Showdown in Wisconsin

Governor Scott Walker’s fight with public sector unions in his small Midwestern state has implications for Australia, writes Julie Novak.
The Midwestern US state of Wisconsin, home to long winters, strange delicacies such as fish boils, and sporting teams such as the Green Bay Packers, seems a strange epicentre for one of the great public policy battles of today: how to rein in rampant public sector unions.

In November 2010 a Republican and Tea Party endorsed candidate, Scott Walker, won the governorship of Wisconsin with 52 per cent of votes cast.

Economic issues were at the centre of Walker’s campaign for governor, with key proposals including reducing state employee wages and benefits, and reversing 2009 state tax increases on small business, capital gains and income for high earners. Walker also muscled up to the creeping centralisation of the Obama administration by refusing a $US810 million grant to build an unprofitable rail line from the state capital Madison to Milwaukee.

He followed this up in his inauguration speech by stating that he would shrink government to ensure it was ‘providing only the essential services our citizens need and taxpayers can afford.’

When examining the circumstances of the biennial Wisconsin state budget, it is easy to see why Walker has taken a proactive stance to pare back the size of government. In the current fiscal year 2011 the state faces a budget shortfall of $US137 million, rising to $US3.6 billion in the forthcoming 2012-13 budget in the absence of policy changes.

Essentially, the government of the ‘Badger State’ is living beyond its means, and with the global financial crisis having translated into a significant loss of the state’s manufacturing workforce, the need for fiscal correction poses as an absolute imperative in policy terms.

Indeed, governor Walker is not alone in the unenviable task of budgetary repair with some estimates indicating that 45 US states and the District of Columbia will face a cumulative budget shortfall in 2012 of some $US125 billion. To put this number into perspective, the gross state product for the six Australian states was $124 billion last year.

Faced with the parlous fiscal circumstances in front of him, Walker announced legislative changes to redress the Wisconsin budget shortfall. The key elements of the budget repair bill are as follows:

- collective bargaining rights for state government employees on issues would be extinguished, except in relation to wages;
- public sector unions will be unable to seek wage increases for members in excess of inflation, unless approved by a voter referendum;
- state and local government employees are obliged to pay more of their own health care and pension costs, which in effect reduces their take home pay by eight per cent;
- union dues would no longer automatically be deducted from workers’ paycheques by the government. These provisions would apply to most public sector personnel, except those that deliver essential services, such as law enforcement officers and firefighters.

Given the obvious threat of the legislation’s passage for the cosy financial position of public sector workers, the reactions by sectional interests against governor Walker’s proposals have been as vociferous as they are predictable.

As many as 60,000 protestors descended on Madison, replete with inflatable mattresses and sleeping bags to participate in a multi-day vigil for the tax eating bureaucratic classes, who must now see their benefits and conditions transition to those more commonly seen in the private sector.

There has certainly been an element of colour surrounding the protests. Protestors have held placards reading ‘Kill the Bill,’ while others have flown Egyptian flags, seemingly drawing inspiration from the Cairo movement that deposed Hosni Mubarak.

Teacher’s unions have played a prominent role in the protests, with many Wisconsin schools being forced to close. There have been anecdotal reports of doctors willingly handing out medical certificates in the open streets of Madison so that protesting teachers can abscond from work on the claim that they were ‘sick.’

President Obama, who is fast developing his own reputation for being a spendthrift, castigated the proposals as an ‘assault on unions.’

Perhaps the most farcical element of the protest movement have come in the form of the actions by the so-called ‘Wisconsin 14.’ Fourteen members of the Democratic Party minority in the Wisconsin state senate, in a desperate attempt to stymie the Walker reforms, fled the state and travelled to neighbouring Illinois.

This action succeeded, temporarily, in that the upper house
was deprived of a quorum. In an effort to induce the fugitive Democrats to return to their job, the senate Republicans passed a rule obliging them to collect their paychecks in person in Madison. Eventually the renegade group returned, receiving rapturous applause from the protest movement.

Far from being an item of international triviality, what happens in Wisconsin will have a significant effect on the future of public sector reforms in the United States, with implications for other countries including Australia.

Arguably the most visible effect of public sector unionism is the ratcheting salaries and superannuation benefits for government employees, who are accorded near monopoly responsibility for the provision of policy advice and service delivery on behalf of governments.

To get an idea of how lucrative benefits secured by public sector unions can be for their members, it is necessary to inspect data from government operating budgets. In 2008-09, employee wage and salary expenses for the state and territory governments, which hire 77 per cent of all public sector workers in Australia, absorbed almost half of operating budget expenses in 2008-09. Wages and salary accounted for over 50 per cent of state total public sector operating budgets in New South Wales, Queensland and South Australia.

Research by the Institute of Public Affairs has shown that the rate of increase in government employee wages and salaries over recent years has tended to outstrip wage increases mandated in official guidelines set by elected government ministers.

These lucrative benefits, which are absorbing a significant portion of government budgets, must be largely funded from the incomes of private sector workers who work in industries increasingly subject to the pressures of international competition.

If left unchecked, the continuous growth of employee benefits secured by unions will compromise the ability of governments to allocate funds towards essential services that growing populations need.

By enshrining the right of public sector unions to collectively bargain with governments over a wide range of working conditions, there is also a heightened risk that government operations become stultified and rigid. This may reduce opportunities to promote meaningful reforms to the public service, not least the reduction of staff.

Even former federal politician and Whitlam government minister Clyde Cameron once remarked, ‘if every public servant was made to do an honest day’s work and relieved of the need to bureaucratise and duplicate his work, it would be possible to cut the size of the public service by fifty thousand without any reduction in service to the public.’

The influence of public sector unionism spreads far beyond questions relating to government working conditions, however. It is well known in the Australian context that unions have been particularly active in criticising public policy reforms that would improve the productivity of government services.

For example, the Australian Education Union, which boasts a membership of about 180,000 people, has long opposed greater autonomy for principals in government schools, the introduction of competitively neutral public funding mechanisms, the freeing up of the teacher industrial relations system including the introduction of performance pay, and the publication of individual school performance indicators.

The AEU, on behalf of its government school members, has even opposed the role of Catholic and independent schools in the education of children, in part on the misguided allegation that non-government schooling frays, rather than binds, the social capital of a diverse youth population in Australia.

While reforms to government services have proceeded in a gradual manner, the continued obstinacy of public sector unions to such changes only serves to deprive the taxpayer from receiving value for money for funds compulsorily acquired by governments.

Supporters of the Madison protest movement suggest that the passage of the proposed Walker legislation will mark the end of an era for a state which was the first to allow collective bargaining for government workers in 1959.

However, this line of thinking conveniently overlooks the fact of the significant electoral mandate afforded to Walker who argued...
persuasively the case for change during the 2010 gubernatorial election.

Indeed, to put public sector unions and government employees on an equal bargaining pedestal with elected representatives effectively subverts the democratic process by according power to unelected officials that cannot be held accountable by ordinary voters.

Aggravating this inherent risk of public sector unionism for liberal democratic governance, is that they regularly use the threat of strikes, or undertake strike action, interrupting essential public services as a strategy to bring elected politicians to heel when it comes to union objectives.

Even the architect of modern big government in the US, former president Franklin Theodore Roosevelt, recognised the danger that this poses when he said that a ‘strike of public employees manifests nothing less than an intent on their part to obstruct the operations of government until their demands are satisfied. Such action looking toward the paralysis of government by those who have sworn to support it is unthinkable and intolerable.’

Since the introduction of partial labour market reforms in Australia since the early 1990s, and in part due to the relative decline in the economic share of manufacturing, trade union membership has tended to wither away. However the overall trend of declining membership of unions should not blind observers to the fact that the nature of the union movement itself has changed.

As indicated in the latest ABS statistics, while 14 per cent of private sector employees are trade union members, a staggering 46 per cent of public sector employees are members of a union.

With this has come a fundamental shift in the focus of unionists. Putting aside the recent public stirrings by the Australian Workers Union representing some mining employees, the age old conflict often manufactured by unions between capital and labour has now been replaced by a war between (private sector) taxpayers and government employees.

The political conflict being waged in Wisconsin, some 14,000 kilometres away, over public service benefits and conditions could regretfully become a scene transplanted in Australia if elected politicians refuse to take heed of the reasonable demands by taxpayers. Quality essential services should be provided without imposing intolerable costs on taxpayers that bear little reality to economic circumstances.