Insurance, Commerce And Labor Committee

Written Statement by Matt A. Mayer
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Thank you Chairman Bacon, Vice Chair Faber, Ranking Member Schiavone, and Members of this Committee for the opportunity to come before you to provide information concerning the rights of public sector workers to collectively bargain. I am the President of The Buckeye Institute for Public Policy Solutions, a free market research and education think tank. The views I express in this testimony are my own, and should not be construed as representing any official position of The Buckeye Institute.

I'd like to take this opportunity to issue a note of bewilderment. Given some of the rhetoric from my friends on the Left, one would think that this issue—public sector collective bargaining—is a purely illegitimate action to question, a topic unworthy of debate, and something beyond any reasonable person's idea of civilized discussion. As if the rights given through the sheer brute force of a partisan group of politicians in 1983, if taken away in 2011 by similar means, would be tantamount to an unprecedented act in the history of Ohio.

We know there is bipartisan support across Ohio to tweak these rights, including from mayors and other governmental leaders. President Franklin D. Roosevelt and union leaders who really did spill blood to protect workers during the age of sweatshops, unsafe factories, and employer-hired goon violence opposed giving public sector workers the right to collectively bargain.

Are there truly no elements of the current system that the Left will concede need to be reformed? Pay spiking? Double-dipping? Massive sick leave payouts? Pension pick-ups? Longevity pay? COLAs greater than inflation? Highest three-year salary pension formulas? Early retirement? Million dollar secretive retirement programs? As private sector Ohioans suffer, is the status quo for government workers appropriate?

Ohio in 2011 is not America in 1938. Government workers already have the protection of civil service laws. With the proliferation of wage and hour laws, environmental laws, anti-discrimination laws, and other workplace protections that do or easily could protect government workers, is it really that unreasonable to suggest that perhaps adding unions on top is unnecessary and costly? Government offices, precincts, stations, and schools are far from sweatshops and coalmines.

For those same people who advocate for more government, do they not recognize the irony of wanting more of something they believe will mistreat its own workers unless unions were present to keep them at bay? Do they really believe that without unions, voters would stand idly by as leaders abused their neighbors who protect us, teach our children, and provide other necessary government functions? With the proliferation of technologies such as Twitter, cell phone cameras, email, and blogs to add transparency and accountability when the media fail to provide those desperately needed elements, does anyone really believe that but for unions government exempt employees will be able to oppress and mistreat government non-exempt employees?

Ohio can no longer afford the luxury of public sector collective bargaining. From 2000 to today, Ohio's private sector has lost a net of 612,700 jobs.[1] That means there are over 600,000 fewer workers whose activities generated tax revenues to fund government. During that same period of time, Ohio lost a net of only 1,600 government jobs. That means 613,000 fewer workers today are paying for roughly the same size government Ohio had ten years ago in terms of employees. From January 1990 to today, Ohio netted a mere 102,200 private sector jobs and 62,100 government jobs.

As New York Times columnist David Brooks recently wrote, "The coming budget cuts have nothing to do with merit. They have to do with the inexorable logic of mathematics."[2]

My friends on the Left say that public sector collective bargaining is not the problem. Is that true? With collective bargaining, schools facing fiscal emergencies must cut programs and staff, which only hurts children and younger, but potentially better, teachers. With collective bargaining, the state must cut programs serving the poor and middle class, the group of Ohioans already hit hardest by the economic crisis. With collective bargaining, mayors must cut staffing levels, which undermine our public safety and the careers of young officers and firefighters.

Of course, my friends on the Left have an answer: raise taxes on businesses and rich Ohioans. Ohio already has the seventh highest state and local tax burden and Ohio homeowners already have an average of twenty-five levies on their property. Does any reasonable person really believe that higher taxes and more levies will restore our lost prosperity? In homes across Ohio, reduced incomes mean spending cuts. Why should government be different?

Without collective bargaining, schools, the state, mayors, and other government leaders could make decisions that keep many programs running and staffing at the same level—not one layoff. Would the decisions be painful for government workers? Of course. Would it be more painful than the pain suffered by the 613,000 private sector Ohioans who lost their jobs over the last ten years? Of course, not – not even close. Not to make too fine a point, but any government worker dissatisfied with the new normal can, of course, leave government and find one of those alleged higher

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[1] United States Department of Labor, Bureau of Labor Statistics, "Economy at a Glance: Ohio" (accessed January 25, 2011) available at http://www.bls.gov/eag/eag.OH.htm.

[2] David Brooks, "The Freedom Alliance," The New York Times (February 10, 2011).

paying jobs in the private sector. There are thousands of Ohioans eager to replace them as teachers, police officers, firefighters, and state office workers.

Let me provide this Committee with one example of an actual state government worker in a position not requiring a college degree. It shows hidden step and longevity raises significantly increase compensation costs even when pay increases are frozen. Outside of unionized companies, step and longevity increases are not available in the private sector.

Example State Government Employee Pay Progression[3]

Date	Type	Increase Per Hour	Hourly Rate	Percent Increase	Percent Increase Per Year	Yearly Salary
11/2001	Hired		$14.43			$30,014
4/2002	Step Increase	.42	$14.85	2.9%		$30,888
6/2002	Salary Increase	.59	$15.44	4%	7%	$32,115
4/2003	Step Increase	.56	$16.00	3.6%	3.6%	$33,280
2004	No Step or Salary Increase		$16.00	0%	0%	$33,280
6/2005	Salary Increase	.64	$16.64	4%	4%	$34,611
4/2006	Step Increase	.64	$17.28	3.9%		$35,942
6/2006	Salary Increase	.52	$17.80	3%	7%	$37,024
4/2007	Step Increase	.76	$18.56	4.3%		$38,605
6/2007	Salary Increase	.65	$19.21	3.5%	7.9%	$39,957
4/2008	Step Increase	.90	$20.11	4.7%		$41,829
6/2008	Salary Increase	.70	$20.81	3.5%		$43,285
10/2008	Longevity Increase	.43	$21.24	2.1%	10.6%	$44,179
4/2009	Step Increase	.96	$22.20	4.5%		$46,176
10/2009	Longevity Increase	.52 (+.09)	$22.29	.4%	4.9%	$46,363
10/2010	Longevity Increase	.60 (+.08)	$22.37	.4%	.4%	$46,530
	14 Increases in 9 Years	$7.94	$22.37	55%	6.1%	$16,516

As this real example illustrates, in nine years, the position experiences a whopping 55 percent pay increase due to overt yearly salary increases and hidden increases due to steps and longevity pay. This individual did not receive a promotion, so all the increases are due to merely advancing through the system chronologically – six step increases, five salary increases, and three longevity pay increases.

In just nine years, the individual's highest three year salary average went from $31,803 to $45,691, which would result in a first year pension going from $20,990 to $30,156, a 44 percent increase and nearly as much as his first year salary. If this individual retired at age 60, he would receive a lifetime pension of $681,225 – and that is based on just his seventh, eighth, and ninth years of work, not his twenty-eighth, twenty-ninth, and thirtieth years of work.

To be clear, this example is not meant to denigrate the individual. He is merely doing what any Ohioan would do to provide for himself or his family. The same as the 77 Columbus police officers and firefighters who banked years of sick leave—to be

[3] Ohio Department of Administrative Services, Pay Data for Worker Doe (January 2011).

used when sick—resulting in payouts as high as $239,829 and averaging $55,607, just for leave not used because those public servants were fortunate to have good health throughout their careers. It is the system that must be reformed to more closely reflect the realities of Ohio's new economic normal.

Let me provide another, broader example. In late October, the 613 school districts submitted their five-year projections to the Ohio Department of Education. The five-year budget projections amounted to a combined deficit in 2015 of more than $7.6 billion.[4] By 2015, compensation costs of teachers, administrators, and staff are projected to swallow 96 percent of all revenue in these districts. So, school districts could devote massive energy to buying cheaper toilet paper, streamlining operations, and reducing other non-compensation costs, but will find themselves nibbling on 4 percent of the remaining revenue.

That means tax increases of nearly $8 billion on homeowners who have seen their homes plummet in value. But, if school districts reduced compensation packages by 10 percent this year, and limited future increases to the historical inflation rate of 3.2 percent, the $7.6 billion shortfall would become a $1 billion surplus. Again, no program cuts and no layoffs. That would enable school districts to soften the impact of expected cuts in state aid to education.

Unfortunately, school districts will not be able to make those realignment reductions because of collective bargaining, as the unions will fight to preserve the gains made over the last decade or more by any means necessary, including hanging out to dry those members who must be the sacrificial lambs so compensation cuts can be prevented.

Like the 4 percent nibbling problem above, eliminating the right to strike and binding arbitration are solid steps, but neither will bend the spending curve down. The fact is roughly 33 percent of all government contracts already involve bargaining units prohibited from striking.[5] Since 2000, Ohio had 10,721 bargained contracts. Of those, 3,487 contracts covered safety units who cannot strike. That leaves 7,234 bargained contracts with strike-eligible units.

Not many have struck. In fact, just 242 notices of intent to strike were issued since 2000, which covers just 3 percent of all contracts. Of those, a mere 43 units, or just over .5 percent, actually struck. Likewise, the contracts that went to fact finding totaled 1,477, or a mere 14 percent. Of those, only 219, or 2 percent, went to binding arbitration. So, eliminating rights not threatened or used very often likely will not result in significant cost savings.

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4 Ohio Department of Education, "District Five Year Forecast" (accessed January 2011) available at http://fyf.oecn.k12.oh.us/ViewForecast.

5 State Employer Relations Board, Contract Data 2000-2010; Ohio Department of Education, Ohio Schools–Five Year Forecasts (January 2011) available at http://fyf.oecn.k12.oh.us/ViewForecast/.

In states that permit government workers to collectively bargain, the average yearly pay for state and local workers is $51,064 and $41,457, respectively.[6] In contrast, in states that prohibit government workers from collectively bargaining, the average yearly pay for state and local workers is $46,025 (11 percent less) and $32,560 (27 percent less), respectively. Perhaps I missed the news stories from those states, but I don't recall reading about government worker violence, mass protests, or rolls of government workers on food stamps. There was not unrest when state workers recently lost the right in Indiana. Pundit beliefs aside, it is not 1978 again. If Ohio paid the 58,000 state workers on average $5,039 less, it would save taxpayers $292,262,000 per year. For local governments, the savings would be even bigger: $5,783,050,000 ($8,897 times 650,000 workers).

Collective bargaining facilitates the explosion of government compensation costs and prohibits governments from making the painful, but necessary, decisions to rein in those costs. It also allows unions to throw roadblocks in the way of reasonable workplace changes and second-guess managers through litigation at every turn, as we saw this past year with the reassignment of police precincts in Columbus.

Private sector Ohioans already carry a heavy burden of taxes, have job prospects grimmer than any time since the Great Depression, have homes continuing to decrease in value, and have retirement accounts hit by the stock market declines. Public sector unions wield enormous power and influence, as <u>the</u> most entrenched interest in America and the single largest spenders on elections in America.

Lessoning the power of public sector union does not mean balancing the budget on the backs of government workers. It just means placing them in the same shoes their private sector neighbors have been walking in for far too long.

Thank you for your time. I am happy to answer questions you might have for me.

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[6] U.S. Department of Labor, Bureau of Labor Statistics, "State and County Wages" (accessed January 2011) available at http://data.bls.gov/tutorial/multi_screen/.