

## **The Maine Heritage Policy Center Testimony on LD 1177**

### **“An Act To Improve Public Sector Labor Relations”**

Senator Bellows, Representative Sylvester, and members of the Committee on Labor and Housing, my name is Adam Crepeau and I serve as a policy analyst at the Maine Heritage Policy Center. Thank you for the opportunity to express our opposition to LD 1177.

This bill seeks to make sweeping changes to statutes pertaining to all public-sector unions in Maine by making arbitrators' determinations final and binding on the parties in all areas of contract disputes, including salaries and pensions. Binding arbitration is a restrictive, misguided policy that transfers decision-making authority to a third-party who is accountable neither to state and local officials nor to the taxpayers who must ultimately finance the terms of union contracts. An arbitrator's decision, even if based on weak evidence or fallacious reasoning, can rarely be reviewed by elected officials or a court.

In states that have embraced binding arbitration rules, public unions have learned to use them to their advantage -- so much so that a study found that pay increased by 59 percent over a 10-year period for New York government workers covered by arbitration, compared to only about 33 percent for other government workers.<sup>1</sup>

Government employees in Maine already enjoy higher wages, on average, than private-sector workers, as well as exceptionally generous retirement plans and fringe benefits. Adopting a model of binding arbitration would allow public sector unions to secure even more generous compensation on the backs of Maine taxpayers.

Binding arbitration is a “win-win” for unions since an arbitrator will never award a settlement less than management's final offer. So the union is guaranteed to get at least some of its demands and will never come out worse than when it went in. The only check on the union's demands is the judgment of the arbitrator, who usually has little incentive to hold down costs for taxpayers or consider the government's fiscal health when deciding on the terms of the new contract.

In 2017, for example, the city of Hartford, Connecticut -- already on the brink of bankruptcy -- was struck another blow when an arbitration panel awarded firefighters a 6.25 percent wage

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<sup>1</sup> <https://www.washingtonexaminer.com/manhattan-moment-death-by-arbitration-how-cities-go-broke>

increase retroactive to 2014 -- a decision that cost the city \$1.1 million more than it had originally anticipated.<sup>2</sup>

A report from the Cato Institute illustrates the unreasonable costs binding arbitration can impose on state and local governments:

In June 2008, an arbitrator [the city of San Luis Obispo, California] awarded hefty salary increases to unionized police officers in San Luis Obispo. Police officers received immediate raises of 22.28 percent, while dispatchers and technicians got raises of 27.82 percent. For the average police officer's salary, this represents an increase from \$71,000 to \$93,000 a year, with salaries including overtime expected to top \$100,000, according to city officials. City administrative officer Ken Hampian said the increases cost the city \$1.8 million above what it planned to pay.<sup>3</sup>

Binding arbitration is not a reasonable way to resolve labor disputes. It gives far too much power to an unelected, unaccountable bureaucrat and exposes taxpayers to ballooning labor costs.

I urge you to oppose this bill. Thank you for your consideration.

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<sup>2</sup> <https://yankeeinstitute.org/2017/11/29/when-one-unelected-bureaucrat-decides-the-finances-of-a-city/>

<sup>3</sup> <https://object.cato.org/sites/cato.org/files/pubs/pdf/pa645.pdf>