

The Struggle for Skilled Labor: How Connecticut and New England Could Lose The Battle for Their Economic Future

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Top 10 Challenges Facing Connecticut and the Region

- ❑ **Aging** of the Connecticut Population
 - ❑ The continuing **Fiscal Crisis**
 - ❑ **Regionalizing** Local Government functions
 - ❑ Forging a New Grand Bargain with **Public Unions**
 - ❑ Maintaining a **Strong Business Climate**
 - ❑ Continuing Improvement in **Education and Training**
 - ❑ Reducing **Income and Wealth Inequality**
 - ❑ Taking full advantage of our **Diverse Population**
 - ❑ Investing in **Infrastructure and Sustainability**
 - ❑ **Reducing Crime** in our neighborhoods
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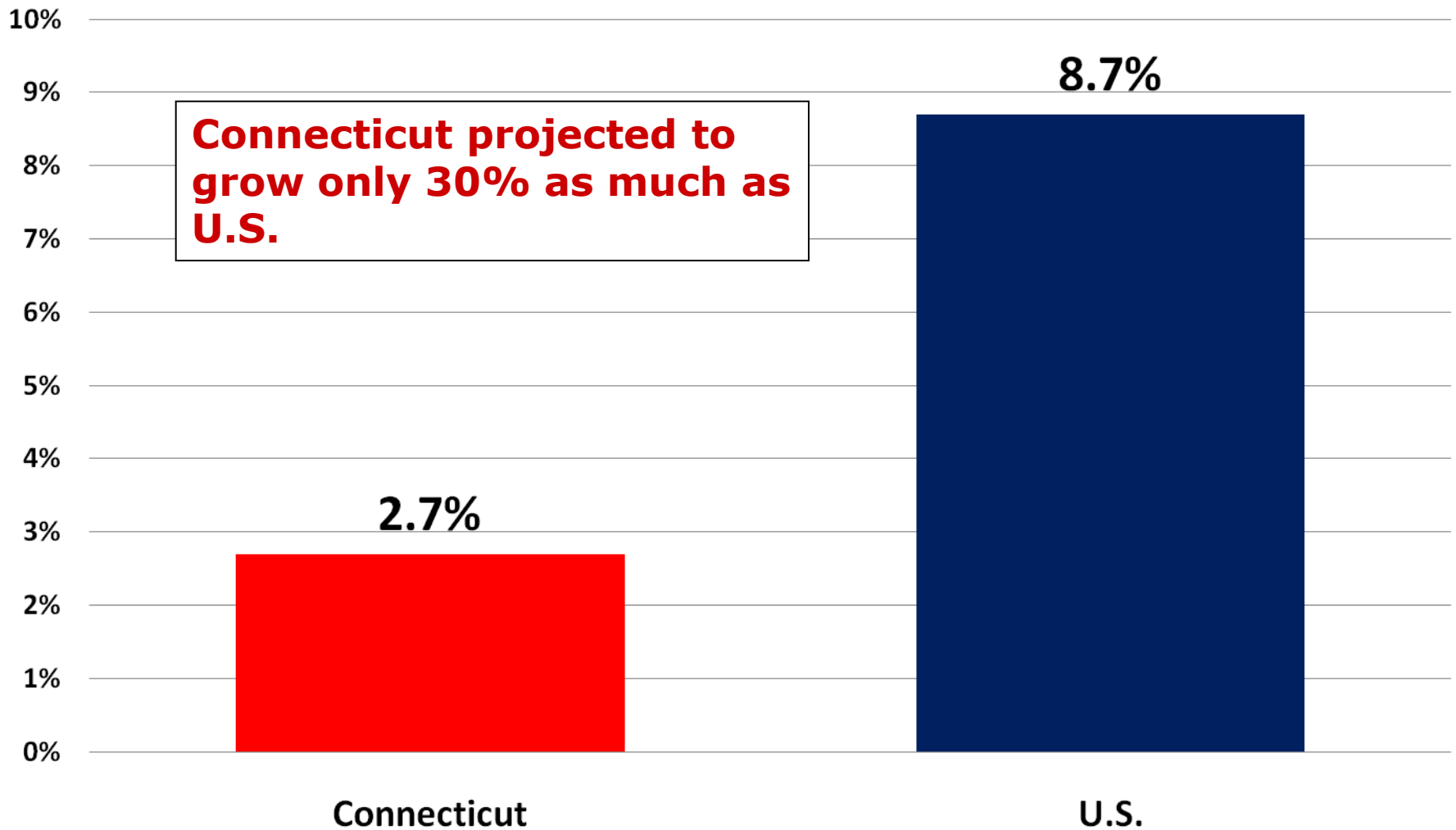
My Focus Today

- Aging of our Population
 - A New Grand Bargain with Public Unions
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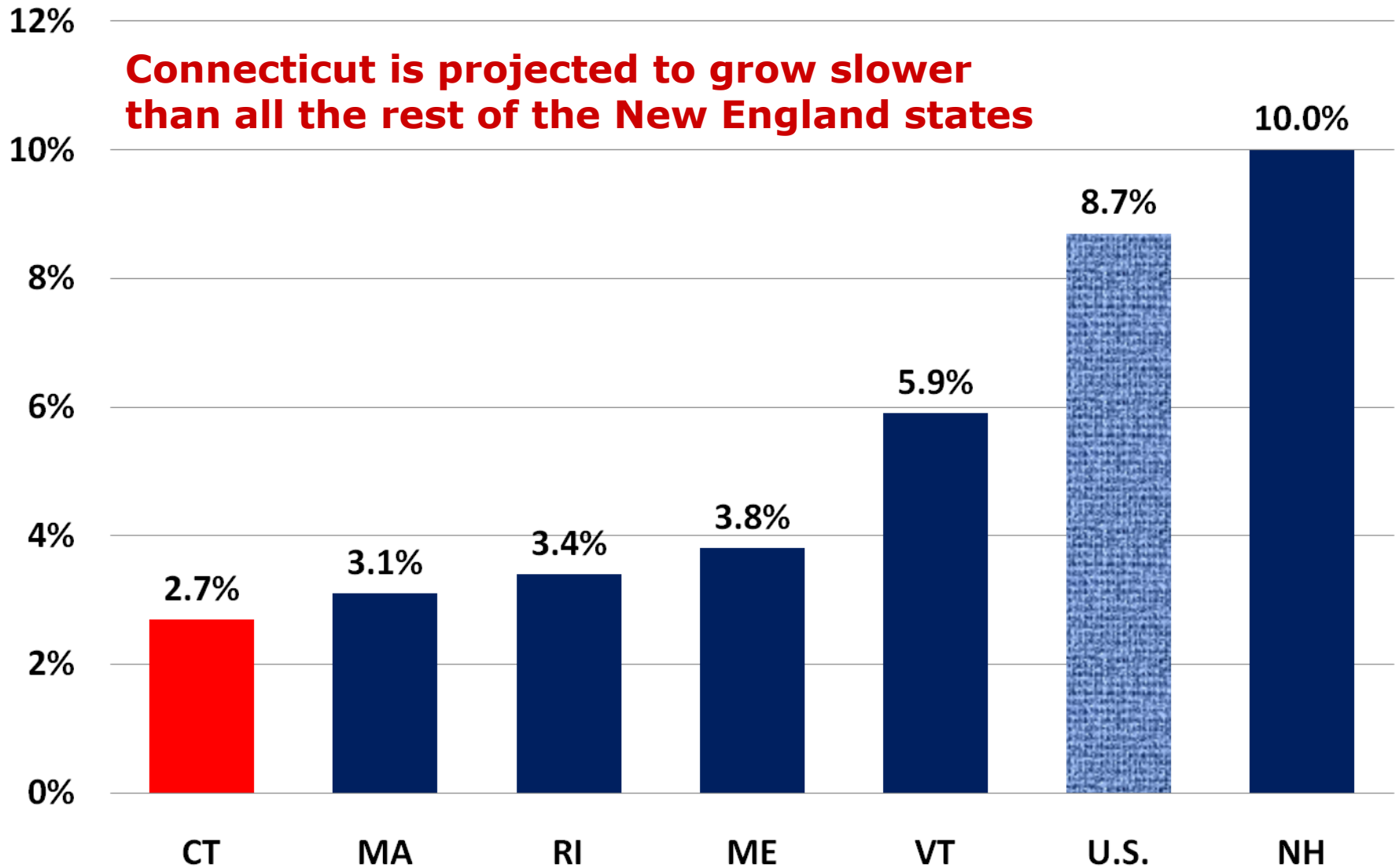
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An Aging Population

Projected Population Growth 2010-2020 Connecticut vs. U.S.

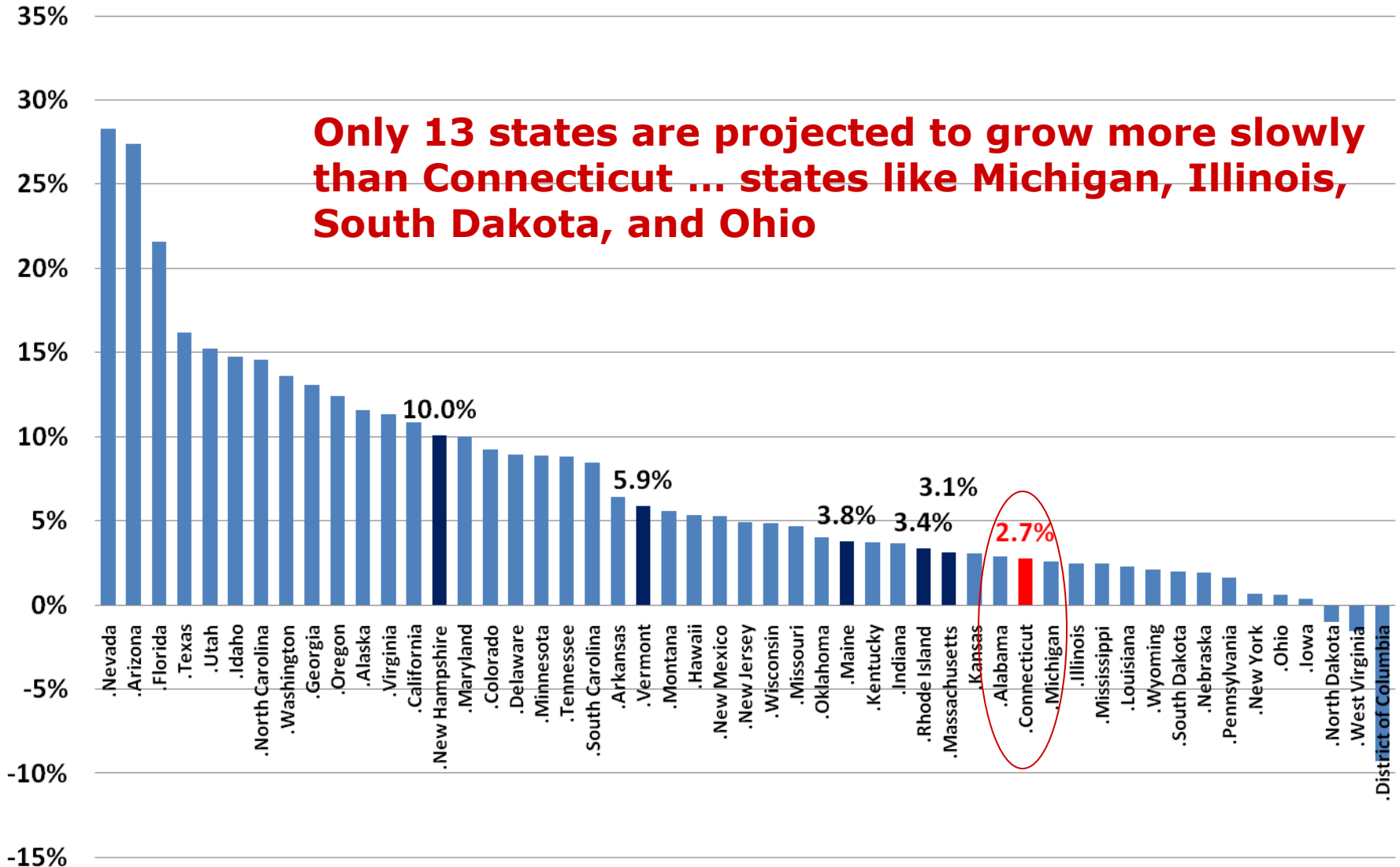


Projected Population Growth 2010-2020 U.S. vs. New England

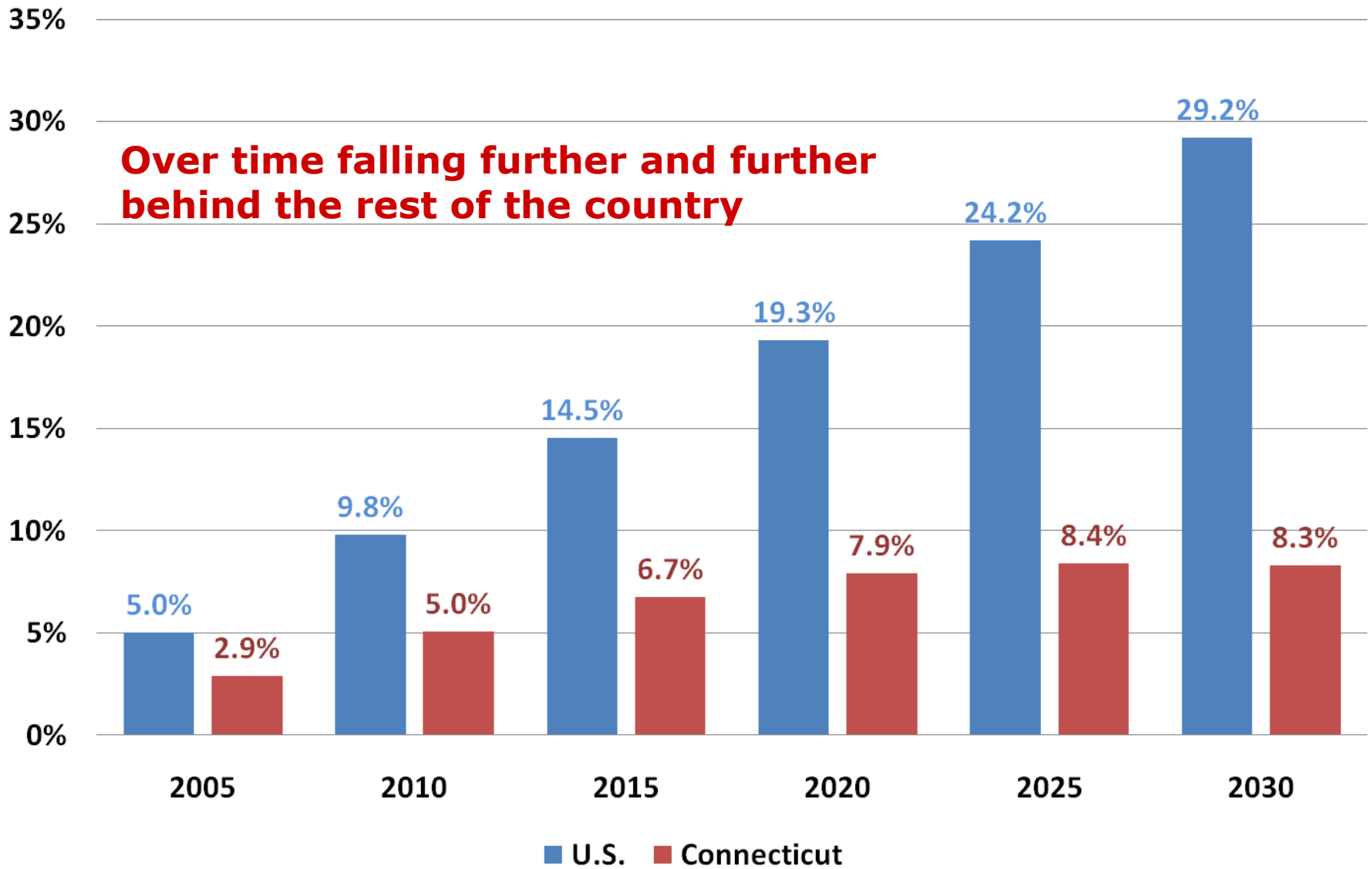


Projected Population Growth by State 2010-2020

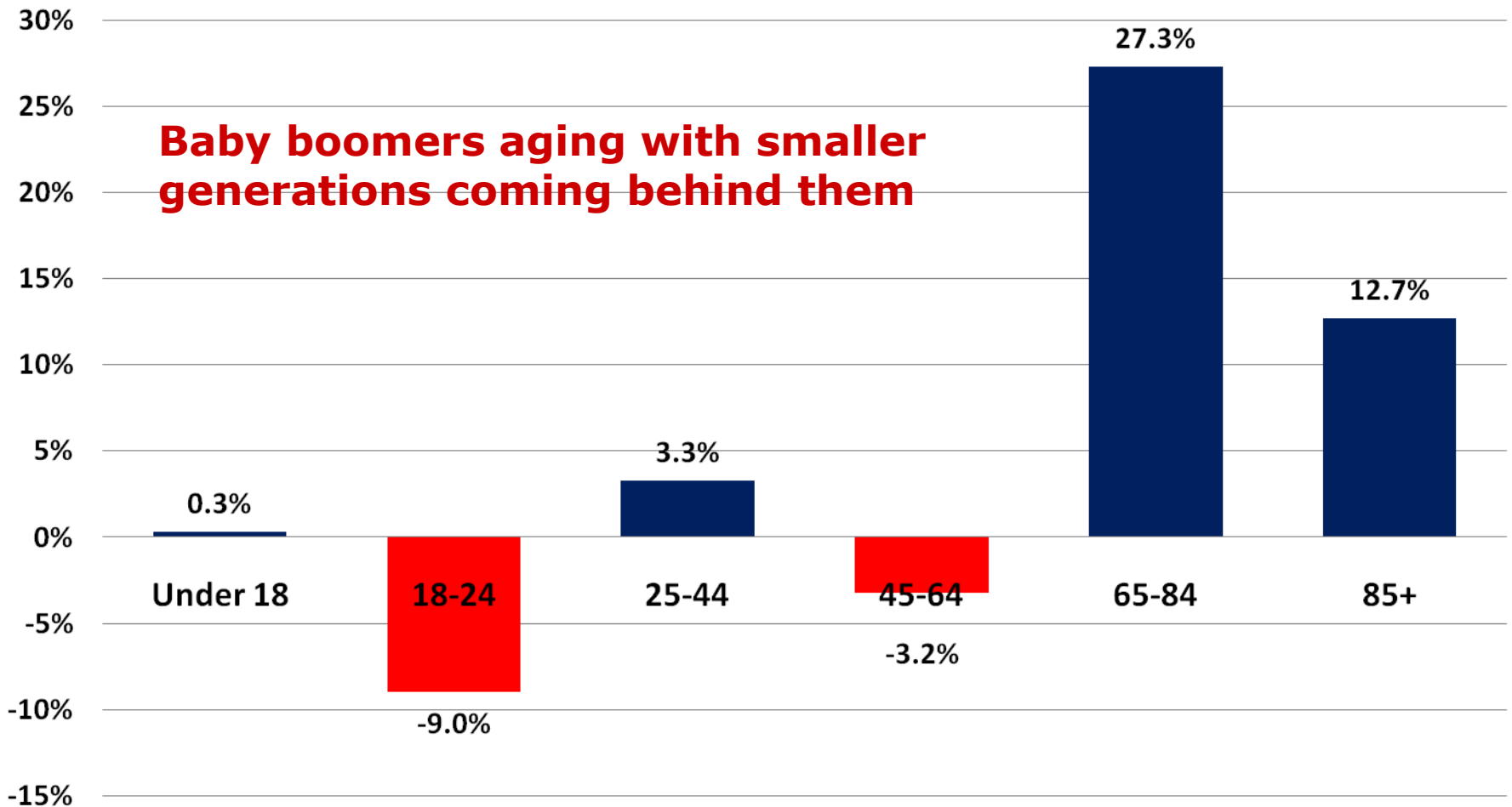
Only 13 states are projected to grow more slowly than Connecticut ... states like Michigan, Illinois, South Dakota, and Ohio



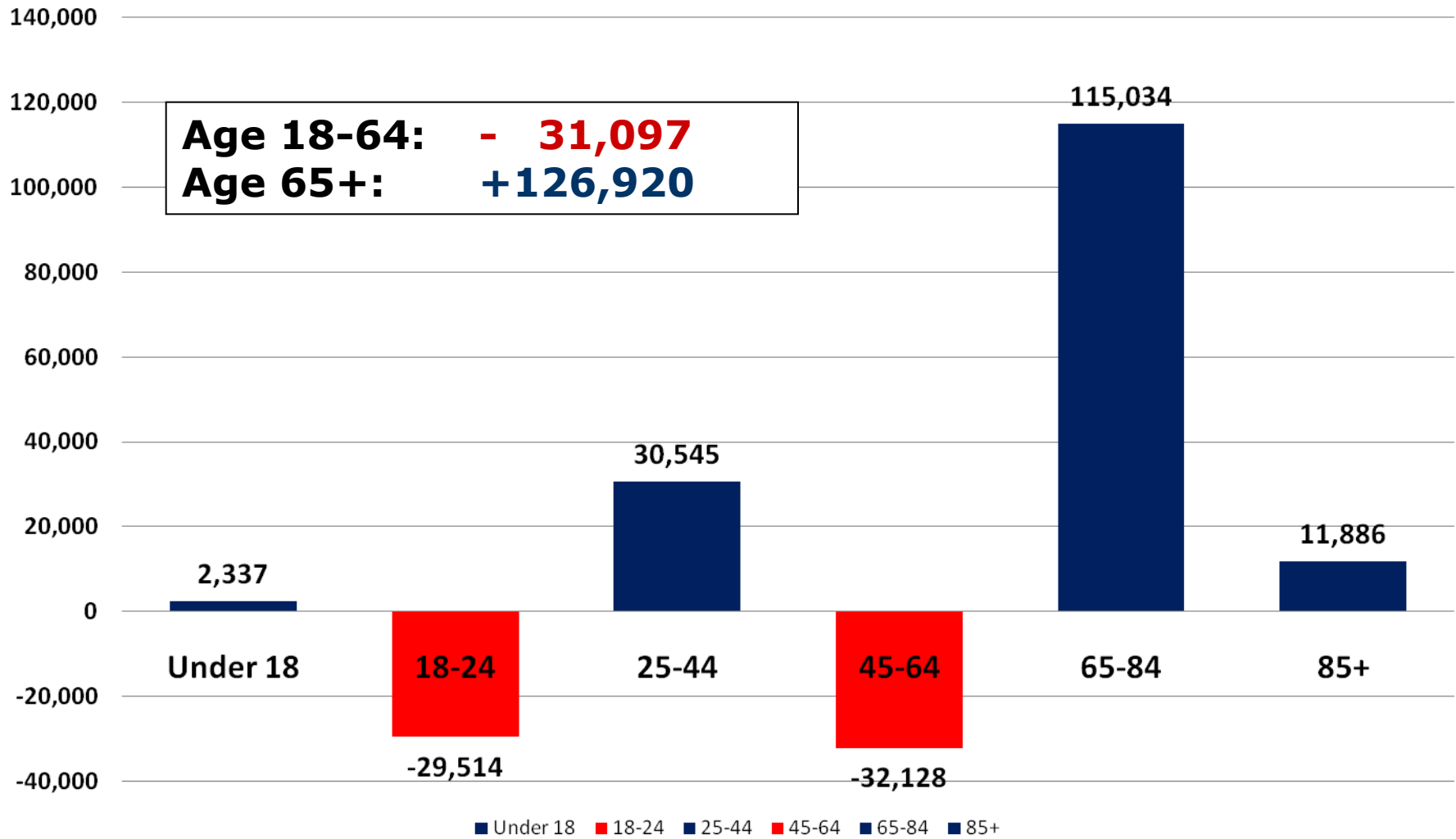
Projected Population Growth 2000 - 2030 U.S. vs. Connecticut



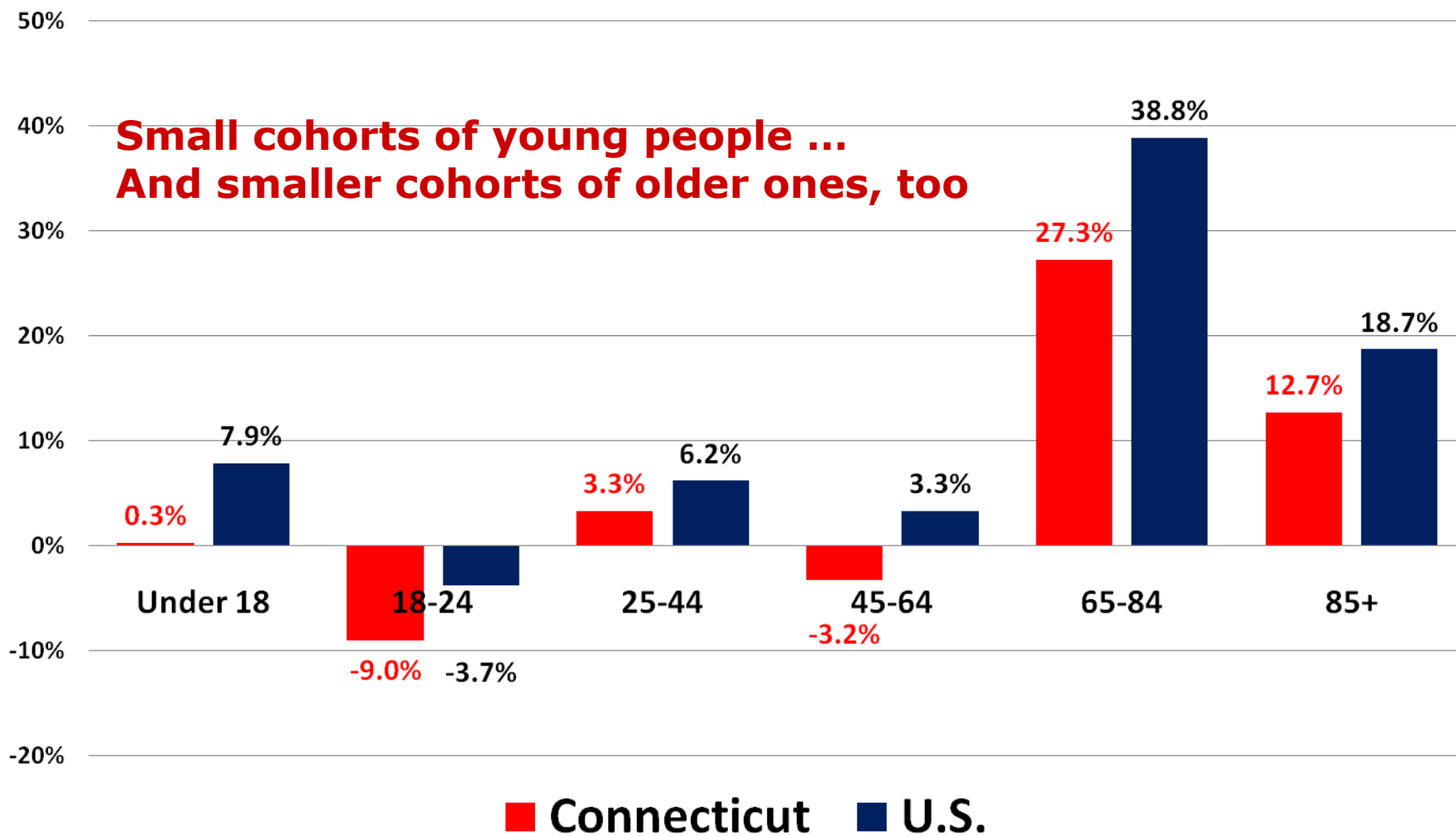
Projected Percentage Change in Population by Age Group 2010-2020 Connecticut



Projected Population Growth by Age Group 2010-2020 Connecticut

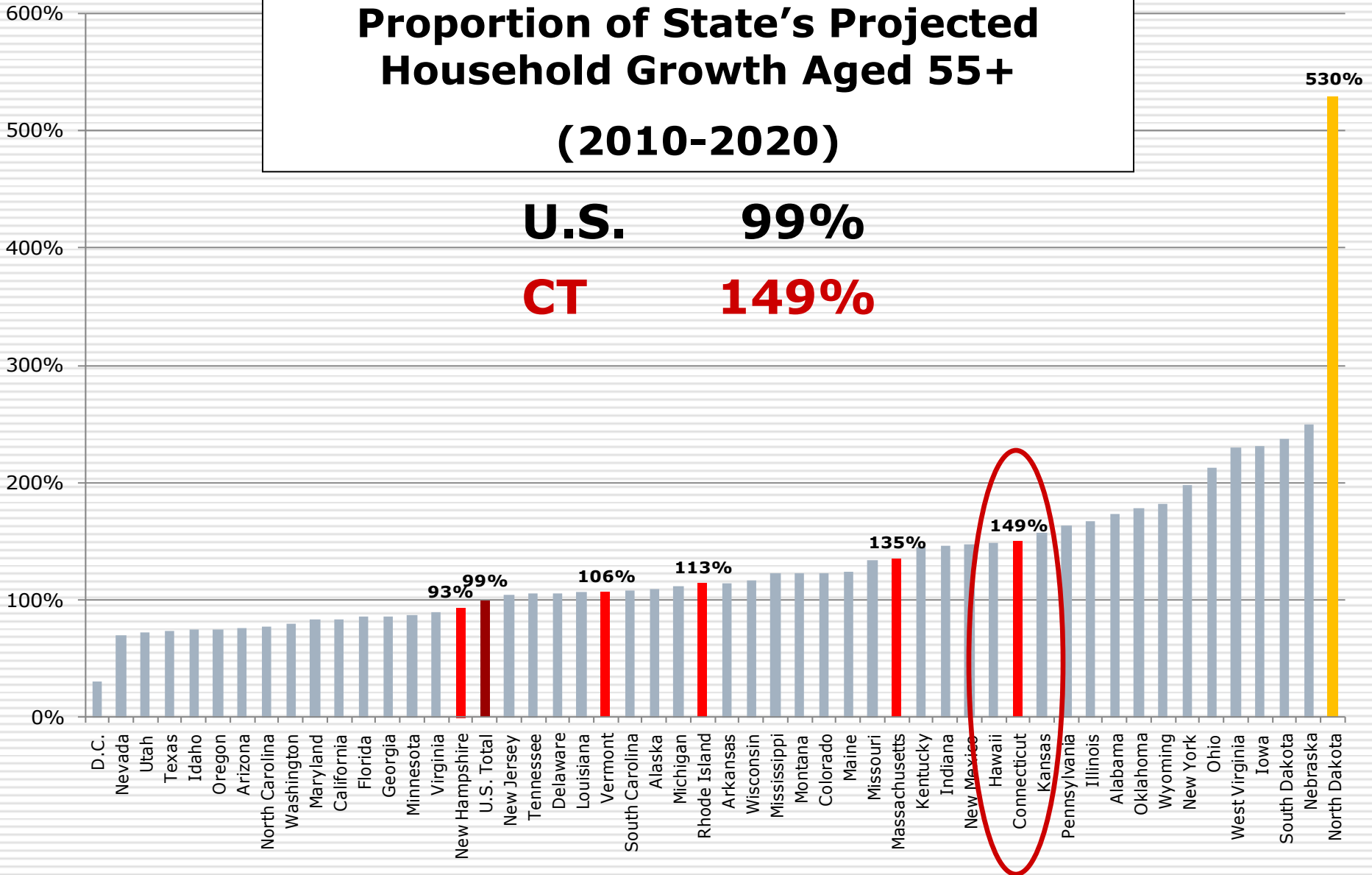


Projected Population Growth by Age Group 2010-2020 Connecticut vs. U.S.



Proportion of State's Projected Household Growth Aged 55+ (2010-2020)

U.S. 99%
CT 149%



Source: U.S. Census

Questions

- ❑ If this projection proves true, will we have a **sufficient workforce** to attract new business?
 - ❑ If this projection proves true, what will be the impact on **state and local tax revenue**?
 - ❑ Can the provision of **affordable housing** help retain and attract young families?
 - ❑ Can we continue to boost the **quality of the life** in Connecticut including making our schools and neighborhoods better and safer places for families and kids
 - ❑ How can we be more **welcoming to immigrants** so they come to Connecticut and remain here as entrepreneurs, skilled workers, service providers, and taxpayers?
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What attracts Young Households to a Region?

- Jobs
 - Affordable Housing
 - Good Schools
 - Safe Streets
 - Cultural & Recreational Amenities
 - Welcoming Communities
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How Well is Connecticut
doing on each of these?

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Public Sector Unions

The Glory Days of the UAW

- ❑ 1960s: UAW had **1.5 million members**
 - ❑ Its economic clout helped provide excellent wages and benefits
 - ❑ Equally important, the UAW was one the most respected progressive forces in the nation fighting for universal health care, civil rights, workforce training, and fighting against poverty
 - ❑ Its political clout helped boost the national minimum wage, legislation not directly benefiting it own well-paid members
 - ❑ **Because of its progressive stance, it enjoyed widespread popular support**
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Traditional Workplace Contract ... first negotiated by UAW with GM in 1946

- AIF/COLA Wage Formula
 - "Fringe" Benefits
 - Seniority Protection
 - Grievance Machinery
 - Work Rules/Job Classifications
 - Union Security Clause
 - Management Rights Clause
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Traditional Contract Worked Wonders in the Post-War Period

- ❑ AIF-COLA Wage Formula provided massive dose of consumer demand
 - ❑ Fringe Benefits provided great security
 - ❑ Seniority, grievance machinery, work rules, union shop did the same -- gave sense of security as well
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- ❑ And so, American workers went out and spent their incomes generating record GDP growth rates ... and a full generation of prosperity ensued
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Today

- The UAW has fewer than **355,000** members
 - Its economic and political clout is a shadow of what it once was
 - Much of its decline is due to the extraordinary blunders made by management
 - **Nevertheless, the union was partly to blame**
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Failures of the UAW

- ❑ It failed to press the auto companies to build high quality, innovative vehicles that could compete with imports
 - ❑ Often it insisted on work rules that undermined efficiency and compromised the industry's competitiveness
 - ❑ **It did not listen to its customers ... those who buy cars, trucks, and vans**
 - ❑ Toyota, Honda, Nissan came to dominate the industry ... and the domestic industry went into decline and then bankruptcy
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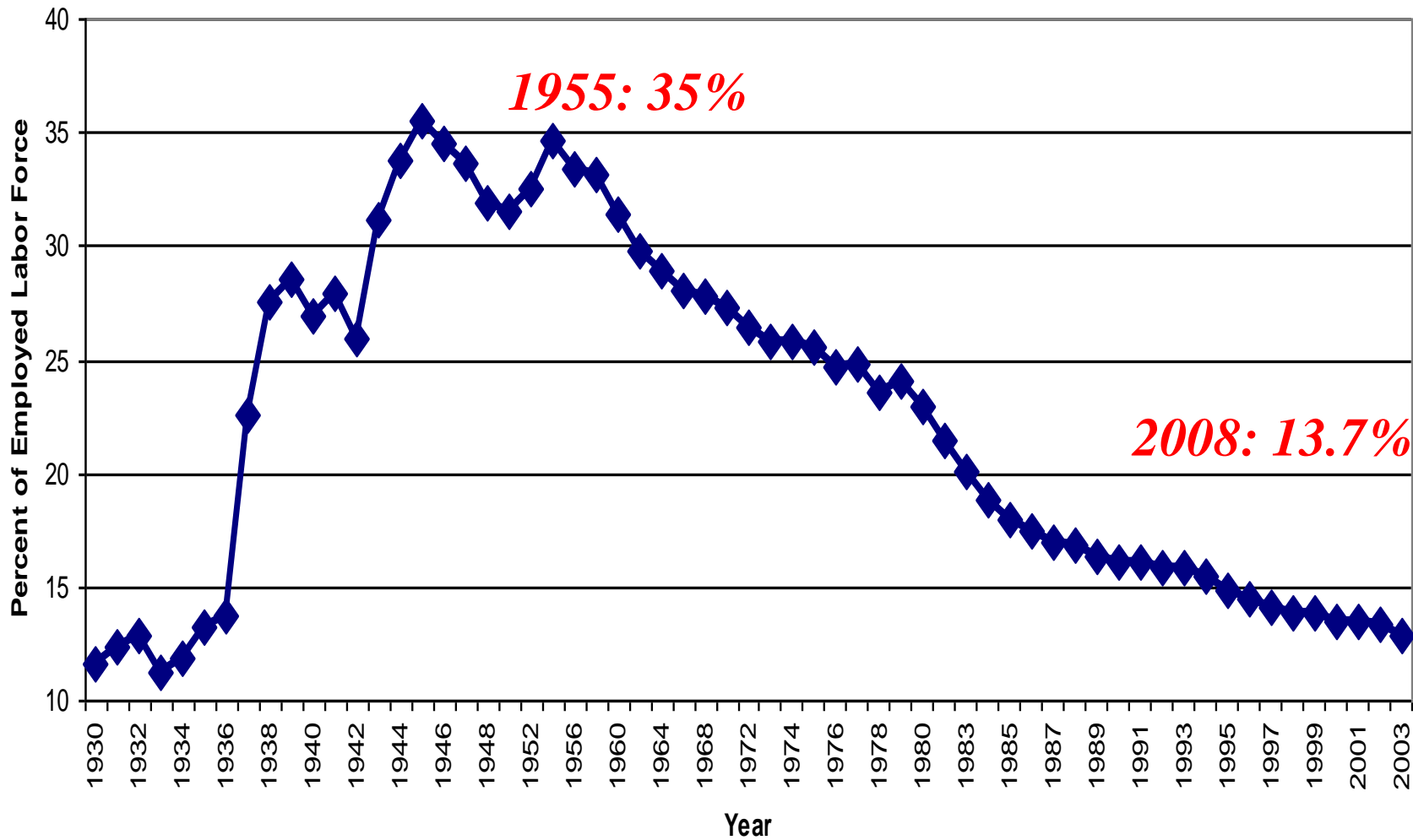
Until quite recently, the UAW looked like it was doing fine

- ❑ The explosion in competition began as a trickle, but it was generally ignored
 - ❑ The industry and the union were so arrogant that both felt their privileged status would last forever
 - ❑ They sure were wrong!
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The Union Movement Today

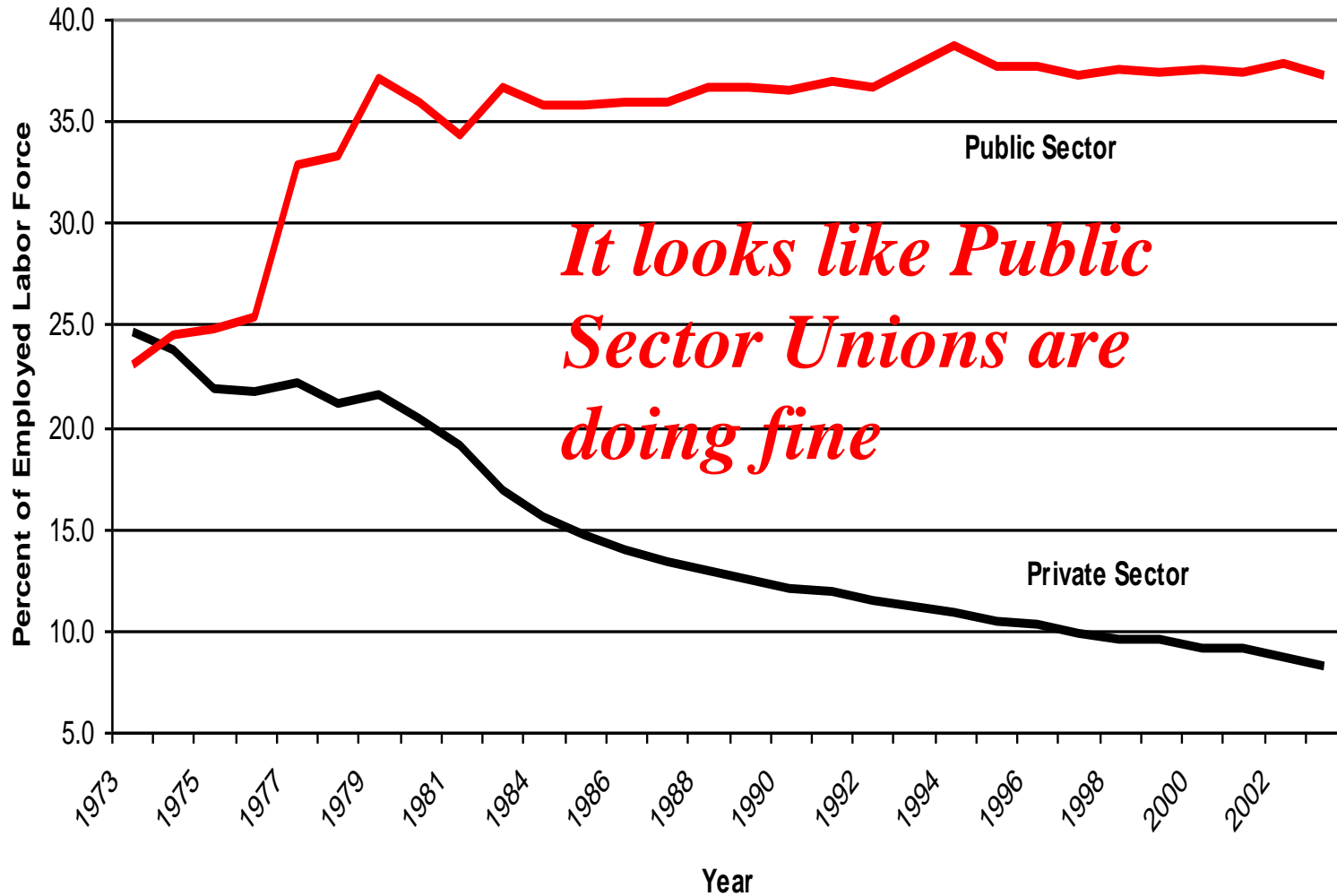
- The UAW was hardly alone
 - Today, **less than 14%** of U.S. workers are union members, down from 35% ... and **only 7.2% in the private sector**
 - With the union movement's membership so low, **private unions have lost much of their power to protect their own members ... and the nation is losing a major force for progressive change**
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United States: Trends in Union Membership



**Could the same thing
happen to Public Sector
Unions?**

United States: Private Union Membership v. Public Union Membership



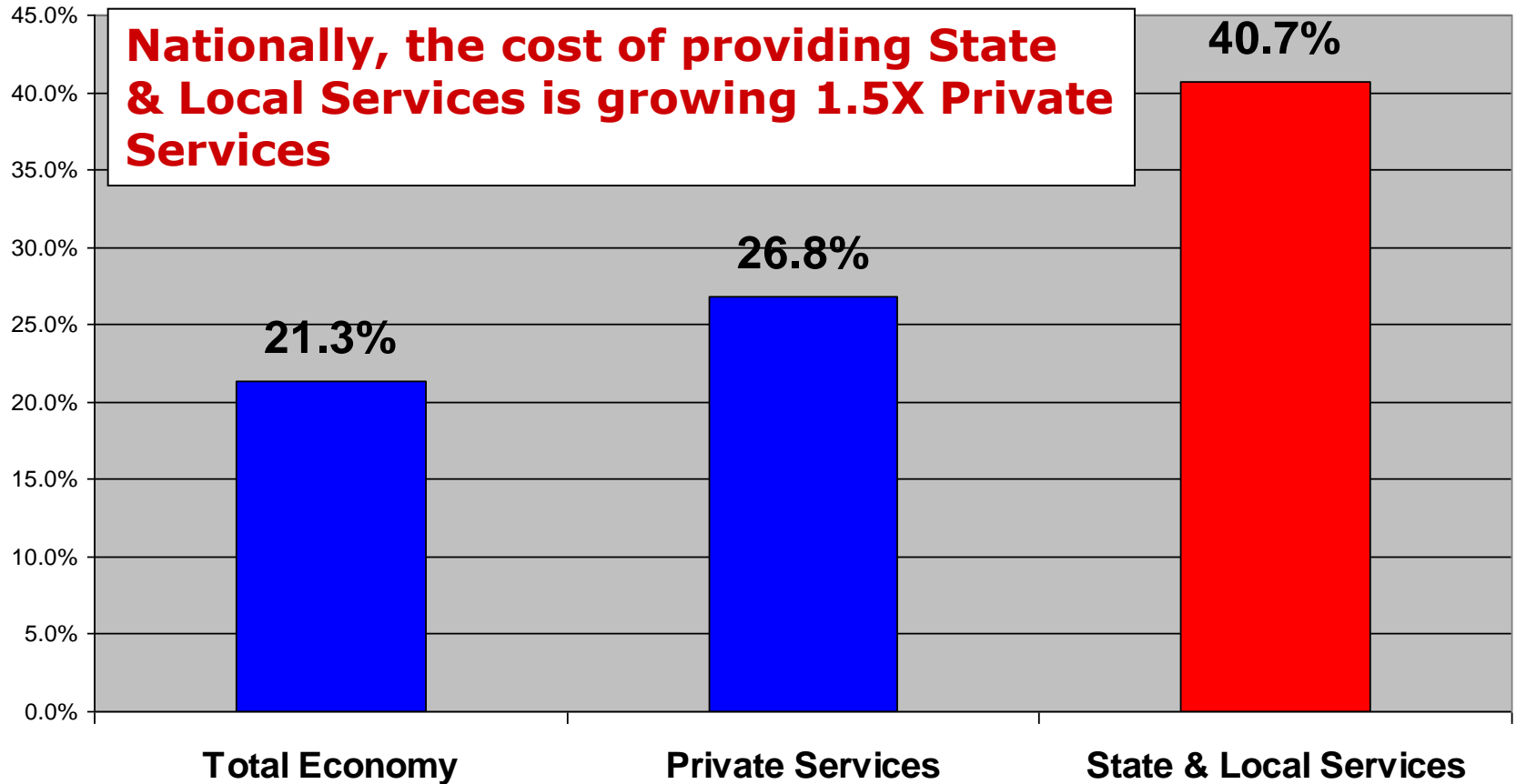
But troubling signs ahead

- ❑ State and local governments facing **massive fiscal deficits**
 - ❑ Many parents, particularly in city schools, feel their kids are not getting the education they need
 - ❑ **Progressives and Democratic lawmakers, not reactionaries, are now in the forefront of the charter school movement ... to free school systems from the unions they see as barriers to school reform**
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Current deficits are only the tip of the iceberg in Many States

- ❑ The cost of state government services is spiraling out of control
 - ❑ Given the rising cost of debt service, public employee pensions, and Medicaid, states are facing massive long-term “Structural Deficits” that will destroy public services
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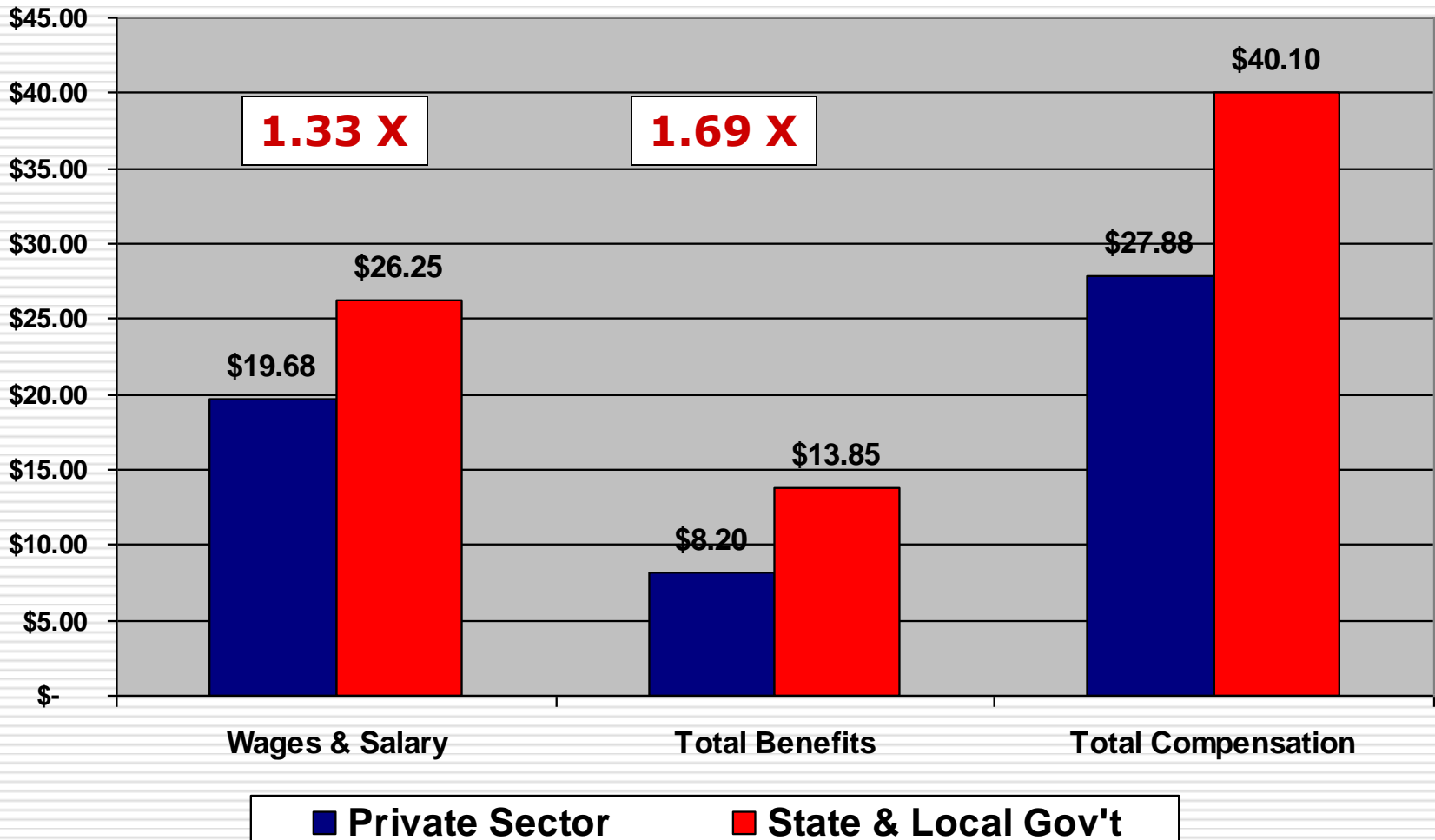
Price Increases: Total Economy vs. Cost of State and Local Services 2000-2008:l



Compensation of Private Sector vs. State & Local Government Workers

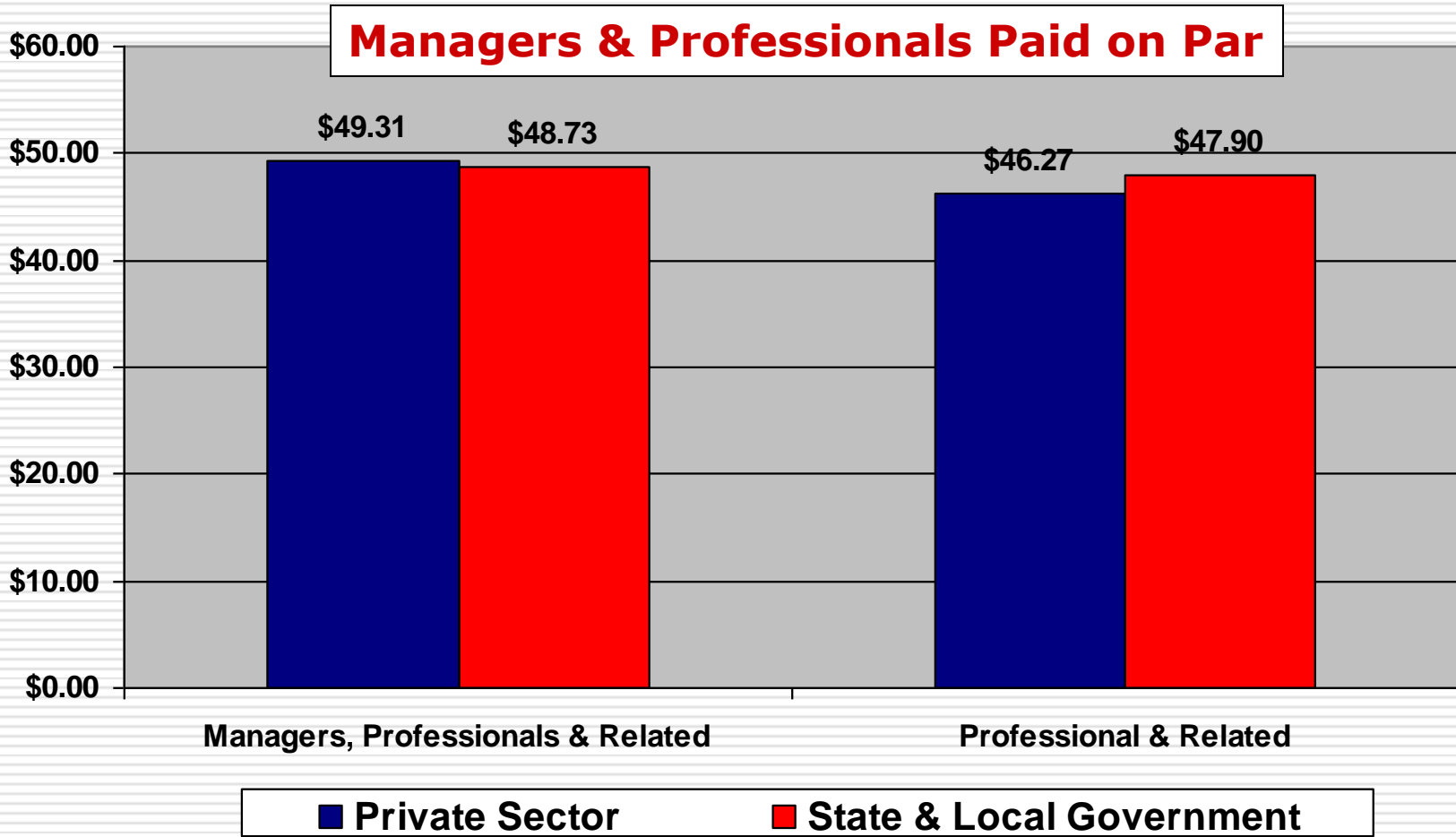
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Source: BLS Employer Costs for Employee Compensation

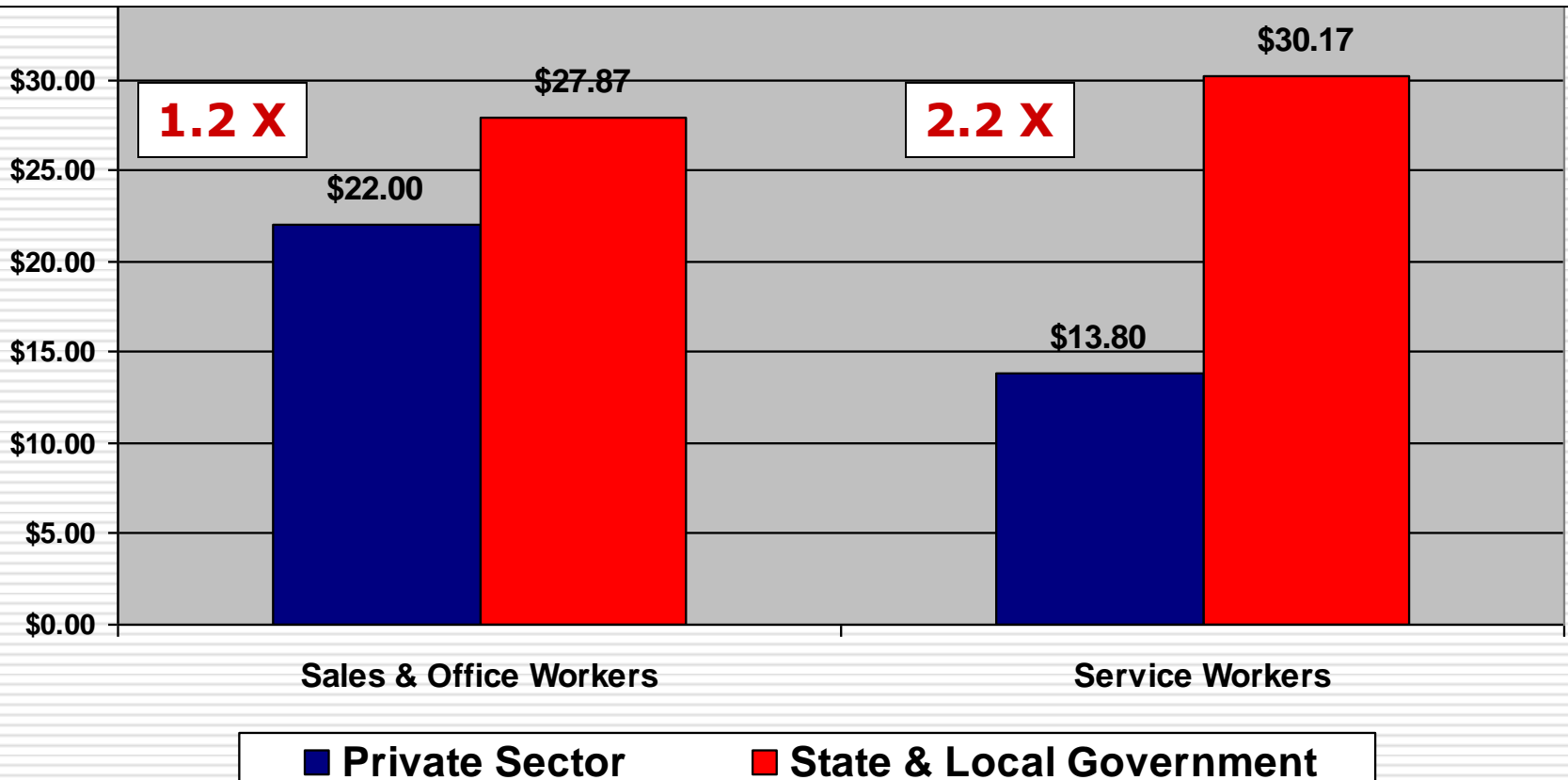
Total Compensation Managers, Professionals & Related Workers Private Sector vs. State and Local Government September 2010



Source: BLS Employer Costs for Employee Compensation

**Total Compensation
Sales & Office Workers; Service Workers
Private Sector vs. State & Local Government
September 2010**

But Public Sector Sales, Office, and Service Staff do much better



Source: BLS Employer Costs for Employee Compensation

New Collective Bargaining Environment

- ❑ Municipal officials have no choice but to demand relief from public service workers or cities and towns will go bankrupt
 - ❑ As the public begins to recognize how well public sector workers are doing relative to other workers, and how bad the national and state economies are doing, they will increasingly side with municipal officials and against public sector unions
 - ❑ Some may cheer the demise of public sector unions, but many former supporters will sit on the sidelines and not come to their rescue
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This poses a serious challenge for public employee unions

- How will state and local governments survive the structural crisis without taking on their unions?
 - Can state and local governments continue to fund public services offered by union workers?
 - Will taxpayers be willing to continue to support public services even if this means more taxes?
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How Do We Solve the Structural Deficit?

- Reform inefficient government bureaucracies and government programs
 - Public sector union reforms
 - Work rules and job classifications
 - Pension & medical insurance reform
 - Raise more tax revenue
 - Sales tax, gasoline tax, income tax
 - Regionalize public services
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Lessons for Public Sector Unions

- ❑ Public sector unions must help find ways to improve productivity and reduce the costs of public services
 - ❑ Public sector unions must make a better case to consumers ... those who pay the taxes for services ... and this requires union editors who can tell the story persuasively to the public (and their own members)
 - ❑ Unions must see taxpayers as a potential ally and work to gain their trust
 - ❑ It is time for a “grand new bargain” where unions play a greater role in improving service, quality, and innovation in return for greater job security and public respect
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Aspects of the New Grand Bargain

- Union joins in efforts to boost ...
 - Productivity/Efficiency
 - Quality of Services
 - Innovation in Offering Services

 - Union to be a partner in serving the needs of the taxpayer

 - Union plays a serious role in helping shape social policy ... balancing the interests of their members with the interests of the public ... and explaining this to both their members and the public
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A New Grand Bargain: Rebuilding Public Support for State and Local Government

- Reform outmoded Work Rules and Job Classifications
 - Public Sector Pension Reform
 - Advocate for Regionalism
 - Advocate for Efficient & Effective Government Services
 - Advocate for School Reform
 - Keep public services public
 - Support for adequate taxes to support excellent public services
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Prospects for a New Union Future

- ❑ Unions become part of the solution, not part of the problem
 - ❑ In response, Unions find greater popular support for the union agenda
 - ❑ Union political clout regained
 - ❑ **American democracy reaches a new level**
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Questions:

- ❑ Can we move toward a new “Grand Bargain” with public sector unions that would enhance efficiency and effectiveness in the provision of public services?
 - ❑ How can public sector unions and state and local governments work together to enhance the value of public services?
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