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Why Organized Labor Supports Government Health Care

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Unions strongly support President Obama's health care reform, which includes a plan for a government-run "public option" that would crowd out private health insurance. Labor publicly argues that the current health care system serves Americans poorly. However, unions also have self-interested motives for promoting government-run health care:

- The legislation includes a \$10 billion bailout of union retiree health plans;
- Nationalized health care would lead to millions of new dues-paying union members as government employees unionize more frequently than private sector workers; and
- National health care would also reduce unionized companies' competitive disadvantage.

However, unions do not support all health care reform plans. When Senators proposed taxing health benefits to pay for health care reform—a tax that would disproportionately fall on union members—the labor movement threatened to derail the legislation. Union support for health care reform is highly self-interested.

Unions Pushing for Government Health Care. Unions strongly support health care reform and have made supporting a "public plan" that would lead to a government-run single-payer system their top priority. In fact, after opponents protested at town hall meetings this summer, the AFL-CIO spent \$15 million to stage counter-demonstrations with union members.¹

Why has organized labor made government-dominated health care such a priority? The AFL-CIO publicly argues that the "real-world toll of soaring health care costs, lack of insurance and systemic flaws in our health care system must come to an end."² They further state that their goal "is to win secure, high-quality health care for all."³ Many union leaders and activists do genuinely believe this. However, the labor movement has not spent such large sums of money campaigning for health care reform out of disinterested concern for the common good: Unions will benefit immensely if the government takes over the health care system.

Taxpayer Bailout. The most obvious benefit President Obama's health care plan provides to organized labor is a \$10 billion taxpayer bailout for underfunded retiree health benefit plans. Many unions negotiate benefit packages that allow workers to retire early and collect health benefits until they qualify for Medicare. Many of these plans they are underfunded because unions mismanaged them.⁴

The health care legislation transfers \$10 billion to these accounts, in the form of a reinsurance program that pays most of the cost of claims for workers in these plans.⁵ Like the GM and Chrysler

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bailouts, the health care legislation requires all taxpayers—including low income workers without retirement plans—to pay for benefits for already well-compensated union workers.

Government Health Care Facilitates Unionization. Government-dominated health care would transform union organizing. Whether or not the government explicitly nationalizes the health care industry, government funding and government-dictated standards eliminate competition. Under health care reform, unionized hospitals would not face a competitive disadvantage because no competition would exist. All health care workers would become quasi-public employees. Whatever costs unions increased would be passed on to the taxpayer and not threaten union members' jobs. For instance, taxpayers would cover the costs of reduced productivity due to inflexible union work rules. Prospective union members would know this and, as a result, become more likely to unionize. Every step toward government-run health insurance vastly simplifies the process of organizing new union members and keeping existing union members employed.

This is precisely what happened in Canada, a nation culturally and economically similar to the United States, but with government-run single payer health care. While only 18 percent of nurses belong to unions in the United States, 78 percent do

in Canada.⁶ A full 61 percent of all Canadian health care workers belong to unions, well above the 11 percent in the United States.⁷

Given these figures, it is no wonder that the Service Employees International Union supports government-dominated health care so strongly. The SEIU represents health care workers. Under a government-run health care system, the SEIU could easily organize millions of new members who would then pay billions of dollars in mandatory dues. For example, if unions organized nurses at the same rate in America as they do under Canada's national health care system, they would bring in two million new members paying roughly \$1.8 billion a year in dues.⁸ Whatever its effects on the overall quality of health care, government health care would bring a financial windfall to the labor movement.

Reduce Unions Competitive Disadvantages. Unions who do not represent health care workers will also benefit from this law because it reduces competition. Unions negotiate gold-plated health benefits for their members that raise their employer's costs. Such expensive benefits, however, put unionized firms at a competitive disadvantage.

However, if the government provided health care coverage through insurance exchanges, then taxpayers—not consumers—would foot the bill for health costs. This would reduce unionized companies competitive disadvantage.

1. Kris Maher and Naftali Bendavid, "Supporters of Healthcare Change Prepare Counter Attack," *The Wall Street Journal*, August 14, 2009, at http://online.wsj.com/article/SB125021125639331005.html?mod=googlenews_wsj (September 4, 2009).
2. AFL-CIO Working Families e-Activist Network, "Support Real Healthcare Reform," at <http://www.unionvoice.org/campaign/healthcare2009> (September 4, 2009).
3. AFL-CIO, "Health Care Fix," at <http://aflcio.org/issues/healthcare/fix.cfm> (September 4, 2009).
4. Justin Hyde and Todd Spangler, "\$10 Billion Aimed at Union Retirees," *The Detroit Free Press*, August 24, 2009, at <http://www.freep.com/article/20090824/BUSINESS01/908240321/1318/-10B-aimed-at-union-retirees&template=fullarticle> (September 4, 2009).
5. *Ibid.* The reinsurance program covers 80 percent of claims between \$15,000 and \$90,000 for retired workers between the ages of 55 and 64 who currently have retiree health benefit plans.
6. Heritage Foundation calculations using data from Barry T. Hirsch and David A. Macpherson, "Union Membership and Coverage Database from the Current Population Survey," Unionstats.com, at <http://www.unionstats.com>, and Statistics Canada, "Perspectives on Labor and Income: Unionization," August 2009, Table 2, at <http://www.statcan.gc.ca/pub/75-001-x/topics-sujets/pdf/topics-sujets/unionization-syndicalisation-2009-eng.pdf> (September 4, 2009).
7. *Ibid.*
8. Heritage Foundation calculations using data from <http://www.unionstats.com> and the LM-2 forms filed with the Department of Labor by the SEIU Local 1199. This figure assumes that union membership rises from 18.1 percent to 78.3 percent among the 3.3 million nurses employed in the United States and that each nurse pays \$75 a month in union dues.

Unions Oppose Legislation They Must Pay for.

Union support for health care reform does, however, have its limits. In particular, organized labor does not support health care reform for which it might have to help pay.

For example, Senate Democrats considered paying for the health care reform through taxing employer-provided health benefits. Such taxes would have fallen heavily on union members, since both private and public sector unions have negotiated expensive health benefit plans.

When news reports leaked that the Senate was considering such taxes the labor movement moved to quickly derail that idea. A coalition of 30 major unions sent letters to the Senate expressing their “strong opposition to any proposal that would pay for this reform by altering the tax treatment of employer provided health care.”⁹ Behind the scenes Organized Labor made it clear they opposed and would defeat any health reform that taxed employer health benefits.¹⁰

Organized labor supports health care reform only insofar as it benefits unions and their members. Despite their public arguments that the “real-world toll of soaring health care costs, lack of insurance and systemic flaws in our health care system must come to an end,” the union movement will not

sacrifice its own interests “to win secure, high-quality health care for all.”¹¹

A Financial Windfall for Unions. Unions claim that they support health care reform out of concern for workers’ well-being. Many union leaders genuinely do, but the labor movement as a whole fights for government-run health care out of self interest. The health care reform legislation includes a \$10 billion bailout of underfunded union health plans. More significantly, a government takeover of the health care sector would ease union organizing by eliminating competition and turning health care workers into quasi-public employees, as has happened in Canada. Unions would collect billions of dollars of new dues from millions of new workers. Government health care also reduces the competitive disadvantage unionized companies face in the marketplace.

Health care reform means a financial windfall for unions. However, unions oppose health care reform for which they must pay. Congress should not pass any “public plan” that would lead to the government directly or indirectly controlling health insurance at the behest of self-interested union lobbying.

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9. “Teamsters Urge Congress to Reject Proposals to Tax Employer-Provided Health Benefits,” letter from the Teamsters and other major unions to the U.S. Senate, June 9, 2009, at <http://www.teamster.org/content/teamsters-urge-congress-reject-proposals-tax-employer-provided-health-benefits> (September 4, 2008).
10. Keith Koffler “Labor Puts President on Notice Over Health Tax,” *Roll Call*, June 18, 2009, at http://www.rollcall.com/issues/54_148/news/35990-1.html?type=printer_friendly (September 4, 2009).
11. AFL-CIO Working Families e-Activist Network, “Support Real Healthcare Reform,” at <http://www.unionvoice.org/campaign/healthcare2009>, and AFL-CIO, “Health Care Fix,” at <http://www.aflcio.org/issues/healthcare/fix.cfm> (September 4, 2009).