the smallest such expenditures (U.S. Bureau of the Census 2002, table 421). Other, more powerful factors than collective bargaining must lie behind differences among the states in public sector expenditures.

[1] In order to regulate the pay scale, government employee wages are typically determined by comparing the government occupational category with a corresponding category in the private sector. This is meant to ensure that government employees maintain salaries competitive with those in the private sector. The problem is that small firms are generally excluded from such wage comparisons. Because small firms typically pay less than larger firms, public sector wages may be inflated. This problem is supposedly kept in check by monitoring the employee turnover rate and application wait lists for jobs in the public sector. Both should remain comparable to those in the private sector if wages are at similar levels in both sectors (Mitchell 1988). The evidence that this is the case is conflicting. Several studies have shown that government workers in general are paid substantially more (up to 25% more, according to one study that factored in the shorter government workweek) than their private sector counterparts in the same occupations, although these figures differ for federal and state/local employees. However, other studies have countered these findings, stating that pay advantages for public sector workers are only marginal (1 to 2% increases) as compared to private sector employees (Kearney 2001). Differences in the results of these studies may be due to differences in data collection or analytic approach.

[2] North Carolina's state and local governments spent \$5515 per capita in 1999, putting it somewhat below the mean.

Concerns that public sector unions would lead to unending wage increases, increased employment levels, and frequent strikes appear unfounded. While there are certainly exceptions in each case, the overall picture seems to support the claim that public sector unions have not hurt and in some ways have helped government operations. These unions have worked to increase wage parity with the private sector, particularly for low-level employees. Public sector unions have been more restrictive regarding striking because they recognize the importance of continuing essential services such as waste removal. Finally, these unions have increased employment levels, often to enforce safety measures or meet the increased demand for municipal services.

### ***Effect of Unions on Worker Welfare***

#### **Wages for Unionized versus Non-Unionized Public Sector Workers**

Traditionally, the primary motivation for union organization is thought to be wage increases for participating employees, and this is true for both public and private sector unions. Public sector unions generally raise wages above those of non-unionized public sector workers (Kearney 2001). Research shows that these wage increases are quite variable within the public sector. These variations depend on a variety of factors including government regulations, the methodology of the study, and the economic climate (Freeman 1986, Freeman and Ichniowski 1988b, Valletta 1993, Kearney 2001). The increase ranges from five to eight percent over non-unionized employees (Kearney 2001). Although unions can bargain for wage increases for their members, public sector wages are often limited by budgets and particularly by public opinion. If the public feels that unionized public employee's wages have climbed too high, public officials will be held accountable and may submit to pressures to limit union activity (Fogel and Lewin 1974). Therefore, public sector unionized employees have achieved fairly minimal wage increases over non-unionized employees.

#### **Wages for Unionized Public versus Private Sector Workers**

Similar research has been conducted comparing the wage benefits derived by public sector unions to those derived by private sector unions. In general, private sector workers earn higher wages

than public sector workers. Overall, it appears that private sector unions raise wages more than public sector unions (Shapiro 1978, Freeman and Ichniowski 1988b). While the average gain for public sector unions is somewhere between five and eight percent, the average for private sector unions is between ten and fifteen percent (Kearney 2001). One well-established finding is that unionized low-level employees earn more in the public sector than those in comparable positions in the private sector. However, unionized higher-level public employees earn less than those in comparable positions in the private sector. Therefore, public sector blue-collar workers benefit more from unionization than white-collar employees, and unions somewhat equalize earnings among public sector workers (Shapiro 1978, Mitchell 1988, Kearney 2001).

### **Non-Wage Benefits for Unionized versus Non-Unionized Public Sector Workers**

Non-wage benefits are becoming an increasingly important component of public sector compensation packages. These benefits supplement smaller wage increases, and help to recruit and retain qualified employees. Examples of non-wage benefits include health benefits, pensions, flexible scheduling and vacation time, overtime pay, paid leave, and child/elder care (Kearney 2001). The implementation of these benefits varies greatly across the country, and multiple forms of each benefit are typically possible. Overall, public sector unions raise non-wage benefits for their employees more than they raise wages (Freeman 1986). Public sector unions support increasing benefits over wages because these expenses can be spread out over time and the costs are less visible to the public (Kearney 2001). A recent study found that public sector unions were able to positively affect the amount of paid leave and child/elder care programs provided for their members, as well as lower health insurance premiums for family members (Kearney 2002).

The high turnover rates in public employment, which are estimated to be about fifteen percent annually (Kearney 2002), may be lowered by the improved compensation package offered to employees as the result of collective bargaining, but the benefits of public sector collective bargaining for turnover remains to be demonstrated.

Public sector unions have worked to improve wages and benefits for their members, while simultaneously remaining responsive to public opinion on these issues. In order to attract and retain the most

qualified public servants, a comprehensive benefits package is crucial. If public employees such as firefighters and law enforcement cannot afford to live in the communities they protect, there is clearly a problem with recruitment, retention, and ultimately with service. Public sector union representation could improve the welfare of these and other state and local employees and thereby their communities. [3]

[3] The benefits of unionization can spread via multiplier, spillover and threat effects: the benefits of higher wages are multiplied as wages are spent on products and services and thus generate other wage benefits; higher wages paid to unionized workers spillover into non-unionized sectors as employers attempt to keep their non-union workers from leaving for better paying unionized jobs and even as these employers feel the threat that their workers may unionize to gain the benefits they see unionized workers receiving.

### ***Effect of Unions on Fairness in Government Personnel Practices***

In recent decades the labor movement has been linked with the civil rights movement and the women's movement in the United States. The beneficiaries of these movements, women and minorities, are especially likely to be employed as public sector workers (Blank 1985). Therefore, it is not surprising that much of the recent membership growth in public sector unions is due to the participation of women and minorities (Kearney 2001). Public sector unions have been instrumental in implementing comparable worth legislation and equalizing pay for disadvantaged groups in the workforce (Kearney 2001, Spengler 1999, Horrigan and Harriman 1988, Hundley 1993). Comparable worth policies began to be implemented in 1981, with the most influential support coming from AFSCME, particularly in the state of Washington. Multiple lawsuits in this state resulted in the Washington government agreeing to correct a wage gap of twenty percent between male and female workers (Kearney 2001).

Comparable worth policies continue to be more common in public sector employment than in the private sector. However, some unions in the public sector, such as some AFSCME locals and police and firefighter unions still have predominantly male memberships, and comparable worth policies have been met with some resistance from these organizations. This resistance stems from male employees recognizing that equalizing pay according to job skill levels may mean a reduction in males' wages (Spengler 1999), although a prominent analyst believes it is more likely that budgets will increase in order to pay women comparable wages (Kearney 2001). However, most public sector unions continue to be socially progressive in terms of

implementing reforms to ensure fairness and equity in the workplace. The workforce continues to shift from primarily industrial workers to service workers, more of whom are women, and therefore representation of and opinions from women will count more within all unions (Horrigan and Harriman 1988).

By instituting comparable worth policies and working to achieve wage parity with private sector workers, public sector unions have dramatically improved the working conditions for many women and minorities in the past twenty years. These unions have been, and continue to be, at the forefront of developing and enforcing progressive legislation that will ensure fairness and equity for all public sector employees.

The briefest summary statement from our review of the literature would be: Public sector unions do not have a significant impact on government productivity one way or the other, but they may push for more government services and workers. Public sector unions have been moderately successful in improving the wages of government workers, especially those at the lower reaches of the wage scale, and even more so the non-wage benefits of these workers. These unions have been leaders in the fight for comparable pay regardless of gender or race. We hope the movement for public sector collective bargaining in North Carolina can use these findings to persuade workers of the benefits public sector bargaining would bring and persuade political leaders that the fiscal and operational impact would be negligible.

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