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Repeal of SB 5 Isn't the Victory Labor Thinks: Service Cuts & Tax Increases Likely to Follow

New York, NY: With the repeal of Senate Bill 5, a new collective bargaining law signed by Governor Kasich earlier this year, public-sector unions will claim that this is the final verdict that will end efforts to change the terms of employment for unionized public-sector workers. In his new Manhattan Institute issue brief, "Storm Clouds Ahead: Why Conflict with Public Unions Will Continue," City College political scientist Daniel DiSalvo argues that instead this will be the latest in a series of ongoing conflicts that will arise between governments and public-employee unions in states where the public workforce is heavily unionized. Slow economic growth will cause persistent budget problems—especially as pension and health benefits limit the availability of funds for core government services.

DiSalvo says that these conditions will pertain to New York, California, Illinois, Rhode Island, Michigan, Ohio, and Washington State. If government spends more on the salaries, pensions, and health care of its employees, it cannot spend on public transit, schools, and assistance for the poor.

According to DiSalvo, there will be ongoing conflict between public-sector unions and government because of the fundamental differences between unions in the public and private sectors. In times of fiscal pressures, these differences make it very difficult for elected officials and government labor unions to resolve disputes, in contrast to private-sector negotiations where compromise has started to take root between management and workers. Because public employees have become a majority of America's union members and because their unions are now the principal financiers of political efforts, compromise is not likely. Collective bargaining at the center of the SB 5 controversy is fundamentally different in the public sector than in the private sector.

While public employee unions may be able to stave-off major efforts to address employee compensation costs in the short term, the need for states to make their budgets more resilient and their workforces more efficient will remain. By rejecting structural reform, as voters have in Ohio, states force a choice between either the "austerity" path blazed by California, leading to a deterioration of services; or a model that is heavy on tax increases, as seen in Illinois and Rhode Island. These approaches are better for public employee unions—or at least for the majority of their members who don't get laid off due to austerity-- but they are worse for the taxpayer. Public-sector unionization can distort policy choices toward special interests at the expense of the general public good.

Daniel DiSalvo *is a senior fellow at the Manhattan Institute's Center for State and Local Leadership and an assistant professor of political science at The City College of New York. He received his doctorate in politics from the University of Virginia and was previously Andrew W. Mellon Visiting Professor at Amherst College. His work focuses on American political parties, elections, labor unions, state government, and public policy.*

Issue Brief 13 is available at: http://www.manhattan-institute.org/html/ib_13.htm. For more information or to schedule an interview with the author, contact Kasia Zabawa at 646-839-3342 or at kzabawa@manhattan-institute.org.