

Scott Walker, Union Slayer

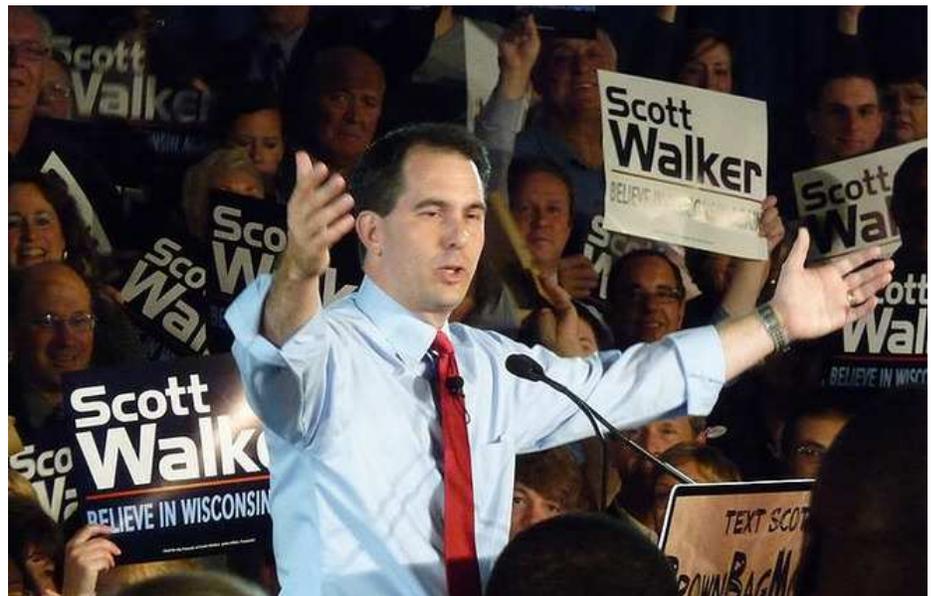
By Matt Patterson

Summary: Vengeful labor bosses poured millions into a campaign to recall Wisconsin Governor Scott Walker in the wake of the Governor's 2011 collective bargaining reforms. But Wisconsin's stunning fiscal turnaround, as well as labor's failure to anoint the Governor's opponent in the Democratic primary, ultimately sank the anti-Walker coalition. Here's how Walker took on Wisconsin's powerful public-sector unions and lived to tell the tale.

On January 3, 2011, Scott Walker was sworn in as Wisconsin's new governor. The state's finances were a mess; the economy stalled. Walker addressed the crisis head on that cold, January day, telling the crowd:

"What is failing us is not our people or our places. What is failing us is the expanse of government. But we can do something about it right here, right now, today."

And the Governor proved true to his word. Within weeks he moved to tackle the driving factor behind his government's "expanse"—the Badger State's public employee infrastructure, specifically, the union-driven,



gold-plated contracts. In particular, the cost of state employee health plans had risen 90 percent since 2002. Clearly the state needed a restructuring of the relationship between government and its work force.

And that's exactly what Walker proposed on February 11 when he unveiled his "budget repair bill," a comprehensive package of fiscal and collective bargaining reforms. The law passed in spite of stiff Democratic resistance in the legislature and union-mobilized protests that swamped the state capital for

months (for a detailed account of the bill's passage, and the chaos that followed, see "The Battle for Wisconsin," *Labor Watch*, May 2011).

July 2012

Scott Walker, Union Slayer
Page 1

Labor Notes
Page 8

Having failed to stop Walker's collective bargaining reform in the legislature or the courts, unions spearheaded a "recall Walker" movement. On March 29, 2012, Wisconsin's Government Accountability Board announced that 931,053 signatures had been submitted, of which 26,114 were stricken for a variety of reasons (suspicion of fraud, ineligibility, etc.). That left 900,938 valid signatures—well short of the one million union organizers had claimed to gather, but more than enough to force a vote. It was official: Walker would face the voters again in June, barely eighteen months after first taking office.

Why Walker's Reforms Work and Why Unions Hate Them

What was it about Walker's law that infuriated unions so much?

For starters, it required members of public-sector unions to increase their contributions to their health and pension plans. Pre-Walker, most Wisconsin public workers contributed a paltry 1 percent or less of their

Editor: Matt Patterson

Publisher: Terrence Scanlon

Address: 1513 16th Street, NW
Washington, DC 20036-1480

Phone: (202) 483-6900

Email: mpatterson@capitalresearch.org

Website: www.capitalresearch.org

Labor Watch is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for \$2.50 prepaid to Capital Research Center.

salary toward their pension plans and a mere 6 percent of the cost of their health care plans. Post-Walker, the ante was raised to 5.8 and 12.6 percent respectively. This alone would save local governments an estimated \$724 million annually.

Also prior to Walker, union contracts required many districts to purchase health insurance from the WEA Trust, a teacher union-affiliated nonprofit. Walker busted up what was essentially a union monopoly in health insurance and injected market competition into the equation. Schools started saving millions. As Wisconsin Policy Research Institute (WPRI) senior fellow Christian Schneider noted:

"When the Appleton School District put its health-insurance contract up for bid, for instance, WEA Trust suddenly lowered its rates and promised to match any competitor's price. Appleton will save \$3 million during the current school year."

Another sore spot for unions: Walker ended the medieval practice of forced unionization. Wisconsin public-sector unions were now forced to convince people to join their shop, instead of being able to compel them to do so, and now without the bargaining chip of delivering the lavish and cheap benefit packages they had heretofore enjoyed. "If the union no longer has the power to win gold-plated pension and health benefits, why would the average teacher choose to spend a chunk of his or her earnings to become a member?" asked Stephen Hayes in *The Weekly Standard* ("On, Wisconsin!" June 4, 2012).

Indeed, according to WPRI, Badger State unions were collecting upwards of \$1,100 per year per member in mandatory dues collections. What were they doing with all that money? Why, the same thing all public-sector unions do: hire their own bosses. As WPRI's Christian Schneider wrote in *City Journal* ("It's Working In Walker's Wisconsin," Winter, 2012), "In the last two elections...the state's largest teachers' union spent \$3.6 million supporting candidates," candidates invariably and un-shockingly of the left-wing, pro-union variety.

Sadly for unions and their political allies and puppets, however, Walker's collective bargaining reforms propelled an astonishing turnaround in the Badger State's fiscal outlook. When the Governor took office in early 2011, Wisconsin faced a projected budget deficit of \$3.6 billion. That was one of the largest deficits in state history, but Wisconsin had been running deficits for over 15 years.

Imagine everyone's shock, then, when in April 2012 the Wisconsin Department of Revenue (DOR) released updated tax figures that showed the state on track for a \$154 million surplus (and this was achieved, though few commentators noted it, without mass layoffs of public workers). In addition, Bureau of Economic Analysis (BEA) data showed an increase in personal income for Wisconsin citizens. Lawmakers were ecstatic at the news. State Senator Sheila Harsdorf (R-River Falls) released a statement that put the credit for good economic news squarely on Walker's shoulders:



“The recent news of budget reform savings and this week’s surplus announcement demonstrate the success of the efforts by the State Legislature and Governor to bring government in line with what taxpayers can afford.”

Unions Lose Democrat Primary

Walker’s reforms were making a difference to city and county budgets as well, with local politicians of both parties taking advantage of their cost-saving measures. Milwaukee Mayor Tom Barrett, for example.

Barrett had been Walker’s opponent in Wisconsin’s 2010 gubernatorial contest and jumped at the opportunity to face him again in the recall election, entering the Democratic primary contest against former Dane County executive Kathleen Falk, who was enthusiastically supported by a monolithic labor front: AFSCME, SEIU, AFL-CIO, WEAC.

Falk promised to veto any budget that didn’t repeal the collective bargaining reforms and vowed to kill Walker’s popular property tax caps. But both Barrett and Falk were coy about how they would balance Wisconsin’s

books in the absence of Walker’s reforms. Walker himself made the situation stark, “The answer is they’d have to do what they did in Illinois, which is massive tax increases, massive service cuts, and layoffs.”

Tax increases would have been an especially onerous burden for Wisconsinites. In 2009, Wisconsin had the fourth highest state and local tax burden in the nation, just behind tax-loving New York, New Jersey, and Connecticut. Wisconsin citizens paid a whopping 11 percent of income to state and municipal tax men in 2009, according to the Tax Foundation.

As the Democratic primary proceeded this spring, Barrett experienced the kind of smear campaign that unions specialize in: A union-circulated video claimed Barrett was a supporter of Walker's collective bargaining reforms. The ensuing uproar forced the American Federation of State, County, and Municipal Employees (AFSCME), Wisconsin's largest public-sector union, to admit that the outrageously false ad was "over the top." The union confessed in a statement:

"While we used poor judgement in directing our members' attention to an Internet video that went over the top to make its point, we believe it is essential to bring attention to Barrett's record on collective bargaining."

Ironically, while Barrett may not have been a supporter of Walker's reforms, he certainly used them to his city's advantage, a fact which not only infuriated unions but also allowed Walker to claim Barrett was "absolutely" a hypocrite. Walker noted that Milwaukee's public employees, whose unions uniformly supported Barrett's opponent, even agreed with him: "It's not me saying it, it's his own employees . . . over and over again calling him a hypocrite," crooned the Governor.

In the middle of the primary season, the state of play was thrown into even greater turmoil when on March 30, U.S. District Judge William Conley rejected arguments from seven large unions who had filed suit against the law in summer 2011. The unions had claimed that Walker's reforms violated the U.S. Constitution's equal protection

clause because they exempted firefighters and law enforcement officers. Judge Conley responded that Walker had legitimate reasons for exempting police and firefighters—if public-safety workers strike, the judge reminded litigants, the public safety is threatened.

Conley did, however, strike down two of the most union-loathed provisions of Walker's reforms: one banning public union dues from being automatically withdrawn from members' paychecks, the other forcing unions to conduct annual recertification elections.

In spite of this momentary momentum, unions ultimately failed to install Falk as Walker's recall challenger: On May 8, Democratic primary voters chose Barrett by a whopping 58 percent to Falk's 34 percent. That same night in the GOP primary, Governor Walker received an astonishing 97 percent of the votes, a margin greater than Barrett and Falk's combined total.

Clearly unions were losing the argument, even among Democrats. As Graeme Zielinski, spokesman for the Wisconsin Democratic party, admitted to Mother Jones magazine: "Collective bargaining is not moving people." One poll found that only 12 percent of Wisconsin Democrats said "restoring collective bargaining rights of public employees" was their motivation for wanting Walker out of office.

Union Money

The Wisconsin recall mess mobilized forces

on the left and right from all across the country. Mike McCabe of the Wisconsin Democracy Campaign, a non-partisan campaign finance watchdog group, noted the unprecedented amounts of money pouring into Wisconsin from both sides:

"We're seeing amounts of money from outside Wisconsin that we've never seen before.... Liberal to conservative, business interest to union interest, extraordinary wealthy individuals, millionaires and billionaires are pouring money into this state that are trying to tip the scales, trying to make sure the election goes their way."

The Greater Wisconsin Political Fund, a 527 arm of the liberal and anti-Walker group Greater Wisconsin, received \$500,000 from the Democratic Governor's Association, and a whopping \$1.7 million from the liberal activist group America Votes. Conservative groups relished forcing unions and Democrats to spend heavily in Wisconsin. "Every dollar unions spend in Wisconsin can't be spent in the fall on the presidential election," said a spokesman for the Republican Governors Association, which had funded Walker's 2010 gubernatorial campaign to the tune of \$5.5 million.

By late May 2012, the MacIver Institute, a Wisconsin free-market think tank, estimated Big Labor had spent over \$14 million to topple Walker in the recall (though the real amount could be much higher, because not all expenditures must be reported to the Government Accountability Board). Some of the biggest union spenders included:

* National Education Association (NEA)
- \$1,515,867

* American Federation of State, County,
and Municipal Employees (AFSCME)-
Wisconsin - \$5,184,127

* American Federation of Teachers (AFT)
- \$1,013,000

* Wisconsin Education Association Council
(WEAC) - \$4,405,571

* Service Employees International Union
(SEIU) PolEd - \$784,243

Much of this money was funneled through SuperPACs like We Are Wisconsin, a labor-backed organization dedicated to electing “candidates who support progressive public policies important to working families all across Wisconsin” according to the group’s website. AFSCME alone gave We Are Wisconsin \$2 million.

But Walker is no slouch at fundraising either, nor was he lacking admirers and supporters in the rest of the country. In May the *Associated Press* reported that the Governor had raised \$31 million since he took office in January 2011, an astounding \$5.9 million of which came in the five weeks leading up to the June election. Over the same period, Barrett raised just \$3.4 million.

Jobs or No Jobs?

In the first debate between Walker and Barrett on May 5, the latter made a strategic

decision to attack the former on two main fronts: (1) claim that Walker has presided over a net loss in Wisconsin jobs in his tenure, and (2) paint Walker as a darling of national, far-right forces. Barrett hit Walker hard and early on the jobs issue, saying in his opening statement:

“This election is not a rematch or do-over, because we can’t do-over the decision by Scott Walker to start a political civil war which resulted in this state losing more jobs than any other state in the country in 2011. A decision that tore apart this state, and made it impossible in some instances for neighbors to talk to neighbors, for relatives to talk to relatives, and for co-workers to talk to co-workers. Because it was too bitter a fight.”

Later, Barrett tried to tie Walker by implication to Rush Limbaugh, the Koch brothers, Sarah Palin, and other liberal-loathed boogie-men: Walker “wants this state to be the prototype for the tea party nationally,” Barrett said. “That’s why he’s such a rock star, they love him. The conservatives love him, the right wing loves him, because he’s doing exactly what they want him to do. He’s not doing what the people in Wisconsin want him to do, and he’s pleasing these billionaires.” Walker defended himself, claiming that outside help was necessary to fend off the astounding amount of union money pouring in from around the country to help defeat him and his signature legislation.

But the Governor was much more vulnerable on the jobs front, because the truth about Wisconsin’s job growth, or lack thereof,

had become a confusing and heated issue in the last weeks of the campaign. Badger State voters were barraged with conflicting claims and seemingly incompatible sets of data released by different arms of the federal and state government in the run-up to the June 5 election.

Walker had painted himself into a corner on jobs as far back as 2010, when on the campaign trail he had promised voters that Wisconsin would add 250,000 jobs under his watch, were he elected.

Unfortunately, as the recall approached, Walker had a long, long way to go to make good on that pledge. The Governor put his best case forward to voters, however: On May 15, Walker’s office released data from the Quarterly Census of Employment and Wages that showed Wisconsin had added 23,321 jobs (combined public and private sector) from December 2010 to December 2011, a period spanning Walker’s first full year as Governor. These figures were based on a survey of 150,000 Wisconsin employers, representing 96 percent of Badger State businesses.

However, an earlier Current Employment Survey (CES) report had showed an estimated 33,900 net job loss over the same period, which, if accurate, would put Wisconsin dead last in the nation for jobs. But Walker’s allies and even many independent observers noted that the CES numbers were based on a very small sample—only 3.5 percent of the state’s employers—and were often, as the Milwaukee *Journal-Sentinel* noted,

“subject to significant revisions.” In addition, the *Journal-Sentinel* noted, Walker’s more sanguine Quarterly Census numbers “...are based on a jobs count, not a survey. Each state gathers the quarterly census data from virtually all employers in both the public and private sectors, which are mandated to share staff and wage data as part of their tax and unemployment insurance reports. That makes it a more reliable source of employment data, state officials and many economists say.”

Even so, Walker’s numbers were released early, in a highly irregular move, before the data could be tallied and reviewed by the federal Bureau of Labor Statistics (BLS). BLS certification of Walker’s numbers weren’t expected “until June 28, several weeks after the recall election.”

Wisconsin Secretary of Workforce Development Reggie Newson defended the early—premature, Walker’s opponents cried—release of the Quarterly Census numbers, saying:

“We have a responsibility to the job creators, the employers and the job-seekers...to make sure they have an accurate depiction of the true economic situation in the state of Wisconsin. They need this information to be accurate so they can make informed decisions. That’s why we are correcting the record...”

Even so, separate Bureau of Labor Statistics (BLS) numbers seemed to burnish Walker’s job-creating credentials, showing Wisconsin’s unemployment rate steadily creeping

downward as 2011 gave way to 2012: from 7.1 percent in November 2011, to 7.0 in December, to 6.9 in January and February, to 6.8 percent in March, and 6.7 in April.

And as Walker had pointed out in a campaign stop on May 14, as mayor of Milwaukee Barrett was also vulnerable on jobs. Milwaukee’s unemployment rate stood at a dismal 10.4 percent in March, Walker noted, the third highest in the state. “I believe the vast majority of people in this state don’t want the rest of the state to become another Milwaukee,” said the Governor.

Walker also claimed that any sluggishness on jobs in the state as a whole was at least partly due to the recall mess, as the union-led effort had injected a massive amount of uncertainty into the political picture, creating just the kind of turbulent climate which makes businesses reluctant to hire or invest.

But then on May 30, a mere six days before the election, Wisconsin’s Department of Workforce Development announced that the Bureau of Labor Statistics had finally provided confirmation that the state had added jobs under Walker, sharing an email it had received from the BLS to that effect with the *Associated Press*.

Workforce Development spokesman John Dipko announced the new total of net jobs as 23,608. The Governor himself was on Hannity on the Fox News Channel that night to crow about the development.

Election Night

On June 5, the polls in Wisconsin finally opened for business. Judgement Day had arrived, both for Walker and for his bold attempt to tame the special interests that had held his state’s books hostage for so long.

As the day progressed, it appeared far from certain that Walker would prevail, even though many polls had put him ahead of Barrett by 5-7 points for weeks. Exit polling on election day showed high turnout among union voters. Indeed, the *Washington Post* touted a survey showing that union households represented as many as a third of all voters, “a share of the vote that is higher than either of the last two presidential or gubernatorial elections held in the state,” numbers that, if true - appeared to bode well for Barrett. Other exits polls appeared to show the race as a dead heat even into the late afternoon and evening of election day.

As it turned out, it wasn’t a dead heat. In fact, it wasn’t even close. Less than an hour after polls closed at 9 p.m., a top aide told Walker it was over; NBC had called the race. Scott Walker was the first governor in U.S. history to survive a recall challenge.

The final numbers were nothing short of shocking. Walker took 53 percent to Barrett’s 46, a margin that surprised even those who had expected Walker to prevail. How had labor failed so utterly to convince Wisconsin voters that Scott Walker was the Devil Incarnate?

For one, obviously, the reforms Walker had championed were bearing fruit. For another, Walker himself never fit the profile of a power-mad fascist, as he had been depicted on countless union protest signs and ads. In fact, the Governor appeared to many as an eminently reasonable and thoroughly polite man, without the faintest whiff of sulfur about him.

And then there was the very question of whether it was appropriate to recall the Governor at all. In exit polling on election day, 60 percent of Wisconsin voters said that such a recall was only appropriate in cases of “official misconduct.” As CBS News reported, only “Twenty-eight percent said they think [recall elections] are suitable for any reason, while nine percent think they are never appropriate.”

In other words, even those voters who may have disagreed with Walker saw his acts as entirely lawful, and therefore did not consider him worthy of the expensive and divisive gubernatorial recall—only the third such election in American history—that in the end was a colossal waste, costing the taxpayers an estimated \$18 million according to the Government Accountability Board.

Conclusion

As Iain Murray, author of *Stealing You Blind: How Government Fat Cats Are Getting Rich Off of You*, put it to me the week before the election:

“The long-term consequence of a Walker defeat would be the message that taking on public-sector labor unions is political suicide. That would be disaster for any hope of significant public-sector reform. Big government would be here to stay.”

Now that Walker has survived, can we say the opposite is true? Are Big Government’s days now numbered? It may be too soon to hope for so much, but one thing is certain: Big Labor will never be the same again. Union power has been shrinking for decades, the only exception being the public sector, where unionization rates have inexorably increased as labor bosses have pinned their hopes to a greater extent on government workers at all levels.

Walker has changed that calculus. He has shown that public unions can be tamed, that governors and mayors can make the hard choices the people pay them to make and still survive the wrath of organized labor’s vengeful hordes.

Indeed, Walker has shown that many in those hordes are unwilling participants in labor’s war on economic choice: Since Walker’s reforms made union membership optional in his state, AFSCME numbers in Wisconsin have fallen over 50 percent.

Ask not for whom the bell tolls, Big Labor. It tolls for thee.

LW

Matt Patterson is editor of Labor Watch and the Warren T. Brookes fellow at the Competitive Enterprise Institute.

Please consider contributing now to the Capital Research Center.

We need your help in the current difficult economic climate to continue our important research.

Your contributions to advance our watchdog work is deeply appreciated.

Many thanks,

**Terrence Scanlon
President**

LaborNotes

June 1st brought terrible news on the jobs front: the previous month saw only 69,000 jobs created, and the unemployment rate climbed back up to a dismal 8.2 percent. To add insult to injury, previous months' jobs numbers were revised downward as new data showed that fewer jobs were added in April and May than previously thought.

Wisconsin's gubernatorial recall election was a devastating set-back for Big Labor, to be sure (see this issue of *Labor Watch* for details). But unions also lost big in California, where voters in two cities approved drastic cuts to public-employee pensions. As the *New York Times* noted, "they did so in a way governments traditionally avoid: moving to cut not just the benefits of future hires, but also those of current city workers, whose pensions generally have much stronger legal protections than those of private-sector workers." The votes were overwhelming; 66 percent for San Diego and 69 percent in San Jose. Interestingly, **Michael Barone** notes that those cities voted "63 and 69 percent" respectively for **Barack Obama** back in the 2008 presidential election.

Union officials have responded to the shellacking they received in Wisconsin and California by...calling for higher taxes? Appearing on FOX News Sunday with **Chris Wallace** on June 10th, **AFL-CIO** Deputy Chief of Staff **Thea Lee** was asked how cities and states can continue paying for the bountiful health and pension benefits of public workers when so many local governments are faced with severe budget crises. Ms. Lee's answer? "We absolutely could raise taxes, and we ought to raise taxes." Even after the Wisconsin wake up call, Big Labor failed to get the message - the way to America's heart is not through its wallet.

Like father like son: On May 10th **James J. Kearney Jr.** was sentenced to 30 months in prison and three years' probation for embezzling \$560,000 from a Jersey City, New Jersey construction union. Prosecutors say that beginning in January 2009, Kearney, formerly the secretary-treasurer for local 45 of the **International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers** (IAIW) union, withdrew \$471,000 in cash from the union's Bank of America account and pocketed \$90,365 in membership dues and other fees from the Jersey City union. Kearney admitted to using the money for personal use, primarily to pay off outstanding debts from sports gambling. This case is unrelated to an ongoing investigation of his father, **James Kearney Sr.** (former local 45 business manager), who was arrested last November for soliciting - and receiving - bribes to allow contractors to hire nonunion workers. If crime runs in the family, then perhaps luck does too, and Kearney Sr. will receive an equally lenient sentence.

The **Service Employees International Union** (SEIU) is teaming up with **Priorities USA Action**, a pro-Obama super PAC, to launch a \$4 million ad campaign against Mitt Romney that will target three swing states with large Latino communities: Colorado, Nevada, and Florida. The effort will feature 30 second TV ads and minute-long radio ads, with brief Romney sound bites in English and reactions from citizens in Spanish. Priorities USA Action is a progressive super PAC that receives significant funding from the SEIU and Dreamworks Animation CEO **Jeffrey Katzenberg**.

36-year old **Pedro Palacios** has pled guilty to wire fraud, admitting he wrote over \$225,000 worth of unauthorized checks from a Texas Border Patrol union account. Palacios was hired to repair a union computer by his father-in-law, who was then treasurer of the **Border Patrol Union Council Local 2455**. Palacios, who admitted to forging signatures on over 60 unauthorized checks, appeared before a federal judge in Laredo, Texas on June 11th, and he is currently free on bond awaiting his sentencing.