



WFI Memo

To: WFI Team & Interested Parties

From: WFI Staff

Re: Potential Impact of the Employee Free Choice Act on Union Spending Political Activities

Summary

Enactment of the Employee Free Choice Act (EFCA) would fuel a significant increase in labor union spending on political activity. Based on a union projection of increases in total membership and an estimate of the resulting union dues generated from that increase going to political activity, EFCA could result in at least \$1.7 billion (in 2009 dollars) in additional political spending by labor unions over a 10-year period. This increase in union political spending would represent a relatively small percentage of the overall expansion of at least \$35 billion in total union revenue that EFCA would produce over a 10-year period if implemented.

Seeking higher rates of unionization and the associated increase in clout and influence, organized labor is pushing to enact policy designed to augment union ranks. EFCA, the legislative vehicle devised to accomplish this task, would change current law to make it easier for unions to gain a foothold in non-union workplaces. Most notably, the bill would eliminate secret ballot organizing elections and would mandate government-directed arbitration should collective bargaining fail during a designated time period.

If Congress passes and President Barack Obama signs EFCA, unions would have even more to spend on political activity – more organization, more paid media, more lobbying, and better grassroots – giving unions far greater resources to help drive the labor agenda through Congress and the states.

Greater financial resources to tap if EFCA becomes law

With the passage of EFCA, union membership likely would grow significantly, as would the total amount of money collected in union dues. Consider:

Impact of EFCA passage on total union membership and union finances

Today, approximately 16 million Americans, or 12.4 percent of the nation's workforce, are unionized.¹ Although there are a range of estimates on the extent to which EFCA would expand union membership, the consensus view points to a sizable increase. As labor law Professor Charles Craver of George Washington University noted, "If it [EFCA] passes, it will give labor a big boost."²

Service Employees International Union (SEIU) President Andy Stern, for example, projected unions would grow by 1.5 million members annually for the next 10-to-15 years with passage of EFCA.³ Others have also suggested membership increases into the millions.⁴ What is clear is that any net increase in union membership would increase total union dues receipts. While predicting the exact increase is a complex challenge given uneven union densities across sectors and industries and disparate dues levied by various unions, estimates using available data can allow for a reasonable range of a projected rise in post-EFCA union receipts.

A recent estimate of the average union dues among the top 15 unions by *Labor Notes* suggests that as of 2004, dues amounted to \$377 in 2004, or about \$425 in today's dollars. The study also notes that this average is lower likely because of the inclusion of retired, nominal dues-paying members.⁵ An earlier study by the Employment Policy Foundation determined that average local union dues in 1995 in a non-right-to-work state were approximately \$425 per year.⁶ A second study by Professor James Bennett of George Mason University found average per capita receipts in 1987 to be \$504.⁷ Adjusted for inflation, these estimates are \$593 and \$943 in today's dollars respectively.⁸ A random sample of disclosure information filed with the U.S. Department of Labor taken in a 1996 study produced a range of per capita receipts from \$989 to as high as \$2,817, in 2009 dollars.⁹ According to the UAW, dues for a typical autoworker were \$552 as of 2000, or about \$682 in today's dollars.¹⁰ At the very least, these samples suggest that the national average estimates are reasonable and potentially understate union dues receipts. Therefore, assuming membership growth of 1.5 million per year and the lower average dues estimate (\$425), enactment of EFCA would increase union receipts by \$637,500,000 per year.

These increases would be spread throughout various organized labor unions and would accordingly be devoted to political activity at highly varying degrees. Indeed, some unions may devote their receipts entirely to collective bargaining, or non-political activity. However, some unions likely would devote a higher percentage of their receipts to political activity.

¹ <http://www.bls.gov/news.release/union2.nr0.htm>

² <http://www.nytimes.com/2007/02/23/us/23labor.html?pagewanted=print>

³ http://www.inthesetimes.com/article/3379/has_the_change_led_to_wins/;
<http://cei.org/articles/card-check-key-union-control-us> (4/28/09)

⁴ <http://www.press.uillinois.edu/journals/lera/proceedings2006/friedman.html>;
http://www.ourfuture.org/files/z_historic/EFCA/UnitedStatesofAmerica.pdf;

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1353305

⁵ <http://www.labornotes.org/node/908>

⁶ <http://www.mackinac.org/archives/1997/S1997-01.pdf>

⁷ James Bennett, "Private Sector Unions: The Myth of Decline," *Journal of Labor Research*, Vol. 12, No. 3 (1991)

⁸ Inflation adjustment calculated using the U.S. Dept. of Labor, Bureau of Labor Statistics CPI Calculator.

http://www.bls.gov/data/inflation_calculator.htm (accessed 4/28/09)

⁹ <http://www.heritage.org/research/governmentreform/bg1087.cfm#17>

¹⁰ <http://www.uaw.org/about/itpays/pays03.html>

In *Communications Workers v. Beck*, for example, the union at the center of the lawsuit was spending roughly 80 percent of dues on political activity.¹¹ Further data suggest the average ratio is much lower. In 1984, the Chicago Teachers Union, in response to an earlier court ruling, created an advanced refund of five percent of dues to any non-member dues payer objecting to political uses of dues.¹² This figure was devised wholly by the union, without audit, and likely represents the lower bound of the ratio of expenditures on political activity. However, as an explicit, documented case it provides a useful benchmark for a conservative estimate of the percentage of union political spending.¹³ One study suggests that when dues payers exercise their *Beck* rights, and contest the usage of their dues on political activity, they should receive a standardized reduction in dues of 15 percent.¹⁴ While this reflects *Beck* compliance costs for unions instead of their political spending, to the extent it meets the “market test,” among unions it could be viewed as another reasonable benchmark of non-collective bargaining-related expenditures by unions.

The table provided in the appendix (see appendix page 5, “Projected Financial Impact of EFCA on Union Political Spending”) shows the range of outcomes based on the variables addressed above. As the table indicates, EFCA alone could result in \$1.7 billion to \$11.7 billion (in 2009 dollars) in additional political spending by labor unions over a 10-year period.

Consequences of larger union political budgets

According to the Center for Responsive Politics, union Political Action Committees (PACs) and individuals affiliated with labor unions contributed over \$74 million in 2008, and over \$61 million in 2004, to candidates and political parties.¹⁵ However, this represents a fraction of total political spending because these figures do not take into account independent expenditures and other political activities. For example, the SEIU reportedly spent \$85 million in the last election cycle.¹⁶ But aggregate data on union spending is obscured by the numerous avenues for political expenditure – direct contributions, subsidized employee activism, independent expenditures, and other activities. Estimates vary on the size of these expenditures. A 1996 study estimated that unions spent half-a-billion dollars per election cycle.¹⁷ Other estimates suggest that total union political spending in 2004 totaled \$925 million and well over \$1 billion in the 2007-08 election cycle.¹⁸

To provide some perspective on the magnitude of at least \$1.7 billion in new union political spending over 10 years, the 2008 presidential campaigns for then Senator Obama and Senator McCain spent a total of \$760 million and \$387 million, respectively.¹⁹

¹¹<http://www.cato.org/pubs/regulation/regv21n2/beck2-98.pdf>

¹² *Teachers v. Hudson*, 106 S.Ct. 1066 (1986)

¹³ <http://www.cato.org/pubs/pas/pa-174.html>

¹⁴ William H. Volz and David Costa, "A Public Employee's 'Fair Share' of Union Dues," *Labor Law Journal* 40, no. 3 (March 1989): 131-37. Cited in Baird, *op. cit.*

¹⁵ <http://www.opensecrets.org/overview/blio.php>; <http://www.opensecrets.org/bigpicture/blio.php?cycle=2004>

¹⁶ <http://online.wsj.com/article/SB124243785248026055.html>

¹⁷ <http://www.unionfacts.com/articles/unionPolitics.cfm>

¹⁸ <http://www.unionfacts.com/articles/unionPolitics.cfm>; <http://www.nrtwc.org/nl/nl200812p5.pdf>

¹⁹ <http://www.opensecrets.org/pres08/expend.php?id=N00009638&cycle2=2008&goButt2.x=11&goButt2.y=9>;
<http://www.opensecrets.org/pres08/expend.php?id=N00006424&cycle2=2008&goButt2.x=13&goButt2.y=3>

If passed, EFCA would furnish unions with more resources to spend on political activity. For example, unions likely would also boost independent expenditures for and campaign contributions to candidates sympathetic to the philosophy and congressional agenda of the labor union leadership.

It is worth noting that members of Congress who voted for the Employee Free Choice Act in 2007 took in “10 times more on average from union PACs during their careers (\$862,065) than those who didn’t (\$86,538).”²⁰ (See appendix page 6, “Union Support for Members of Congress.”)

Now the unions are expecting a return on their political investment. As Gerald McEntee, president of the American Federation of State, County and Municipal Employees (AFSCME), bluntly put it soon after the 2008 election, “The payback would be Employee Free Choice Act...”²¹

This cycle suggests that through EFCA unions seek to create a self-perpetuating funding mechanism that generates greater revenue to be invested in political activity designed to yield changes in law that yield even greater flows of dollars to unions.

Conclusion

EFCA’s passage into law could generate billions of additional dollars for unions to spend on political activity to advance their agenda. And for those union leaders whose pension funds have been mismanaged, EFCA’s passage would also amount to a massive government-engineered bailout of their financial mismanagement (see appendix page 7, “Total EFCA-Generated Receipts Over 10-Year Period”). With the stakes so high, unions have every incentive to continue a full-court press to get EFCA through the Congress.

²⁰ <http://www.opensecrets.org/news/2009/02/labor-and-business-spend-big-o.html>

²¹ <http://www.washingtontimes.com/news/2008/dec/18/blagojevich-link-stings-even-rival-union/>