

Mitchell's Musings 5-25-15: A Necessary But Not Sufficient Explanation

Daniel J.B. Mitchell

You have probably seen the headlines about the Los Angeles city council adopting a minimum wage ordinance that would raise the minimum in steps to \$15/hour by 2020.¹ There has been the usual debate about the impact of the minimum, i.e., would it cause job loss or reduced hours or how well does it target low-income families as opposed to low-wage workers? Raising the wage in the City of Los Angeles is more complicated than doing it at the state or federal level. The City is part of a larger metropolitan area in Los Angeles County with over 80 other cities and unincorporated areas and so the impact of raising the wage in one city depends partly on what the other areas do.

However, much of the attention has been focused on the political side. The standard view is that the minimum wage increase in LA is a sign of the increased influence of organized labor which backed the wage hike. And it comes in the context of other political events in California, not just in LA, in which union political influence has been at issue.

It should be noted that the notion that all politics are local comes into play in such discussions. For example, there was recently a city council election in LA in which an "outsider" candidate up-ended another candidate said to be favored by the political establishment. But if you look at that race, you find that both the outsider and the insider had union support, albeit support from different unions. And the issue on which the outsider ran was a local concern about excessive development in the council district.²

It is certainly the case that even when unions side with just one candidate, their pick does not automatically win. In the San Francisco Bay Area recently, two Democrats ran against each other as part of the state's "top-2" non-partisan electoral system.³ One of them, however, was the target of union enmity, apparently due to his earlier opposition to a transit strike and certain other activities. But he nonetheless won the race for a seat in the California state senate despite heavy union support for his opponent. The result has been debate on whether union influence is now on the wane in California.⁴ A more accurate view, however, is that influence ebbs and flows and nothing is a sure thing in close political contests.

¹<http://www.latimes.com/local/lanow/la-me-ln-minimum-wage-hike-20150518-story.html>

²Details of the race are at: <http://www.latimes.com/local/lanow/la-me-ln-polls-close-20150519-story.html>; <http://www.latimes.com/local/lanow/la-me-ln-strong-support-in-koreatown-propels-david-ryu-to-la-city-council-victory-20150520-story.html>; <http://www.latimes.com/local/lanow/la-me-ln-strong-support-in-koreatown-propels-david-ryu-to-la-city-council-victory-20150520-story.html>.

³Voters by ballot proposition created the top-2 system. There is first a primary in which all candidates, regardless of party, run against one another. The top-2 vote getters then oppose each other in the general election. Because the primary is non-partisan, the top-2 candidates may both be from the same political party.

⁴For details, see <http://www.sacbee.com/news/politics-government/article21331569.html>; <http://www.sacbee.com/news/politics-government/capitol-alert/article21451875.html>; <http://www.latimes.com/local/political/la-me-pc-labor-state-senate-democrats-20150520-story.html>; <http://www.foxandhoundsdaily.com/2015/05/steve-glazer-won/>.

Coming back to the LA area, but this time in the school district, there was a recent race for two seats on the district board. The teachers' union backed a candidate in both races. One won and the other – opposed by a candidate linked to the charter school movement – lost.⁵ As in the Bay Area case, the outcome led to political analyses concerning union influence in elections and whether the election signaled a rise or fall of such influence.

It is stating the obvious to note that unions can influence elections through monetary contributions and direct get-out-the-vote actions. Apart from elections, unions can lobby and mobilize support for legislative actions at the local, state, and federal levels. But is there more than that which can be said and which the current political debates are missing?

If we go back to the public policies that emerged from the Great Depression of the 1930s, there was a mix of public regulation combined with an assumed role that unions would play in the labor market. In essence, certain minimums and safety nets were established by law, e.g., the federal minimum wage, unemployment insurance, and Social Security. But it was widely assumed that workplace standards above the minimums would be set through collective bargaining once the federal government, through the Wagner Act of 1935, set the ground rules for union representation elections and for bargaining.

As is well known with hindsight, unions certainly became more influential over time in setting workplace standards. But they never achieved significant penetration in some sectors of the economy and in the southern states. And after the 1950s, their position in the private sector began to erode, a process of decline that accelerated in the 1980s and continues. Public sector unionization, which grew in the 1960s and beyond, initially tended to mask the private decline. But nowadays, the image of a union worker is more likely to be a teacher or police officer than a factory operative.

The upshot is that as the realities of the labor market depart more and more from the Great Depression-era assumptions underlying public policy, i.e., that unions would be the primary instrument of private employment regulation. A vacuum has developed. Unions regulate only a small fraction of private employment and so there is latent pressure for governmental regulation to fill the vacuum. I use the word “latent” because absent an organizing force, the ability to express those pressures is lacking.

What has occurred in California is that although private sector union decline has followed the national trend, public sector union coverage has exceeded the national average. Private unions have only a limited direct influence in the workplace in California, but they are linked to public sector unions which provide a base for developing political influence. Indeed, one of the largest and most influential unions in California is the Service Employees International Union (SEIU), which has both public and private membership.

In short, to some extent the bargaining role of unions and the political approach to labor market regulation are substitutes. As the former has declined in the private sector, there is latent pressure for the latter. And in California, in part because of union strength in the public sector, unions provide a mechanism for activating that latent pressure. In short, unions are necessary to activate the latent pressures for workplace regulation. But they tend to do so when they have limited influence in affecting

⁵For details, see <http://www.latimes.com/local/education/la-me-laUSD-election-money-20150515-story.html> and <http://www.latimes.com/local/lanow/la-me-ln-first-for-la-charters-20150520-story.html>.

conditions in private employment via bargaining. Overall strength but private weakness are the necessary and sufficient conditions for the kind of political activity seen in LA and California.

At least in states which have a significant public sector union base, you are likely to see more emphasis on legislative labor market regulation. The line between what is a floor minimum standard and what is something more will tend to blur. For example, at the state level in California, there is a bill pending in the legislature at this writing requiring that fast-food restaurants give employees two weeks advance notice of their work schedules.⁶ More broadly, there is a current push to create requirements for paid sick leave nationally.⁷

Under the old Great Depression model, such conditions of work were expected to be left to collective bargaining. Now they find their way to legislatures and city councils.⁸ Under the old model, there was an element of imitation in union-management settlements, i.e., features negotiated in one contract might be adopted in another. The same thing now tends to happen in regards to political regulation. All politics are local but they tend to spread from one locality to another.

⁶http://www.leginfo.ca.gov/pub/15-16/bill/asm/ab_0351-0400/ab_357_bill_20150501_amended_asm_v93.pdf

⁷<http://www.sfgate.com/nation/article/Paid-sick-leave-emerging-as-next-front-in-6273938.php>

⁸At one point in the enactment of the Los Angeles minimum wage, there was also going to be some form of paid leave. It was dropped from the recently enacted law but may return as a supplement.