Unions, Politicians, and the Public Interest: Retrenchment in the Public Sector

LAWRENCE SPIZMAN  
State University of New York-Oswego, NY 13126

JAMES CICARELLI  
State University of New York-Fredonia, NY 14063

The growth of the public sector that has continued nearly unabated since the end of World War II is coming to an end. This apparently will set the stage for a classic confrontation between public sector unions, vote-maximizing politicians, and the general public. Using an employment multiplier approach, we show that the conflict is largely illusionary. Because of a fortunate coincidence, retrenchment in the public sector is likely to be carried out so that no one group will be grievously offended.

I. Introduction

The growth of the public sector that has continued nearly unabated since the end of World War II is coming to an end posing a particularly thorny problem for elected state and local officials: How can the public sector be reduced in a way that will minimize the impact of unemployment on the economy without jeopardizing the re-election of those public officials who initiate the cutbacks?

In terms of both financial and nonfinancial resources, public sector employees who belong to unions are often among the staunchest supporters of many elected state and local officials. Yet, it is the ranks of this cadre that must be thinned if these same officials are to carry out the wishes of the electorate. Is there a conflict here between duty and virtue? We find that the dilemma is more apparent than real. Specifically, the retrenchment strategy of vote-maximizing officials who seek to minimize the political impact of cutbacks will not differ appreciably from that pursued by public-minded officials who engineer curtailments in order to minimize the economic consequences for society.

II. Retrenchment and the Vote-Maximizing Official

In light of recent events at the federal level, the question for state and local governments is not whether public services should be reduced, but where and by how much. The phenomenal growth of the public sector since 1947 is being reversed as an emerging political consensus demands a relative, if not absolute, decline in taxes at all levels of government. As state and local governments face
budget deficits, the choice between raising taxes and cutting services becomes an important policy issue. In the early 1980s, most politicians appear to believe that it is politically expedient to cut services, but this method of balancing the budget raises many questions as different constituencies fight to maintain their share of the shrinking fiscal pie.

Regardless of how politicians decide to reduce the public sector, there will necessarily be a loss of public sector jobs. Given this, one can be certain that public sector unions will exert as much pressure as possible to preserve the jobs of their members. The strength of unions in the public sector is their ability to influence the elected officials who make public employment decisions.

There is a great deal of competition among public sector unions for the budget shares that are allocated to the functional occupations they represent (Summers, 1974). All employee groups use their political bargaining power to maintain their share of the budget pie at the expense of politically weak groups. If a union successfully blends its political strength with its ability to have client/voter groups join their struggle then retrenchment will be less relative to other groups.

When dealing with elected public officials who are vote maximizers, unions who can "deliver the vote" have the potential to influence employment decisions. Unions do more than influencing their members' voting patterns (Haefelo, 1971), however; they also contribute resources to help finance election campaigns. The financial resources are often more critical than union member votes, since they can be used to influence the voting patterns of the general population.

Wellington and Winter (1971) first proposed that public sector unions can influence state and local governments, an hypothesis that has recently been supported by Edwards and Edwards (1982). Both papers argue that because public sector unions are able to pressure politicians, they have a competitive advantage over their private sector rivals. There is no reason why the Wellington and Winter proposition cannot be extended to include competing public sector unions that try to limit job losses due to budget cutbacks.

Ehrenberg (1973) argues that the suppliers of public services are often monopolies so unions try to get a monopoly rent for their members. Edwards and Edwards (1982) discuss how unions can use their power to capture some or all of this rent. Taking the argument one step further, the most organized and hence the most powerful (Spizman, 1980) public sector unions will try to recover as much monopoly rent as they can at the expense of weaker and less well-organized

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1Pressure is reflected by the size of the work force the unions represent. As of 1977, more than 4.7 million full-time state and local government employees belonged to employee organizations, representing 47 percent of total employment. This figure has declined from 50 percent of all state and local employees belonging to labor organizations.