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Labor Watch

Paint the Nation Purple: Big Labor's Role in Selling Obamacare

By W. James Antle III

***Summary**: On March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act, otherwise known as Obamacare. This sweeping healthcare reform legislation will have great effects on the American economy, its culture, and its politics for years to come -- at least. In the first of three installments that will be spread out over Capital Research Center's newsletters, we look at the role of non-profits in healthcare reform. In this month's Labor Watch, American Spectator Associate Editor W. James Antle III examines the outsized role that labor unions played in selling Obamacare and how that will affect the coming elections.*

Labor unions supplied lots of money and elbow grease to help Democrats take over the presidency and both houses of Congress in 2009. But many of organized labor's high-profile initiatives still languish on Capitol Hill. Aside from a United Auto Workers (UAW) bailout and the recess appointment of AFL-CIO/SEIU union chief Craig Becker to the National Labor Relations Board, Big Labor can't say it's gotten much bang for its buck during the past 15 months.

Still, the big unions have gone to the Democrats' aid, most recently to pass a healthcare bill whose prospects frequently seemed hopeless during the past year. Many liberals think they've saved Barack Obama's presidency by passing a health care bill over the objections of recalcitrant swing-state Democrats and jittery moderates. And organized labor has been a team player—even if liberals and labor didn't get everything they wanted.

The unions tried hard to get their way. From the very beginning, Big Labor had several clear objectives. If Washington was going to reshape one-sixth of the American economy, then labor wanted a robust "public option" separate from private sector insurance. Unions also wanted to protect their own leaders' and members' health care plans from insolvency. And wherever possible, they wanted health care reform to assist union organizing so as to increase their membership, swell union coffers, and increase union power.

In 2009-2010 the public option was a high priority for the AFL-CIO and for the Service Employees International Union (SEIU), which represents many health care workers. As the Obama administration tried to formulate its plan, the major unions were at the table alongside the insurance industry, the doctors, the hospitals, AARP and the pharmaceutical industry. Who was missing? When Romneycare was enacted in Massachusetts in 2006 state treasurer Timothy Cahill observed, "The taxpayers and the small businesses weren't at the table." Four years later they were still out in the cold.

Why did the unions want a public health care plan so badly? Part of the reason is ideological. Union officials believe in government programs far more than rank-and-file union members. It's no surprise that when Tea Party activists and others protested against government-controlled health care at the infamous town hall meetings, it was SEIU members clad in their purple t-shirts who demonstrated against them, leading chants of "What do we want? Healthcare! When do we want it? Now!"

What's In It for Labor?

But there is also the not insignificant matter of self-interest: The bigger the government's role in health care, the more unionized healthcare workers there are likely to be. As a candidate for president, Barack Obama told a rally of SEIU members, "Some of you know I come from an organizing background…When I was a community organizer SEIU local 880 and myself, we organized people to make sure that homecare workers had the basic right to organize. We organized voting registration drives. That's how we built political power on the South Side of Chicago and now the time has come for us to do it all across this country. We're going to paint the nation purple with SEIU."

Union officials know that private sector union membership has plummeted for decades. Today, only about 7.5 percent of the private sector workforce belongs to a labor union. Among government workers, however, union membership stands at around 40 percent. In Canada, where the government exercises more control over the healthcare system, an estimated 60 percent of health care workers and 80 percent of nurses belong to unions. Such figures make healthcare reform too big an opportunity for Big Labor to pass up.

Except for acolytes of Ohio Rep. Dennis Kucinich, no one ever believed the U.S. would adopt a Canadian-style single-payer system. But there was strong political support for a public option, under which private insurers would be required to compete with a government-run plan. Under any version of the public option, private employers would have a strong incentive to cancel their health insurance policies and dump their employees into the government's plan. At one point, opponents of government healthcare reform were blind-sided by a seductive proposal to include Americans aged 55 to 65 under Medicare. And proposals to include uninsured low-income adults in an expanded Medicaid have survived. They became part of the healthcare reform bill that President Obama signed into law.

"If the government runs health care, then the SEIU's membership rolls will swell," Heritage Foundation labor policy fellow James Sherk warned last September. "If union rates among nurses in America rose to Canadian levels, then the SEIU would bring in over a billion dollars a year in new mandatory dues. Newly organized technicians and other medical support staff would add even more to that total." Noting the huge recruiting potential this held for union organizers, Sherk concluded, "The Labor movement has a huge financial stake in the government dominating health care."

Some versions of the healthcare bill proposed to increase union membership directly. Under the original House-passed legislation, which included a public option, Secretary of Health and Human Services Kathleen Sebelius was given wide latitude to regulate healthcare workers. The House bill created numerous federal panels on which union officials were guaranteed to play a policymaking role, and there were government programs that gave unions a direct role in administering training programs for unionized health and homecare workers.

National Right to Work Committee President Mark Mix compared these provisions to the disbursement of grants by the U.S. Department of Labor for construction apprenticeship programs, which he described as "a cash cow for construction industry union officials on the order of hundreds of millions of dollars each year." Mix called the health care legislation "a Trojan Horse for more forced unionization."

Even the Senate bill promoted unionization by reclassifying many state-reimbursed in-home health and child-care contractors as state employees, a move that would open the door to public sector union organizers. The bill also created a "personal care attendants workforce advisory panel," which was likely to be stacked with union officials who would recommend union-friendly labor policies.

Protecting Union "Cadillac Plans"

The unions had other reasons to play an outsized role in the healthcare debate. It's no secret that many union-negotiated healthcare plans are destined to run out of money. They cannot pay out all the benefits they have promised their members. Just as the unions need protection from competition in a free labor market, their health plans need protection from ultimate bankruptcy. They secured $10 billion to fund a taxpayer bailout in the House bill.

Union officials are even more eager to shield their own healthcare insurance from a 40 percent excise tax on high-cost insurance plans. The so-called "Cadillac tax" was in the bill passed by the Senate Finance Committee, chaired by Sen Max Baucus (D-MT), and it was intended to generate billions in new government revenues from the gold-plated health plans of high income corporate executives. But it turns out many union members are also driving around in "Cadillac" health insurance.

Unions agitated against the tax with a

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gusto they usually reserved for opponents of healthcare reform. In fact, the opposition to the Cadillac tax included many of the loudest voices for "progressive" reform, including the union-dominated Health Care for America Now (HCAN) coalition, which includes the powerful American Federation of State, County and Municipal Employees (AFSCME). The labor-backed Economic Policy Institute generated studies against the excise tax, arguing "taxing health care benefits is detrimental to children." Union opposition was so vociferous that liberal Washington Post blogger Ezra Klein fretted, "Will unions kill health care reform?" Klein noted that the excise tax would fund healthcare for the uninsured by slightly increasing the cost to AFSCME members.

Liberal advocates of the Cadillac excise tax in Congress and the White House cried "Uncle" and raised the white flag of surrender. In January, congressional Democrats agreed to exempt from the Cadillac tax any health plan that was part of a collective bargaining agreement. Heavily unionized state and local workers were also to be exempt. "Everyone else with a higher-end plan will start to be taxed in 2013, but union members will get a free pass until 2018," the editors of the Wall Street Journal noted. "Ponder that one for a moment. Two workers who are identical in every respect—wages, job, health plan—will be treated differently by the tax system, based solely on union membership."

The five-year "temporary" exemption would have given the unions breathing room to agitate for something more permanent. "Just when you thought you couldn't be more cynical about the health care bill," health policy blogger Robert Laszewski quipped.

You don't have to be a cynic to notice the symbiotic relationship between the biggest unions and the Democratic Party. Unions provide large amounts of money, manpower and organizational prowess to Democratic candidates for public office, and elected public officials who are Democrats then pass legislation like card check to make it easier to organize unions. One reason why Democrats believe a new healthcare entitlement program will benefit them over the long term is that it will help the unions, which will then have a strong incentive to back the Democratic party. One can only wonder: Did Republican leaders of Congress and the Bush Administration imagine they could change this equation when they passed the Medicare Part D drug entitlement program in 2003?

Union Healthcare Push Begins

The unions sprang into action even before Inauguration Day. The Health Care for America Now (HCAN) coalition, formed in 2008, raised over $40 million for the fight to pass a health care bill. HCAN's pro-labor backers often downplay the money they spent, claiming it's a pittance compared to the funds available to the insurance industry. But dedicating that amount to grassroots activism at a key moment in the healthcare reform campaign was critical. By late August 2009, the unions and their allies feared healthcare was doomed to defeat as the Obama administration deferred to squabbling Democrats in Congress and public opposition emerged from a new source—Tea Party activists exasperated by the stupidity and helplessness of the Republicans.

In an effort to counter the Tea Parties, HCAN sponsored more than 200 protests in 46 states. The bodies for many of these demonstrations were union-supplied. The coalition's subsequent decision to make insurance companies the main enemy also bore the union label. On Sept. 22, HCAN took credit for organizing about 150 protests at insurance company offices nationwide. HCAN activists also picketed outside the homes of the corporate CEOs of health insurance companies and demonstrated outside insurance company headquarters in some 50 cities, calling them "crime scenes" (complete with yellow tape). In protests in March 2010 they urged "citizens' arrests" of health insurance executives.

Although precise figures are still hard to come by, unions spent liberally to promote the Democratic health care bill. AFSCME estimates that it spent more than $10 million in health care advertising and coordinated over 300,000 calls and letters to members of Congress. The AFL-CIO took credit for four million telephone calls and 10,000 visits and calls by union leaders. In the final months of the health care debate, unions combined their efforts with PhRMA, the lobbyist for the pharmaceutical companies in support of health care reform. Together they matched the $17 million spent in swing districts by the U.S. Chamber of Commerce and the pharmaceutical companies.

Union leaders threatened to end the political careers of Democrats who voted against health care reform, backing primary challengers or even third party candidates if need be. SEIU President Andy Stern (about his unexpected resignation, see Labor Notes) looked at congressional districts where Democrats voted against the health care bill the first time around Stern explained to the Politico newspaper in March that those districts "will have the Republican against health care and the Democrat against health care, and [voters who support the bill are] going to ask themselves, 'Where's the candidate that shares my values?'" Stern continued, "I am not the only labor leader looking at what is the price of betrayal."

In New York, the pro-union Working Families Party voted to withhold its support from any congressional Democrat opposed to the health care bill. Because New York state allows political candidates to appear on the ballot as the nominee of more than one party, third parties can exercise considerable power by deciding whether to endorse a major party candidate as their own nominee or select a separate candidate. In districts closely divided between Republicans and Democrats, the decision of a third party can affect the outcome of the election.

The deadline for running a pro-healthcare challenger against incumbents in party primaries had already passed in more than 40 percent of House districts when Andy Stern and the SEIU belatedly threatened wavering Democrats. Still, many incumbents needed union money. Democrats undecided on the health care bill were informed that they needed to make the right decision. "New York Democrat Mike McMahon was visited by a top SEIU official and told that he won't get union funding if he votes 'no,'" reported Wall Street Journal political columnist John Fund. "Indeed, union representatives hinted they might look for a primary challenger or third-party candidate to run in his Staten Island district."

In December healthcare reform had another near-death experience when both houses of Congress passed health care reforms that appeared incompatible with each other. The House version was closer to the unions' goal but it contained provisions that would kill its chances in the Senate: The House bill contained the public option, was friendlier to unionization, and was more costly. By contrast, the Senate bill contained the Cadillac tax and had no public option.

Matters worsened on January 19, when Republican Scott Brown won a Massachusetts special election to fill the Senate seat held for 47 years by Ted Kennedy. Passing a Democratic health care bill was supposed to be the culmination of Kennedy's life work, but Brown won by pledging to be the 41st vote in favor of a filibuster that would "Kill the Bill." Republicans noted that union households broke for Scott Brown by 49 percent to 46 percent, in sharp contrast with the union bosses' one-sided support for Democrats. Health care reform, at least as envisioned by Big Labor, seemed dead. Any chance for passage would require differences to be resolved in favor of the Senate's less radical version of the bill.

Crunch Time

Then came the most critical test for the unions. In order to get the Congressional Budget Office (CBO) to lower the bill's estimated overall cost enough to sway moderate Democrats to support it, congressional leaders and the Obama administration agreed to the Cadillac tax. The threshold for high-end insurance policies to be subject to a 40 percent excise tax was $27,500 per year for families and $10,200 annually for individuals. Those thresholds were supposed to be indexed to the Consumer Price Index plus one percent (because medical inflation tends to outpace the rise in other prices).

To get the cost estimates it wanted from the CBO, the Democratic leadership dropped the extra one percent, which would have the effect of subjecting more health plans to the excise tax over time. Union leaders were not pleased. AFL-CIO President Richard Trumka headed straight for the White House to protest but to no avail. He was forced to tell the AFL-CIO's executive council that he had failed to beat back the excise tax change. Liberals commentators at the "Talking Points Memo" blog asked, "Will unions defect from health care reform?"

Trumka, however, won key concessions that turned out to be enough to hold AFL-CIO support. Besides the eight-year exemption from the Cadillac tax, the Democrats agreed to extend it to non-union workers. This let Big Labor claim the exemption was no "sweetheart deal" for unions. Trumka also got an agreement forcing small construction contractors to provide healthcare coverage for their workers. "We literally helped every worker in the country," a union leader boasted to the Huffington Post. With that, the AFL-CIO executive council threw its full weight behind the health care bill on March 18.

Union support was crucial because it allowed healthcare supporters to confront their final obstacle: the Stupak Dozen, a group of pro-life Democrats in the House. Their leader was Michigan Rep. Bart Stupak, who announced that his bloc was holding out for provisions in the bill prohibiting taxpayer funding of abortion that were more exacting than those in the Senate bill. The Stupak Amendment had already passed in the House but it stood little chance in the Senate, which while more moderate on the issue of health care costs was more liberal on abortion. Observers thought Stupak's bloc would decide whether the bill passed or was defeated.

Pro-Life or Pro-Union?

These Democrats were not only pro-life; they were very pro-union. And they came from districts where organized labor's support was vital. The unions immediately went to work on this last group of wavering Democrats. Unlike other Democratic skeptics of the bill, the Stupak Dozen did not oppose the bill's cost. Indeed, they voted for the public option, which had passed the House. In principle, they favored an even larger role for the federal government in healthcare. By lobbying the pro-life Democrats to support healthcare reform, Big Labor was urging them to put their economic liberalism ahead of their social conservatism.

Consider Bart Stupak's legislative record. The Democrat from Michigan's 1st Congressional District voted with the AFL-CIO 100 percent of the time in 2008 and 98 percent of the time over the course of his career in Congress. On votes that AFSCME, the public employees union, considered essential, Stupak voted 100 percent "right" in 2008 and 95 percent throughout his career. SEIU also rated Stupak's voting record at 100 percent, but it organized protests outside Stupak's Michigan office urging him to relent and support the bill.

Rep. Dale Kildee (D-MI) is another legislator with high ratings both from unions and pro-life groups. He voted with the AFL-CIO 100 percent in 2008 and has a 96 percent lifetime score; AFSCME rates him at 100 percent in 2008 and 87 percent lifetime; SEIU 100 percent in 2008. Kildee also had a 100 percent score from the National Right to Life Committee as recently as 2005-06. But he was one of the first Stupak Democrats to break from the group and declare himself satisfied with the Senate's more permissive abortion funding language.

Most of these so-called "pro-life" Democrats were clearly more pro-labor than pro-life. Ohio Rep. Marcy Kaptur has a mixed record on abortion: In 2007-08, she voted with the National Right to Life Committee 57 percent of the time and with NARAL Pro-Choice America 50 percent, about as split down the middle as you can get. Her NARAL ratings have ranged from a high of 100 percent in 2006 to a low of 35 percent in 2004. But she is consistent when it comes to voting with the unions: Kaptur was with the AFL-CIO 100 percent in 2008, 95 percent over her career; with AFSCME 100 percent in 2008, 93 percent lifetime; and 100 percent with SEIU.

By the March 19-21 weekend of the decisive House vote, the unions and other supporters of the health care bill had succeeded in winning over about half of the pro-life liberall Democrats. Not good enough. "The Hill" newspaper counted 39 Democrats opposed to the bill, which was exactly enough to defeat it. The remaining Stupak Democrats would make all the difference, and they forced negotiations over abortion language to continue until the last minute.

In the end, the healthcare bill became law because the Stupak Democrats agreed to support the bill in exchange for an executive order by the President saying that there would be no taxpayer funding of abortion under the health care bill. Stupak announced that he would vote for the bill and the only lone standout of his original dozen to hold firm against the bill was Rep. Daniel Lipinski (D-IL).

It's not possible to know the exact role the unions played in securing the critical change in the vote count, but consider this: Six Democrats joined Stupak in switching their votes from No to Yes. They were Illinois Rep. Jerry Costello (100 percent pro-AFL-CIO and SEIU in 2008, 93 percent career support for AFL-CIO interests); Indiana Rep. Joe Donnelly (100 percent pro-SEIU, 87 percent pro-AFL-CIO in 2008 and career); West Virginia Rep. Alan Mollahan (100 percent pro-SEIU and AFL-CIO in 2008, 95 percent career support for the AFL-CIO); West Virginia Rep. Nick Rahall (100 percent pro-SEIU and 93 percent pro-AFL-CIO in 2008 and throughout his career). Pennsylvania Rep. Kathy Dahlkemper and Ohio's Steve Driehaus are both new to Congress but are seen as reliable pro-union votes.

First Jubilation, Then Revenge

The collapse of the pro-life Democrats put the healthcare bill over the top. The union-requested exemption for the Cadillac tax later passed the Senate through the reconciliation process. Union leaders were pleased. "Today there is light at the end of a dark tunnel for so many in our country who have worked hard to support their families, but still cannot afford the health care they deserve," said the AFL-CIO's Trumka, who celebrated the "momentous" House vote of 219 to 212.

Communications Workers President Larry Cohen called the law "an important opportunity to repair America's broken health care system." AFSCME President Gerald McEntee declared this "historic vote marks a major milestone in the struggle to break the power of the insurance industry and provide quality, affordable health care for millions of American families."

Teamsters President James Hoffa enthused, "This is a victory for grassroots politics that honors the dignity and well being of all Americans above the profits of our powerful insurance companies." SEIU's Stern said, "Congress stood up for the people," recalling when 20,000 members of his union marched across the Golden Gate Bridge demanding health care reform.

But the unions won't be satisfied until there are reprisals against the 34 Democrats who voted against the healthcare bill. Some, like Rep. John Adler (D-NJ) have solid pro-union voting records. Adler voted with the AFL-CIO 100 percent of the time in 2009. His SEIU score is 90 percent. But Adler could lose union support in the upcoming elections. "Like the Civil Rights Act, Social Security and Medicare, it is a defining bill, considering the effect it will have on the middle class," AFL-CIO political director Karen Ackerman told the Hill.

Eleven Democrats who voted No have AFL-CIO ratings of at least 90 percent in 2009. Only two voted with the AFL-CIO less than half the time. But all may face primary challenges—even Massachusetts Rep. Steven Lynch, a former local union president who said he opposed the bill in part because of the Cadillac tax.

The unions are not likely to become complacent in victory. AFL-CIO President Richard Trumka called passage of healthcare law only a "momentous step toward comprehensive health care reform," not the end of the journey. Trumka echoes President Obama, who called the law "a critical first step." Obama added, "It's not going to be the only thing."

Big Labor will make sure of that.

W. James Antle III is associate editor of the American Spectator and a frequent Labor Watch *contributor.*

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Many thanks,

Terrence Scanlon
President

LaborNotes

Andy Stern has confounded us. On April 14, the president of the **Services Employees International union**, who almost single handedly built the union up to its current place of prominence within the organized labor, announced that he will step down. Stern claimed to have no plans, other than to serve on President **Barack Obama**'s deficit commission, and to see to his family. Former *Labor Watch* editor **Ivan Osorio** speculated on the **Competitive Enterprise Institute**'s blog that Stern "may be getting off the Titanic that is SEIU before it runs headlong into the proverbial iceberg in the form of severely underfunded pensions."

In his SEIU farewell video message explaining his departure, Stern praised Obama's recess appointment of **Craig Becker** to the **National Labor Relations Board**. Becker, a lawyer for both the **AFL-CIO** and SEIU (and, in the latter capacity, **ACORN**), once wrote that "Just as U.S. citizens cannot opt against having a congressman, workers should not be able to choose against having a union as their monopoly-bargaining agent." He is now a voting member of the agency that is charged with overseeing American unionization elections.

Who will replace Stern as SEIU president? One strong candidate is **Anna Burger**, the Secretary-Treasurer of the SEIU and head of the **Change to Win** coalition.

Finally some good news in the job market. In March, employers added 162,000 jobs, according to the **Bureau of Labor Statistics**. If those numbers hold through future revisions, this could be the beginning of a significant recovery. However, **Heritage Foundation** analysts **James Sherk** and **Rea Hederman** caution, "the economy is not yet growing fast enough to lower the unemployment rate" below 9.7 percent.

We know that public sector unions bid up the cost of government services. Do they also increase government debt? The answer, according to **Cato Institute** scholar **Chris Edwards**, is yes, and he's got proof. In an analysis that appeared on the Cato at Liberty blog on April 5, Edwards shared a scatter plot graph of all 50 states with readers and told us what it all means. "[A]s the union share increases," he wrote "a state tends to have a higher government debt load."

As the Labour government in Britain heads into a general election next month, Prime Minister **Gordon Brown** has a public employee union problem on his hands. The **London Telegraph** reported that **Mark Serwotka**, general secretary of the **Public and Commercial Services Union**, had said in an address to the **National Union of Teachers** that "this is the worst government in the history of this country. … I can tell you absolutely that even though I worked on the frontline under the governments of **Margaret Thatcher** and **John Major**, all of our members tell us there has never been a worse time to be a civil servant than under the current government."