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Laboring Against Working Americans: Congress Should Not Cut the Office of Labor-Management Standards

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On Labor Day, Americans traditionally celebrate organized labor's role in fighting for better working conditions, but some labor leaders misuse their positions for personal benefit. Since 2001, government investigators have charged hundreds of senior union officials with embezzling their members' dues, and now unions are using their influence in Congress to reduce the budget of the Office of Labor-Management Standards (OLMS), the department in charge of investigating union corruption. Congress should not cut funding to the OLMS. Instead, Congress should stand up for working Americans and protect them from union leaders who treat members' dues as their personal property.

Organized Labor Has Lost Its Way. Union officials are using their political clout with the Democratic Congress to cut the funding of the one agency charged with holding them accountable to their members. The House of Representatives recently voted to cut the \$48 million budget of the Office of Labor-Management Standards by \$2 million, even as it increased funding for the rest of the Department of Labor by \$900 million more than the President requested. The OLMS was singled out for budget cuts because its efforts to increase union accountability and fight corruption have rankled union leaders.

One hundred and twenty-five years after the first Labor Day parade in 1882, it is clear that some union leaders view themselves as champions of their own pocketbooks, not their members' well-being.

For example, many union leaders pay themselves six-figure salaries. AFL-CIO President John Sweeney earns \$292,000 a year, while Teamsters President Jimmy Hoffa takes in \$336,000 a year.¹ Union leaders have the legal right to pay themselves such high salaries, but the practice understandably angers many union members whose mandatory dues fund these salaries. And not all union officials limit themselves to legal means of earning money. Recent government investigations show that union corruption is also a serious problem.

Some union officials have come to view their members' dues as their personal property, embezzling millions of dollars. Over the last six years, OLMS investigators have convicted 781 union officials for "embezzlement, filing false reports, keeping false records, destruction of records, extortionate picketing and deprivation of rights by violence."² Since 2001 the courts have forced corrupt union officials to pay over \$101 million in restitution to their members.³ Union officials who should have been defending their members' interests instead brazenly stole from them.

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The OLMS's investigations reveal rampant bad-faith activity by union leaders. For example:

- John Daley, former chief financial officer of the New York State Nurses Association, was indicted for embezzling over \$1 million from his union between 2002 and 2006. He was charged with grand larceny, forgery, and falsifying business records.⁴
- Lawrence Marable and Deborah Powell, the former president and treasurer of American Federation of Government Employees Local 1793, respectively, were charged with stealing \$187,000 from members. They deposited mandatory union dues directly into their personal bank accounts and purchased money orders made out to themselves with dues money. They also wrote and co-signed checks used for personal purposes on the union's checking account.⁵
- Debra M. Timko and Danny L. Iverson, both former presidents of Service Employees Local 150, were charged with 33 counts of mail and wire fraud. According to the indictment, they undermined their union's auditing and review procedures so that they could reimburse themselves from union funds for personal expenses and authorize other improper payments to themselves. In addition, the indictment alleges that, in exchange for Iverson's resigning as president,

Timko, the new president, paid Iverson \$50,000 in union funds.⁶

These cases are typical of the hundreds of cases of union leader misconduct that the OLMS investigates each year.⁷

OLMS Protects Workers. Greater oversight, transparency, and accountability can reduce corruption and protect workers. This is not a partisan issue. Both Republicans and Democrats can agree that unions ought to improve the lives of their members, not steal from them. Both liberals and conservatives can agree that government law enforcers should prevent union officials from embezzling their members' dues money.

Over the past six years, the OLMS has made great strides in cracking down on union corruption. During that time, it has overhauled and improved its union investigation and auditing procedures. Indictments and convictions have both risen by more than 20 percent since 2001, while the number of audits performed has more than tripled.⁸

OLMS also overhauled its antiquated union disclosure reporting forms. The old forms provided union members with virtually no information about how their unions actually spent their money. The new LM-2 forms, which the Department of Labor publishes online, require unions to itemize their receipts and expenditures in detail.⁹ This informs

1. Center for Union Facts, "Teamsters (IBT) Profile for 2006," at www.unionfacts.com/unions/unionProfile.cfm?id=93, and Center for Union Facts, "AFL-CIO (AFLCIO) Profile for 2006," at www.unionfacts.com/unions/unionProfile.cfm?id=106&year=2006. The data cited therein come from Labor Management filings to the Office of Labor-Management Standards.
2. Department of Labor, Office of Labor-Management Standards, Press Release, "U.S. Department of Labor's Office of Labor-Management Standards Reports Four Indictments, Six Convictions During July for Union Funds Embezzlement," August 7, 2007, at www.dol.gov/opa/media/press/esa/ESA20071210.htm.
3. *Ibid.*
4. Office of Labor-Management Standards, "Recent Criminal Enforcement Measures," February 6, 2007, at www.dol.gov/esa/regs/compliance/olms/enforce_current.htm.
5. Office of the United States Attorney for the Eastern District of Pennsylvania, Indictment of Lawrence Marable and Deborah Powell, September 27, 2006, at www.usdoj.gov/usao/pae/News/Pr/2006/sep/marable.pdf.
6. Office of Labor-Management Standards, "Recent Criminal Enforcement Actions," February 6, 2007, www.dol.gov/esa/regs/compliance/olms/enforce_2007.htm.
7. See, e.g., *ibid.*
8. Author's calculations based on data from Office of Labor-Management Standards, *2006 Annual Report*, January 2007, at www.dol.gov/esa/regs/compliance/olms/highlights_06.htm, and Office of Labor-Management Standards, "Program Data Comparing Fiscal Year 2001 With Fiscal Year 2005," January 30, 2006, at www.dol.gov/esa/regs/compliance/olms/OLMS_program_data.htm.

members of exactly how their union is spending their money and makes it more difficult for union leaders to hide fraudulent transactions from investigators. These are serious measures to protect union members from corrupt union bosses.

Unions Oppose Reforms. Unions ought to support these reforms because corrupt union officials threaten the integrity of the labor movement. Organized labor ought to condemn the bad apples and work with the Department of Labor to increase transparency and accountability to protect their members from future abuses.

Instead, union officials have fought the department's attempts to crack down on corruption at every step. Organized labor challenged the new financial disclosure requirements in court in an unsuccessful attempt to prevent them from taking effect. Recently, the unions successfully blocked in court a requirement to force unions to disclose the financial details of the trusts in which they invest their members' money. Rather than embrace trans-

parency, the labor movement's leaders have used every legal and political tool at their disposal to avoid it. Their recent efforts to cut funding for OLMS is just the latest initiative in this extended campaign.

Conclusion. Congress should not cut funding to the OLMS. Unions need to be held accountable to their members. Hundreds of union officials have viewed their members' dues as their personal property and embezzled over a hundred million dollars of union assets. Members of both parties should find this disgraceful and act to protect working Americans from corrupt union bosses. Union leaders have fought past efforts to increase transparency, and now they are using their political influence to cut federal spending on union oversight. Congress should reject these self-interested appeals and restore funding to the OLMS. America's workers deserve better.

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9. See Department of Labor, "Organization Query Page," at <http://erds.dol-esa.gov/query/getOrgQry.do>.