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Union Power's Negative Consequences for Pittsburgh Region

A transit system in severe financial distress, the state's second largest City under state supervision for its financial difficulties, and school taxes that are economically debilitating for many communities. What do all of these problems have in common? Overwhelming union control, that drives excessive spending and takes away normal management ability to operate in an optimally efficient and cost effective manner. The union power derives from state laws that give them the right to strike and shut down vital public services and, in the case of public safety, a binding arbitration system that is designed to create an imbalance of bargaining power in favor of the unions. In all these union favoring laws, Pennsylvania is way out of step with most other states.

The impact of these problems is not limited to the public sector. The region's private economy also suffers because of the high taxes that must be paid to support the out-of-line expenses in the public sector. Moreover, the prevailing union mentality in the region's private sector is no help either as the recent blocking of a work site at Point State Park vividly illustrates. The disturbance was prompted by the contractor's use of four non-union workers even though they must be paid prevailing wages while working on a state funded project. Obviously, for the union the issue goes beyond wage rates and reflects a demand for control of worksites.

But all this entitlement mentality comes at a cost. For example, the latest jobs numbers show that from December 2005 to December 2006, the number of private sector jobs in the Pittsburgh region increased by a meager 0.3 percent with only 3,900 net new employees added to payrolls. While elected officials and other cheerleaders in the community might applaud this increase as a sign of progress, the harsh reality is that Pittsburgh region job gains lag well behind national growth rates as well as those of many metro areas across the country. Unfortunately, anemic job growth has been a problem in Southwest Pennsylvania for many years as the region continues to be hobbled by interventionist government policies and a poor labor climate. Over the last five years, from December 2001 to December 2006, private sector payrolls in the Pittsburgh metro area managed to eke out a paltry 2,300 jobs, or 0.2 percent.

In contrast, private sector payrolls nationwide expanded by 1.4 percent from December 2005 to December 2006, representing a gain of 1.6 million jobs, and have risen four percent over the last five years—eight times faster than the Pittsburgh region. Helping to boost national growth by offsetting the weak performance in many north central and northeastern states, states and metro areas in other parts of the country have posted very strong growth. For instance, both Boise, Idaho, and Nashville, Tennessee have experienced job growth at well above the national pace. Over the past year Boise's private sector added more than 10,500 people to payrolls for a percentage gain of nearly five percent and over the last five years has seen a whopping 18.8 percent jump in payroll jobs. Meanwhile, Nashville enjoyed a 15,300 job hike (2.3 percent) over the last year and an 11.3 percent gain from the five year ago level.

These two metro areas have two important factors in common. They are located in Right-to-Work states and do not allow teachers to strike. Those two limits on the power of unions to dictate public policy and drive the cost of government undoubtedly go a long way to explaining why there is such a disparity between Boise and Pittsburgh in terms of job growth. Further, these factors are key indicators of a state's overall public policy stance toward limiting union power.

Even in Pittsburgh, the private sectors of the economy that are less encumbered with union influence have managed to record somewhat respectable, albeit still below national, job growth rates. Examples include the finance sector, professional services, and eating and drinking establishments. The region's biggest job growth has occurred in the education and health care sector. Indeed, without this sector, the region would have been a significant net loser of employment. Fortunately for health care providers, huge amounts of federal and state government funding are creating enormous growth in demand for services, which in turn translates into ever-expanding demand for employees. In this case, the drag presented by unions is being overwhelmed by government spending.

Recent reports show that across the country union membership is on the decline. The U.S. Labor Department notes that in 2006, U.S. labor unions lost 326,000 members, dropping the number of employed workers belonging to unions to 12 percent and in the private sector to a mere 7.4 percent. And even though there was a nationwide dip in the percentage of public sector workers belonging to unions, the percentage of Southwest Pennsylvania's public sector employees who are represented by unions is close to 60 percent. That means the vast majority of employees who are eligible to be in a union are members. Thus, despite the nationwide decline in union membership, the union hammerlock on Southwest Pennsylvania's governance and economy is still very much intact.

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