The Last Hurdle for Corporate Capitalism: Deunionizing America

By Prof. Basel Saleh
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The campaign to control private-sector union membership has been mostly successful as corporate US capitalism shifted its attention to the last hurdle to a union-free country: public-sector unions. Critical examination of the connection between money and politics is helpful to understand the explosive and sudden attacks on public-sector unions, especially teachers' unions. Public-sector workers and their unions put to shame private-sector compensation and benefits. They represent the last hurdle for the free rein of corporate capitalism over US politics. Workers in the public sector (both federal and state workers) are five times more likely to be unionized than private-sector workers.

According to the Bureau of Labor Statistics, about one-third of public-sector workers are represented by unions (36.2 percent). The collective bargaining agreements in the public sector are not a threat per se to the private sector, but they are a threat to the power of corporate lobbying money. What is at stake is the total control by the corporate sector over the US legislative process, especially in the general election of 2012 and afterward. Labor groups are a major funding source in federal and state elections that offset the power of corporate lobbying money. Labor campaign contributions raise the cost of doing business for corporate lobby groups since they need to overbid labor groups' donations. Therefore, if collective bargaining rights, and with that over a 100 years of socioeconomic progress by the labor movement is undone, then the US capitol will be firmly in the pockets of corporate America. The money-politics nexus explains why politicians are in a rush to rein in public-sector unions.

According to data from the Center for Responsive Politics[1], labor interest groups are the fourth-largest campaign contributors in federal elections (the biggest contributors are the finance, insurance and real estate groups at $289 million in 2010 election cycle). Labor campaign contributions are higher than the campaign contributions by the defense industry and only 30 percent less than those from the health industry. Union-related groups are a lobbying power with which to contend; as in the 2010 election cycle, labor and trade union groups contributed about 92 million dollars, primarily to Democrats. A report by Mother's Jones magazine[2] showed that between 1989-2010, labor groups gave $699 million in campaign donations, which makes labor the sixth-largest campaign donor in that time period, with more contributions than the energy and the defense groups.

Also, for every dollar in campaign donations given by the health industry and financial interest groups, labor groups gave almost 78 cents and 29 cents, respectively. Labor groups, therefore, have a heavy political weight in elections. Understanding the attack on public workers from that context can best explain the need for US corporate capitalism to have total domination on US upcoming elections and to make it less expensive to do business in Washington, DC. Weakening the power of labor groups will yield more power and influence to US corporate America in shaping the future of US public policy, especially deficit reduction, trade policy, and corporate tax structure. If the power of labor in politics is subdued, corporate America will have free rein over domestic and foreign policies.

The political campaign against teachers can be deciphered by understanding the political power of teachers' unions. Teachers' unions[3] are the largest campaign contributors among the labor groups and among the public-sector employees. In the 2010 elections, teachers' unions gave about $12 million dollars or 41 percent of all public-sector workers' campaign contributions and 13 percent of all the contributions from labor interest groups. As states try to balance the budget, the stakes are high since cutting public spending is preferred to raising tax revenues. As the discussion about balancing the budget moves to the national level, there is a standoff brewing on what is going to shoulder the cost of reducing the federal budget deficit: labor or capital. Increasingly, it appears that labor will stand to lose significantly in terms of pay and benefit. At a time when US corporate income tax burden is about 1 percent of gross domestic product and 7 percent of US government receipts, both a historic low since WWII [4], the media's visceral attacks are on labor groups as the source of budget woes. President Obama's National Commission on Fiscal Responsibility and Reform made proposals that will have labor pay a heavy price on the road to reducing budget deficit. This is perhaps why Republicans are scrambling to curtail or eliminate public-sector collective bargaining rights. What is at stake is not balancing the budget in the next fiscal year, but sealing the fate of the next presidential election and, with it, deciding who will pay the heavy price of fiscal reforms.

After the current economic slump, which was primarily brought about by decisions at the management level in the public and private sector, US corporate capitalism turned its attention to the last bastion of labor power in the US workforce: unionized public workers at the federal and state level. A job in the public sector, especially at the federal level, is the last oasis of job security and income growth for US workers as wage stagnation is a fact in the private sector. Public-sector jobs typically provide better benefits (not necessarily better pay) for the workers.

An analysis by the Center on Budget Policy Priorities reveals that public-sector workers are paid more (6 percent more) than their private-sector peers only for those earning in the bottom tenth percentile. But private-sector workers actually earn more than public-sector workers for those earners in the 50th and 90th percentile after accounting for education and experience.[5] As for benefits, the benefits public-sector workers received are suitable for a country that prides itself in being a first-tier economic power and the best nation on earth. Given that the US federal labor law (The Fair Labor Standard Act of 1938 with it amendments) did not give workers the legal right to receive paid or unpaid vacation, the need for labor unions is, therefore, extremely important to offset a weak national labor law.

When corporate-run media perpetuate, on purpose or out of ignorance, misinformation about public-sector pay and benefits, they are, in fact, committing an injustice to the workers who teach our children and workers who put their lives on the line every day to keep us safe in our homes while earning subsistence wages. Traditional journalism venues have long stopped criticizing most corporations, as they have become focused on selling airtime for corporations and using highly paid talking heads who practice entertainment journalism and not critical journalism that is needed for a well-functioning democracy.

Instead of calling for lowering public-sector pay, the media and politicians should be inquiring why private-sector pay is low. Instead of raising the bar, they purposefully aim at a lower standard of living for workers by calling for the Wal-Mart standard to be the golden rule for benefits and pay.

US corporate capitalism is fighting to survive. It is increasingly deflecting attention from the free rides corporations have in the US economy to that of the benefits of working people. As the US economy limps along, corporations are increasingly eyeing privatizing public goods (education, fire and police protection, public libraries and airport screeners[6]) which public-sector workers oppose. Curtailing public-sector workers is the first necessary step to a union-free country, and a corporate-run democracy.

The Myth of Private-Sector Unions

The anti-union bills making their way through various state legislative sessions and even in the US Congress[7] signify an attack on the last stronghold of labor power that has long been a thorn in the side of US corporate capitalism: unionized public workers. In the past 40 years, US corporations have managed to bring under control and practically eliminate labor unions from the private sector. By doing so, they have succeeded in taking over total control of production operations and profit distribution and placing it decisively in the hands of corporate boards of directors and stockholders (primarily bankers and investment banks, hedge funds, capital management funds, and other financial entities). On January 2011, the Bureau of Labor Statistics reported that only 6.9 percent of private-sector workers are unionized, that is about seven unionized workers for every 100 private-sector workers. Union membership, which is concentrated in specific industries in the private sector, has steadily declined since 1983[8] due in large part to aggressive anti-union tactics augmented by weak national and state labor laws that permit intimidation, surveillance, threats, and other tactics to be practiced against any workers suspected of union activities. US corporate capitalism views labor unions as an obstacle to an even larger concentration of wealth at the top. Bronfenbrenner's 2009[9] study showed that, in recent years, there has been an intensification of employers' tactics against union activities in the workplace. For instance, between 1999 and 2003, more than half (57 percent) of the employers where union certification elections were held threatened to shut down production operations, more than a third (34 percent) of the employers discharged workers and 47 percent threatened workers with wage and benefit cuts if they unionized. Unlike other industrialized Western nations, US corporate capitalism is unable, or perhaps unwilling, to consider labor unions as partners in management rather than workers in production assembly lines. The European Union, which boosts a significantly higher unionization rate than in the US labor force, has created an economic power with corporations that are just as global, efficient and innovative like their nonunionized US counterparts. For example, according to Forbes Magazine's 2010 global ranking of top 100 companies, only 32 US companies made it to the list, while Europe has 45 companies in that list and Asia has 20 companies in the top 100 global companies. Therefore, about two-thirds of the top 100 companies are functioning and thriving in a unionized workforce.

Before the current attack on public-sector workers, private-sector union workers were also constantly vilified in the US media to the extent that they were being blamed for bankrupting General Motors and Chrysler.[10] Even National Public Radio jumped on the blame-the-unions bandwagon in one of their programs.[11] After the financial crisis, it became fashionable to blame the unions for the demise of the once great American economy. It was easier to blame the 7 percent of unionized workers in the private sector rather than understanding the politically engineered underlying economic current that weakened the US economy, such as unfair and unethical foreign trade and labor practices, corporate tax loopholes, the financialization of the economy and the privatized health care industry, which wreaked havoc on both small and big companies whether unionized or not. It might be true the pensioners' benefits and health care cost were rising, but it is not because the workers are getting sick and are buying more health care. It is primarily due to factors such as longevity and accelerating medical costs in the for-profit health care industry that made workers' health care costs prohibitive and burdensome for US companies both small and large.

No matter how the media blames unions for the private-sector troubles, the fact is that private-sector unions are almost extinct and union enrollment is at a historic low and most likely will continue to decline in the coming years. Compared to other Western countries, with the exception of France[12], the US labor force has the lowest trade union density in any industrialized peer country. Data from the Organization for Economic Cooperation and Development (OECD) show that other Western nations have managed to build prosperous and competitive economies with much bigger trade union densities in their work force. Finland and Denmark each have a trade union density of over 70 percent (compare that with the 11.9 percent in the US). While Norway's and Germany's trade union density is 53 percent and 20 percent, respectively.[13] Other Western industrialized countries face the same challenges as the US, but they have managed to harness the power of labor to boost their income, reduce poverty and have a broader shared prosperity than the US, which has the highest poverty rate, the highest child poverty rate and the highest income inequality compared to peer industrialized countries.

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Basel Saleh, *is Assistant Professor of Economics at Radford University*

Notes:

1. Data on campaign contributions are from the Center for Responsive Politics.

2. Dave Gilson, "Who Owns Congress?" Mother Jones, September/October 2010, pp. 44-49

3. For the purposes of this article, the term "teachers' unions" refer to the National Education Association and the American Federation of Teachers.

4. Author's calculations using Office of Management and Budget, Budget of the US Government Fiscal Year 2011, Historical Tables (Table 2.1 Office of Budget and Management data on the US Budget).

5. Elizabeth McNichol, Center on Budget and Policy Priorities, "Some Basic Facts on State and Local Government Workers," February 24, 2011.

6. Recently, there have been calls to privatize the Transportation Security Administration (TSA) screeners. See Fox News story, "Congressman Seeks to Ditch TSA for Private Firms, Some of Them Campaign Donors," November 19, 2010.

7. Sen. Rand Paul is promoting the National Right to Work Act, and on January 27, 2011, Sen. Jim DeMint introduced the Secret Ballot Protection Act (S. 1301) in the US Senate and Rep. Steve King presented the National Right-to-Work Act (H.R. 4107) legislation in the US House of Representatives.

8. The US Bureau of Labor Statistics reports that 21.1 percent of the US labor force was unionized in 1983, the first year such data is available.

9. Kate Bronfenbrenner, "No Holds Barred – The Intensification of Employer Opposition to Organizing." Economic Policy Institute, May 20, 2009.

10. Peter J. Boyer, The World of Business, "The Road Ahead," The New Yorker, April 27, 2009, p. 44.

11. Market Place, National Public Radio, commentator Kevin Hassett, "Auto union drove GM to trouble," Monday, March 30, 2009.

12. France has a strong national labor laws that are designed to protect the interests of employees. Collective bargaining agreements cover all workers unionized or not. Also all workers are covered by the national retirement and health care systems.

13. data on union density from OECD statistics portal available here.

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