

WebMemo



Published by The Heritage Foundation

No. 2196
January 8, 2009

Key Questions for Hilda Solis, Nominee for Secretary of Labor

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The United States Senate will soon render its advice and consent to the nomination of Representative Hilda Solis (D–CA) as the new secretary of the United States Department of Labor (DOL). Solis is the daughter of a union organizer, a past union demonstrator, and a member of the House Progressive Caucus, a group of the most liberal members of the House.

Unions spent an estimated \$16.5 million of members' dues to elect Barack Obama and another \$85 million for the Democratic Congress and have made it clear that they expect the new Administration to follow through on their priorities. Union leadership unanimously applauded Solis's nomination.

However, union leadership wants the next labor secretary to implement reforms that benefit unions at the expense of their members. The AFL-CIO has published a guide to the policies it wants the Obama Administration to implement.¹ Many of their recommendations are the very types of special-interest policies that President-elect Obama campaigned against.

The AFL-CIO wants the Department of Labor to reduce transparency and disclosure requirements and reduce investigation of union corruption while stripping workers of their right to a secret ballot and facilitating the misuse of their pension funds. Unions want the next secretary of labor to give them more power over their members while holding them less accountable for how they spend their members' dues.

These policies would hurt the very workers the Department of Labor exists to protect. Before con-

firmed Solis as labor secretary, Senators should consider the following questions.

Question #1: Secret Ballots Protect Workers. Organized labor's highest legislative priority is the misnamed Employee Free Choice Act, which effectively replaces traditional secret ballot organizing elections with publicly signed cards. Workers would have to voice their choice in public, in front of union organizers, exposing workers who do not want a union to pressure, threats, and harassment from union organizers. This legislation is popular with union bosses but opposed by large majorities of workers.² You support this legislation. *Could you explain how taking away private ballots would protect workers?*

Answer: The right answer is that it would not. Replacing organizing elections with public card checks is a move in the wrong direction. Card checks expose workers to threats and intimidation from unions and employers. Even when organizers obey the law, taking away secret ballots still leaves workers vulnerable to peer pressure and harassment. Organizers know who has and has not signed, so they repeatedly return to pressure hold-outs to change their minds. They give workers a

This paper, in its entirety, can be found at:
www.heritage.org/Research/Labor/wm2196.cfm

Produced by the Center for Data Analysis

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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high-pressure sales pitch that presents only the union side and press them to commit immediately without time for reflection. Cards signed under these circumstances do not accurately reflect an employee's true intentions—a fact that unions privately acknowledge.

In contrast, secret ballot elections balance the rights of both employers and unions and ensure that workers have the chance to hear both sides and reflect on their decision before voting. Contrary to union rhetoric, most companies obey the law during organizing elections, and the NLRB promptly remedies illegal discrimination against workers who want to organize.

Question 2: Misuse of Pension Funds. The AFL-CIO wants the Department of Labor to “rescind all 2008 guidance regarding the legal standards imposed on pension plan fiduciaries when considering investments in “economically targeted investments” and “the exercise of shareholder rights.”³ These guidelines provide important protections for workers, preventing union officials from misusing workers’ pension funds for their benefit while imperiling workers’ retirement. *Will you continue to require unions to manage pension plans in the sole interest of workers and maintaining strict fiduciary responsibilities on union pension managers?*

Answer: The right answer is that the Department of Labor should keep strict fiduciary requirements on union pension plans. Despite the declining popularity of defined benefit pension plans, unions still manage workers’ pension plans worth hundreds of billions of dollars. The government requires unions to manage those pension plans for the sole benefit of workers. Under current regulations, unions may not direct workers’ pension funds to favored firms but must maximize the retirement earnings of their members. In the past, unions have invested pension funds in projects operated by well-connected individuals in the

union movement that subsequently lost millions of dollars, hurting workers’ retirements. They have also spent pension resources to pressure companies to support their political goals—money that came out of workers’ retirement funds. Pension funds belong to workers; they are not the unions’ funds to distribute to well-connected insiders or use to pressure corporations.

Question 3: Union Financial Transparency. The Department of Labor revamped union financial disclosure forms so that they will now provide meaningful information to union members about how their dues are spent. Now union lobbyists want the Department of Labor to rescind those regulations. *Do workers have a right to know how their dues are spent? How would reducing financial transparency benefit workers? Will you commit to keeping the existing financial disclosure requirements in place?*

Answer: The right answer is that union members are well served by knowing how their dues are spent. Previous forms provided no meaningful insight into how unions spent their members’ dues. The revised LM-2 form now requires unions to itemize all expenses over \$5,000. The LM-30 forms require unions to report potential conflicts of interests. The newly promulgated T-1 requires financial disclosure from union trusts, such as worker training or strike benefit funds. These provide workers with valuable transparency into how their dues are spent, so they can hold their union representatives accountable.

They also expose corruption. The SEIU scandal in California was uncovered by journalists examining discrepancies in the new LM-2 forms. Financial transparency holds unions accountable.

Question 4: Union Accountability. Over the past eight years, the Department of Labor has increased the amount of money spent to audit union books to ensure they are accurately reporting their finances. As with businesses, audits hold unions accountable

1. Obama–Biden Transition Project, “Turn Around America: AFL-CIO Recommendations for the Obama Administration,” at http://change.gov/open_government/entry/afl_cio_turn_around_america (January 8, 2009).
2. See James Sherk, “Workers Reject Card Checks, Favor Private Ballots in Union Organizing,” Heritage Foundation WebMemo No. 1363, February 16, 2007, at <http://www.heritage.org/Research/Labor/wm1363.cfm>.
3. Obama–Biden Transition Project, “Turn Around America.”

and discourage fraud and corruption. However the AFL-CIO wants the Department of Labor to conduct fewer audits and is lobbying to have the amount of money spent auditing union books cut. *What do you believe would happen to compliance if the Department of Labor announced it intended to sharply cut the amount of money spent auditing books? Do you believe audits protect union members?*

Answer: The right answer is that audits are necessary to protect union members and ensure compliance with the laws. Congress would laugh at any business that lobbied to have less money spent auditing its books. But that is what the AFL-CIO is requesting. Unions free of corruption have nothing to fear from audits, while they deter wrongdoing in the union movement. Cutting audits would hold unions less accountable and permit corruption.

Will Solis Stand Up to Unions? Unions are supposed to represent their members, but much of what union leadership wants the next labor secretary to do would undermine workers' rights. Unions want the labor secretary to repeal financial disclosure requirements that increase transparency and enable workers to hold unions accountable. They want fewer audits of their books. They want the freedom to use pension funds on political goals instead of ensuring workers have a secure retirement. Moreover, they want to effectively eliminate workers' right to a secret ballot on joining a union. Organized labor is lobbying for measures that will benefit union bosses at the expense of union members. Senators should carefully consider this agenda when questioning Solis.

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