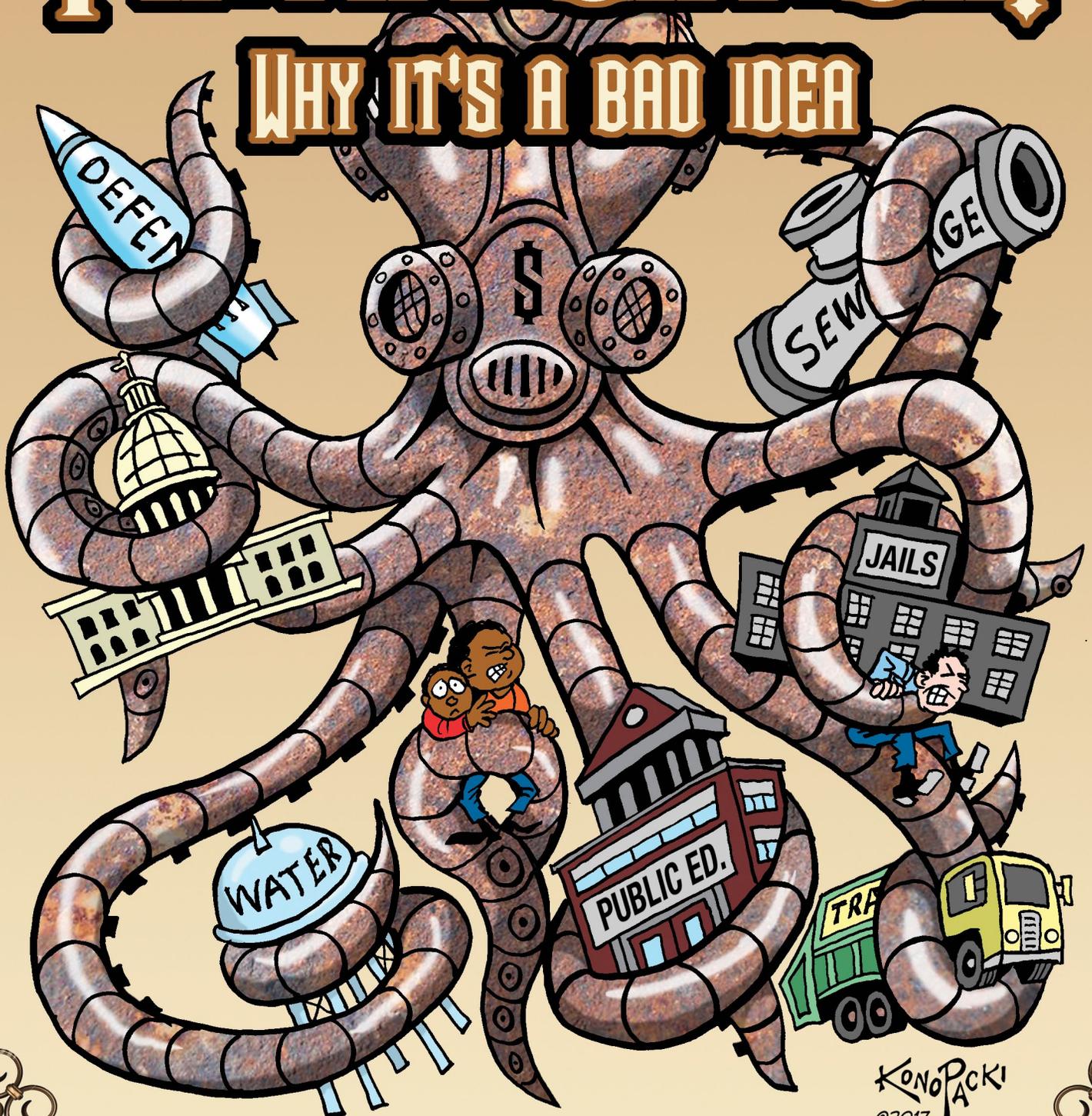




# PRIVATIZATION:

## WHY IT'S A BAD IDEA



KONO PAKKI  
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# Why Privatization is a Bad Idea

In 1981, during an economic recession, Ronald Reagan took office telling the nation: “Government is not the solution to our problem; government is the problem.”

Reagan aspired to redefine the role of government in Americans’ lives—and by one measure, he was successful. His push to shrink the public sector kick-started cuts to the number of federal employees by Republican and Democratic presidents alike.

When Reagan was reelected in 1984, there were about 2.2 million federal workers. In 2012, when Barack Obama was reelected, federal spending had more than doubled, yet there were fewer federal employees—about 2 million.

But a closer look reveals: government isn’t smaller now; it’s just outsourced. Large corporations now operate virtually every type of public service, including prisons, welfare systems, infrastructure, water, trash, and schools. Taxpayers spend more than \$300 billion each year on defense contractors alone. Nearly half of state and local government spending, over a trillion dollars a year, goes to purchasing goods and services from the private sector.

Privatization—procuring or producing public goods and services from outside the government—may seem like a problem only for government employees and public sector unions, but, in truth, it affects everyone. Stewards, as key communicators of union values like solidarity and the common good, play a crucial role in talking about why contracting out public services is bad for everyone. Here are a few important arguments you can use in a union meeting or at the dinner table.

## Outsourcing Often Ends Up Costing More

The thinking goes, the private sector is fast and efficient, while the government is slow and bureaucratic—therefore outsourcing

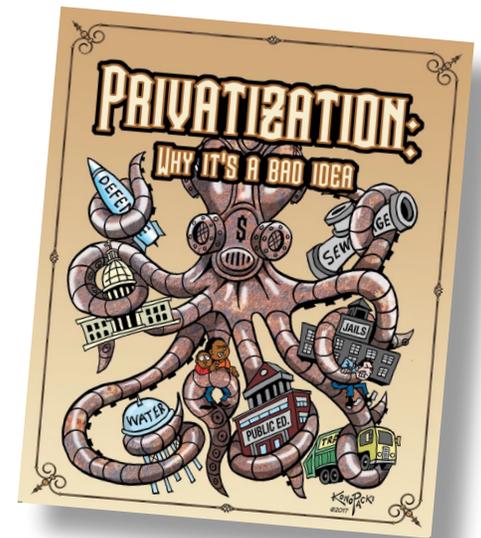
things like water systems and schools supposedly cuts costs. But reality says otherwise. In 2011, the Project on Government Oversight found that, on average, contractors were charging the federal government more than twice the amount it pays its public employees. In addition, the costs to oversee and monitor contracts are rarely included when privatization is being considered. And without strong oversight, contractors often cut corners, lowering the quality and accessibility of services and not infrequently underpaying or mistreating workers, who are much less likely to have union protections. All this costs taxpayers even more in the long run.

## Privatization Can Introduce Perverse Incentives

Private contractors don’t share the public sector’s commitment to the common good—their aim is to maximize profits. Sometimes this can result in incentives that harm users of the services as well as broader communities. For example, many private prison contracts have occupancy guarantees in the form of quotas or required payments for empty prison cells. These quotas—as much as 80, 90, or even 100 percent—incite locking up more people and put taxpayers on the hook for guaranteeing profits for private prison corporations, rather than doing what’s right for communities.

## Privatization is Fueling Historic Inequality

Public sector work has long offered a stable, middle class life. But many people doing public work while employed by private contractors have plunged into poverty because of declining wages and benefits. In fact, privatization is particularly harmful to women and people of color, as nearly 60 percent of public sector jobs are held by women and one in five Black workers are public employees.



## We Can Lose Democratic Control

Without strong protections, some contracts hand over aspects of public control to contractors. Take Chicago: In 2008, the city hastily signed a 75-year deal with a Wall Street-led team of contractors to operate the city’s parking meters. If Chicago throws a street fair or builds permanent bike lanes, the city must reimburse the consortium for lost revenue. Meanwhile, downtown parking meter rates more than doubled in the five years after they were leased out.

## Citizens Become Consumers

When we hand public goods over to corporations, citizens become consumers of public services rather than participants in a democratic society. For example, charter schools, which are publicly funded but privately operated, are run by private groups rather than democratically-elected school boards. This means the schools are accountable to neither the public who pay the bills nor parents. Ultimately, this hurts vulnerable students—those from low-income families or those with disabilities—the most.

## It’s About the Kind of Society We Want to Be

Public goods and services, by bringing economic and social value to everyone, especially the most vulnerable, make all of our lives better. There is enough to go around, and unions ensure that the owners share the wealth with the workers. Public services have long been a crucial part of our healthy, democratic society.

—Jeremy Mohler. The writer works at the nonprofit organization *In the Public Interest*, where he writes on a wide range of issues related to the role of government and responsible contracting.

# Innovative Ways to Bring Union Strength to Black Communities

Over the last 50 years, unions have been a major force for economic justice for workers, and disproportionately for people of color. Today, unions are reduced to historically low levels of membership and strength. The United States is at a critical moment in the movement for racial justice and at a critical moment for the right to unionize. Shop stewards occupy an important place in the struggle to build both together.

We have seen that one effective way for stewards and unions to win is by advocating for bargaining that encompasses not just the entire shop, but the entire affected community. This means considering the usual bread and butter issues like wages and benefits as well as the way our work helps build our community—whether we work in the private or the public sector. Stewards across the US have been working alongside the Movement for Black Lives and other movements to usher in a new economic and social order—at a time when income and wealth inequality are at peak levels and are markedly worse for Black people today. The path isn't easy, but union bargaining has proved to be one effective strategy.

## Bargaining for the Common Good

This deep organizing is difficult because corporate interests have done a terrific job of isolating workers from the broader community by narrowly defining the scope of bargaining as only “wages and benefits.” In many states, labor laws prohibit public sector workers from bargaining over issues that concern the welfare of the broader community or the quality of the services they provide.

“Bargaining for the common good” challenges this narrow approach with three main tenets: 1) reject the bargaining frameworks written in law as tools to advance corporate interests; 2) craft demands from local community groups and unions in close

coordination from the start; and 3) embrace collective direct action. (Professor Joe McCartin at Georgetown University created this definition.)

These may seem like simple ideas, but they stand in complete opposition to the way the power elite expects bargaining to be done. That's exactly what makes it powerful.

## Many Black Members

Despite their complicated racial histories, unions are some of the largest organizations of Black people in the country. About 2.2 million Black Americans are union members—some 14 percent of the employed Black workforce. These Black workers, like all Black people in America, face real challenges of structural racism in almost all aspects of their lives.

Imagine the power that could be added to fighting systemic racism if unions brought solutions that have been elevated by the Movement for Black Lives to the bargaining table with employers ranging from the City of Baltimore to private equity giant Blackstone.

But unions cannot do this unilaterally and expect unconditional support from the Black community. Unions must make the effort on the front end to build a real relationship with Movement for Black Lives groups and members, and partner with them in developing bargaining demands that address the structurally-racist economic power structure. There are groups of people organizing for racial justice under the banner of the Movement for Black Lives near every union local in the country. The onus is on unions to reach out to these groups and begin to build a strong relationship where one does not exist. This process will not be easy, given the history of racism that plagues many unions. But the opportunity to leverage the power of both movements must not be lost.

## Solidarity Works: The FixLA Case Study

This strategy has been notably successful in Los Angeles, where unions and community working together through the FixLA campaign won important improvements for the workers and the community members (especially in the Black and Brown community) who depend on key city services with the workers who provide them. “As City workers, we are committed to winning a fair contract and fixing LA by restoring vital services, improving public safety, and ensuring that the finance and corporate giants that city government does business with pay their fair share of revenue,” a campaign statement said. They won a lot: according to a Georgetown University report, the coalition of unions, community groups and religious leaders beat back the almost 40 concessions management wanted, forced LA to create 5,000 full-time public sector jobs with an emphasis on hiring local persons “who face the greatest obstacles to securing employment,” and created a commission of the mayor's office to look at “bolstering the City's finances and changing its relationship to Wall Street firms.”

Stewards played an important role in the contract from participating in, and bringing co-workers along to, town hall meetings and working with residents, to appearing in union videos and advertisements, and now, in enforcing the new agreement.

The lesson from FixLA is clear: by combining the vision and tactics of the Movement for Black Lives with the membership and resources of the labor movement, we can usher in a more just and equitable society for all.

—Maurice BP-Weeks and Marilyn Sniderman. BP-Weeks is Co-Executive Director of the Action Center on Race & the Economy (ACRE); Sniderman is Director of the Center for Innovation in Worker Organization at the Rutgers School of Management and Labor Relations.

# Lessons from Studying Anti-Union Attacks

**T**he past decade has seen a wave of anti-worker laws in state legislatures. For union stewards, it can be overwhelming to try to understand the totality of these attacks and to explain to co-workers what's happening or how to fight back.

My book—*The One Percent Solution: How Corporations Are Remaking America One State at a Time*—aims to explain three things: 1) who's really behind these laws; 2) how to prevent working people from being played off against each other; and 3) how we can effectively fight back.

The best-known attack on unions came in 2011 in Wisconsin, where Governor Scott Walker effectively eliminated public employees' right to collective bargaining. What happened in Wisconsin was part of a broader pattern: in the five years after, 15 states passed bills restricting public employees' union rights.

## Not Just About Public Workers

In each state, people believed these laws were dreamt up by a local politician. In reality, they all came from national corporate lobbies, and particularly the American Legislative Exchange Council (ALEC). ALEC represents hundreds of giant corporations, and brings state legislators together with corporate lobbyists to write model laws—which are then introduced in multiple states. The same corporations that write the laws then fund the campaigns of ALEC-member politicians and run ads on radio, television and social media. ALEC estimates that it passes 200 laws a year—including laws cutting pensions, canceling tenure for teachers, abolishing “prevailing wage,” and cutting the minimum wage. The biggest and richest corporations in the country are behind all this, not some local politician.

Those attacking public employees often talk as if they're the champions of hard-working taxpayers in the non-union private sector. In reality, however,

corporate lobbyists want to cut wages for all workers.

## Divide and Conquer

Wisconsin provides the perfect example. In early 2011, a donor asked Gov. Walker if there was “any chance we'll ever get to ... become right-to-work?” “Well,” Walker answered, “the first step is we're going to deal with ... public employee unions, because you use divide and conquer... That opens the door once we do that.”

This is exactly the pattern he followed. While attacking public employees, Walker claimed private-sector unions were his “partner in economic development.” But once government unions were dismantled, he turned on private sector unions, enacting a “right-to-work” law. Even then, he tried to keep the construction unions on his side. But right after “right-to-work,” he cut prevailing wages for the construction industry.

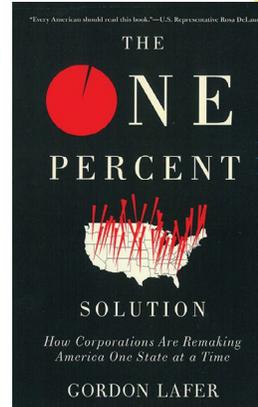
Finally, the same corporate lobbyists attack non-union workers, too. In Wisconsin, they took away the right to paid sick leave; made it easier for companies to replace adult workers with low-wage teenagers; and eliminated the right to rest one day per week.

## Direct Our Anger Wisely

In times of hardship, people have a lot of anger, and it can be easier to lash out at other workers than the system itself and its seemingly invincible leaders. The corporate lobbies' divide-and-conquer strategy can be effective but ultimately hurts all of us. In the past, for instance, working people were encouraged to join in the criticism of people on welfare as lazy drug addicts.

Now, the arguments used against welfare are being turned against working people. In 2011-12, some 16 states cut UI benefits. Corporate lobbyists want to

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drug-test people on UI or food stamps, insisting—in the words of one economist—that what unemployed people need more than money

is learning to address bosses as “sir” and the importance of “not talking back.”

So what can be done? The good news is that most voters (regardless of party) support a higher minimum wage, a right to paid sick leave, and affordable health insurance. Most Americans want to raise taxes on the rich and cap executive salaries.

Stewards play an important role in building solidarity among workers not just in their workplaces but in how we understand politics. Talking about standing together, and with the majority—in the public and private sectors, inside unions and with working people who aren't in unions, and across national boundaries—can make a real difference.

Moreover, for readers of this publication in Canada, I found that these arguments cross the border with alarming frequency—the Fraser Institute, a Canadian right-wing group, is a member of ALEC and working to import these laws at home.

If we can keep our eye on the real powers making economic life harder, and focus political energies not on fighting each other but on demanding a more just economy, people power can still triumph over corporate money.

—Gordon Lafer. The writer is the author of *The One Percent Solution: How Corporations are Remaking America One State at a Time*, and a steward in the University of Oregon faculty union. **Union Communication Services is offering 15% off the book to readers of this publication; find it at [www.laborbooks.com](http://www.laborbooks.com) and use code **SUReader** at checkout.**

# Talking About Trade with Solidarity

**D**onald Trump promised to stop the Trans-Pacific Partnership (TPP) and end unfair trade deals. Then one of his first acts as President was to pull the US out of TPP negotiations! A few months later, his administration launched a renegotiation of NAFTA.

At first glance, this is a victory for workers in the US, Canada and our trading partner countries. The evidence is clear: trade deals have hurt workers in all countries, giving employers more power to move jobs and investments across borders and drive down wages and working conditions. For decades, unions have been calling for “fair trade” rather than “free trade.”

## The Real Problem with Trade Agreements

While we’ve seen a dramatic decline in living wage manufacturing jobs, it isn’t just because of trade. Employers have moved many good jobs from one part of the US to another (from the higher wage, unionized North and Midwest to the low-wage, non-union South). Some unions have agreed to “two-tier contracts” that allow employers to pay lower wages to new employees or subcontracted and temp workers. The decline of manufacturing wages has occurred in part because of larger trends that impact most workers in the US: weak enforcement of labor law, rise in union-busting and the growing power of the financial sector.

Global competition does matter, as do trade agreements. One of the most dangerous elements is the Investor-State Dispute Settlement (ISDS) mechanism that allows corporations to sue governments that impede their ability to earn profit. For example, if Mexico passes a strong environmental law, a US corporation could sue Mexico for lost future

profits. Trade agreements enhance the power of corporations at the expense of average citizens. This means our partner countries cannot improve their laws—such as raise the minimum wage or strengthen union protections—without a potential lawsuit from multinational corporations. This hurts workers in Mexico, Canada and the US.

## Better Solutions

But stopping trade won’t necessarily bring jobs back. Even if some manufacturing does return, employers will likely increase automation, resulting in far fewer jobs than once existed. Trump speaks as if trade is a win/lose game: either Mexican workers have jobs or US workers have them. But pitting workers against one another like this will always mean workers on both sides of the border lose. The only real winners in this game are the employers. Unions lose when we fall into the trap of thinking workers in other countries are enemies.

Unions also lose when we allow politicians to blame budget deficits and government spending for our economic problems. Rather than raising taxes on corporations and wealthy individuals, politicians promise to cut federal programs and employment—a practice known as “austerity.” But even conservative economists now realize that austerity only stalls economic growth further, and is terrible for workers.

We can oppose bad trade deals and austerity while developing solutions to job creation. The key to healthy job growth includes policies that help convert tens of millions of existing “bad jobs” into “good

jobs,” as well as steps to stimulate growth and nurture innovation. Rather than cutting government spending, we need to increase investment in our future. This

includes:

- public investment in infrastructure, publicly funded and built by union labor
- enforcing labor and employment laws
- raising the minimum wage
- establishing universal health care
- investment in affordable and accessible education—pre-school through college
- regulating the financial sector
- public investment in research and development

**Unions lose when we fall into the trap of thinking workers in other countries are enemies.**

## Showing Off Solidarity

In difficult times unions must remain united across borders. Instead of “Buy American,” let’s start saying, “Buy Union.” We are all better off when there are good jobs on both sides of any border.

In early 2017, a number of unions and organizations from the US, Canada and Mexico met to develop a list of demands for a more fair NAFTA. You can read their declaration online. It includes: “Since the implementation of NAFTA in 1994, it is the working people, communities and the environment in all three countries who have suffered, while wealthy investors, big corporations and their executives have reaped more profits and acquired more rights and power. That power has had a negative effect on our democracies.” You can read the whole statement at [www.alainet.org/en/articulo/185853](http://www.alainet.org/en/articulo/185853).

—Stephanie Luce. The writer is professor of Labor Studies at The Murphy Institute, City University of New York and a trainer in the Cornell Worker Institute Union Leadership Institute. Her most recent book is *Labor Movements: Global Perspectives*.



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