



Wisconsin Protests: The Reforms, the Reality

As the intense protests in Wisconsin move into their second week, The New American took a look at Gov. Scott Walker's proposed reforms, critics' claims, as well as the fiscal situation of the state. It turns out state and local governments are facing massive deficits, and the unfunded government-employee pension liabilities are enormous. The so-called "budget repair bill" would aim to start solving some of the problems.



In a nutshell, the legislation that prompted the original outburst would force most state employees to contribute more to their pensions and health benefits than they currently do. When all of the increases are taken together, the changes would result in about an eight percent decrease in take-home pay for most government personnel, excluding public safety workers like police and firefighters.

The bill would also prohibit most government workers from collectively bargaining for anything other than their salaries, or from demanding pay increases above the Consumer Price Index measure of inflation. To bypass the salary cap would require voter approval. Additionally, the bill would stop unions from forcing public employees to pay dues. It would also cut some spending in an effort to rein in the state's massive budget deficit.

Gov. Walker explained the situation in a speech to legislators: "Most state workers only pay about 6 percent of their premium costs for their health care plan," he said. "Asking public employees to make ... a premium payment of 12 percent, which is about half of the national average, would save the state more than \$30 million over three months." In reality, the 12 percent figure is even less than half of the average. A study by the Kaiser Family Foundation found that the national average contribution toward healthcare policies among government and private-sector workers was almost 30 percent.

In addition to the increased contributions from state- and local-government workers toward their healthcare premiums, Gov. Walker's plan would force the employees to pay almost six percent of their salaries toward pension costs, up from less than one percent right now. Making a comparison here is difficult.

The vast majority of workers in the private sector don't even have pension plans. Often-volatile and non-guaranteed retirement benefits such as 401(k) plans are the norm among the non-government workers who do have any sort of employer-sponsored retirement package. But among government employees nationally, Walker's 5.8 percent-contribution proposal still falls short of the average, which is around 6.3 percent.

As Gov. Walker put it in his speech to legislators: "Most workers outside of government would love a



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deal like that — particularly if it means saving jobs." And that is almost certainly true.

Of course, many government employees argue that they receive such generous health insurance and pension plans — not to mention virtually assured job security — due to generally lower pay than their private-sector counterparts. Various organizations have produced studies which purport to prove and disprove the allegation. But based on some anecdotal evidence gathered from Wisconsin, government workers are very well paid to say the least, even considering that workers like teachers, for example, have at least a four-year degree.

In Milwaukee, the [MacIver Institute](#), citing local authorities, offered some startling numbers: the average Milwaukee teacher will receive more than \$100,000 in 2011 compensation, plus several months of paid vacation. More than \$55,000 of that is salary.

Meanwhile, the average per capita income for Milwaukee residents is below \$20,000 per year (though this is admittedly dragged down by the large number of welfare recipients in the city). On top of that, non-government workers generally only have a few weeks of vacation per year.

Average teacher [compensation](#) throughout the state is well above \$75,000 including several months of paid vacation. For Americans in private industry, average compensation including benefits is around \$58,000, according to a [study](#) by the Bureau of Labor statistics.

Government-worker unions in Wisconsin have, for the most part, agreed to the increased contributions. The main problem for the protestors deals with their unions.

The reform legislation's most controversial parts would curtail the power of most state and local employee unions. According to [the proposal](#): "This bill limits the right to collectively bargain for all employees who are not public safety employees (general employees) to the subject of base wages. In addition, unless a referendum authorizes a greater increase, any general employee who is part of a collective bargaining unit is limited to bargaining over a percentage of total base wages increase that is no greater than the percentage change in the consumer price index." Under the plan, government workers would also vote every year on whether they wanted to keep their unions.

There are, of course, many fiscal reasons for reducing the grip of unions on government coffers, in addition to the fact that it takes far too long to solve the very urgent problems. Gov. Walker outlined a number of examples in [a series](#) of [press releases](#) posted on his office's website.

For one, state education unions prevent massive healthcare cost savings by forcing many employees into inefficient union-run plans. Another specific example: corrections employees collectively bargained for a provision to allow workers who called in sick to earn overtime if they showed up for work the same day. The scheme bilked taxpayers for millions of dollars.

Another problem caused by collective bargaining involves scheduling of workers, which in many cases is based on union dictates instead of operational needs. Collective bargaining also prevented the exploration of more efficient options through privatization, according to the data released by the governor's office. And according to Walker, [local governments could realize large savings](#) through union reform as well — up to \$700 million per year — providing more flexibility to deal with fiscal realities.

But protestors swarming Madison don't see it that way. And some of their claims about the proposal and Gov. Walker's efforts, it turns out, are misleading at best. For example:

- Protestors are insisting that their collective-bargaining "rights" are being infringed upon. Of



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course, what they are really referring to is, in fact, a government-created privilege: the ability to continue demanding ever-greater amounts of taxpayer wealth. Nobody has an unalienable right to force their employer, let alone the taxpayers, to continue handing over more and more money. Plus, the bill does not even abolish unions, it just curtails their powers in a way that Gov. Walker insists is necessary to balance the budget.

- Numerous protest leaders and media commentators have suggested the budget crisis was invented as a pretext to go on a “union busting” spree. Leftist MSNBC personality Rachel Maddow, on February 17, [clearly misled viewers](#) when she said: “Despite what you may have heard about Wisconsin’s finances, the state is on track to have a budget surplus this year.” The facts prove these and similar claims false. Former Wisconsin Democrat Gov. Jim Doyle, along with Democratic legislators, managed to conceal the problems for years by [raiding various state funds](#), ranging from road-building money to a medical-malpractice compensation fund. And with federal “stimulus” money running out, the problem only grew larger: over the next two years, the state has at least a \$3.6 billion budget deficit — probably more. Estimates on the longer-term cost of unfunded state-employee pension liabilities for Wisconsin vary widely, but somewhere around [\\$63 billion](#) seems to be the consensus.

- Another popular talking point used by protestors and their allies is that Gov. Walker and Republican lawmakers caused the budget crisis by passing a tax cut earlier this year. That, too, [turns out to be false](#) upon closer scrutiny. In fact, the tax break does not affect 2011’s budget at all, since it does not apply for this fiscal year.

- National organizations and talking heads attempting to drum up support for protestors have repeatedly said the reforms represent an “attack” on “the American Dream” or the “middle class.” While no single established definition exists for either term, the “American Dream” is almost [universally understood](#) to mean that the country’s freedom provides the opportunity to chase one’s dreams and eventually achieve success, regardless of circumstances or birth. Middle class is generally understood to mean the broad segment of society that is neither wildly rich nor poor — not government workers or their unions. Efforts to redefine the concepts to encompass government-union organizing or bloated state compensation packages should clearly be seen as disingenuous.

Considering the bleak fiscal situation facing the state, GOP leaders have warned that if the problem is not solved soon, the government could be forced to lay off workers — [possibly more than 10,000](#). Borrowing more money could be an option, too, but it would not be sustainable. Another temporary option to delay solving the fiasco would be to — like the federal government regularly does with the Social Security “trust fund” — raid other state funds. But that’s [already been done](#), and it doesn’t seem like Gov. Walker is interested in kicking the can down the road.

Of course, unions and socialists are [urging](#) the government to raise taxes on businesses and “the rich.” But as history and the facts show, such a move would simply exacerbate the problem by chasing more productive people and a larger segment of the tax base out of state, or forcing more firms out of business. But the looming crisis can only be concealed for so long, and if it is not dealt with, analysts warn that it will be even more painful to face in the coming years and decades.

Photo: Wisconsin Gov. Scott Walker rehearses his fireside speech at the state Capitol in Madison, Wis., Feb. 22, 2011: AP Images

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