

## PUBLIC UNION EXCESSES: The Cost of Collective Bargaining and Public Sector Unions in Rhode Island

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Rhode Island taxpayers may be paying up to \$1.1 billion too much (out of \$4.2 billion) for collectively bargained services. That is our high-end estimate for the excess cost of RI's unionized public-sector workforce. Counting all state and local taxes, even our "best estimate" suggests Rhode Islanders pay 17% more than they might at private market rates.

According to the Bureau of Labor Statistics (BLS), RI was the 6th-most-unionized state as a percentage of total employed residents in 2017. Of all people working, 16% are in unions. Unionstats.com shows that government employees covered by union contracts are 66% of the total in RI — 3rd highest in the country. The BLS reports 16,200 state employees and 33,500 local employees in RI. The 32,900 of these employees who are unionized are covered by 473 distinct labor groups.

**Financial Costs.** Based on our best estimate, *residents could save 25% on local property taxes*, while state taxpayers could realize further savings if public services were provided at competitive market rates. Rhode Islanders are likely doling-out \$888 million per year in excessive cost for functions subject to public-union collective bargaining, including:

- \$589.5 million per year to local taxpayers
- \$298.7 million per year to state taxpayers

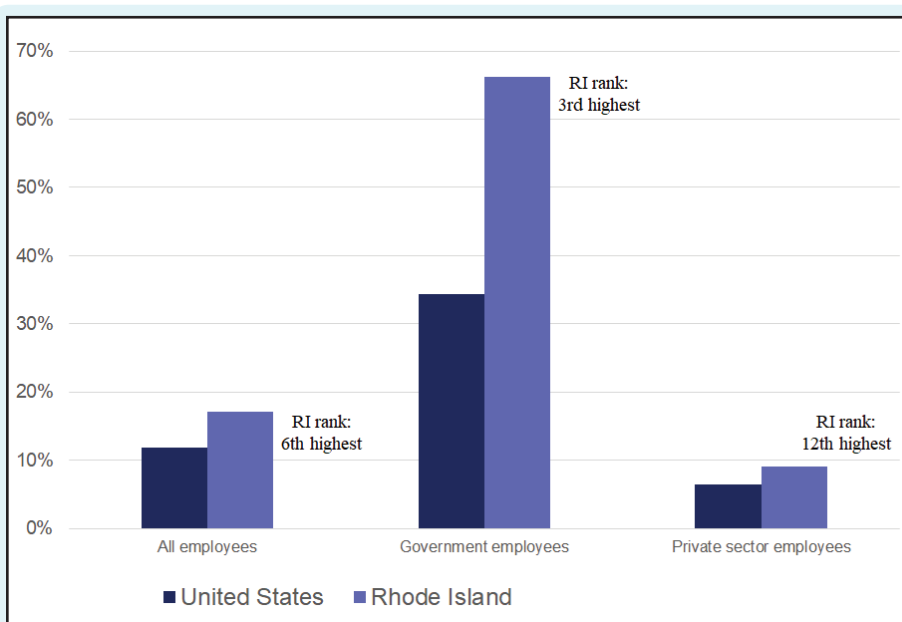
The contributing drivers for these excessive taxpayer-funded, union-driven costs include:

- High personnel wages
- Overtime abuse
- Costly pension and health care benefits
- Multiple arrangements that lend themselves to the abuse and circumvention of contract provisions, creating incentives for government workers not to work, to be paid more than they should be when they don't work, or to protect them if they underperform
- Provisions to cash-in unused vacation, personal, sick time, and other benefits as "compensated absences"

**Why does this premium exist?** The research consistently shows that collective bargaining with public-sector unions excessively raises wages and government spending. The Heritage Foundation recently published a report on the effect of collective bargaining at the state and local level. It concluded that Rhode Island ranks as the 9th most favorable state for laws that benefit public-union collective bargaining. These laws allow too much advantage to unions.

The most substantial ways in which government agencies secure higher compensation for their employees are direct premiums in pay and major benefits. As this report finds, Rhode Island's unionized government employees enjoy a significantly higher base salary than their private sector counterparts. Taxpayers who work in the private sector also often marvel at the idea that government employees only pay 15–20% of the cost of their health insurance premiums.

However, the excesses in contracts don't only come from the direct increases in pay or larger benefit packages reported



### A Show of Union Strength in RI

#### U.S. and RI Unionization by Sector, 2017 (%)

Rhode Island has some of the highest unionization rates in the country, and it shows in our state and local budgets, as well as the lack of value that residents get for their high tax payments.

Sources: Bureau of Labor Statistics and UnionStats.com

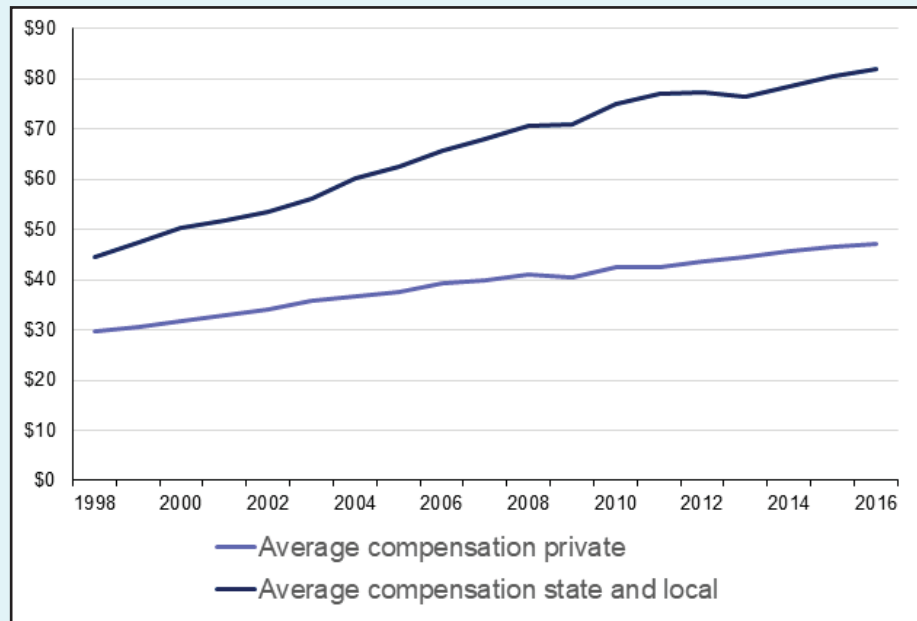
# Highlights from Public Union Excesses: The Cost of Collective Bargaining and Public-Sector Unions

## A Growing Compensation Gap

### *Rhode Island Private Employers and State and Local Governments Average Annual Total Compensation (\$000)*

Over the years, the compensation gap between public servants and the public has grown.

**Source:** Bureau of Economic Analysis

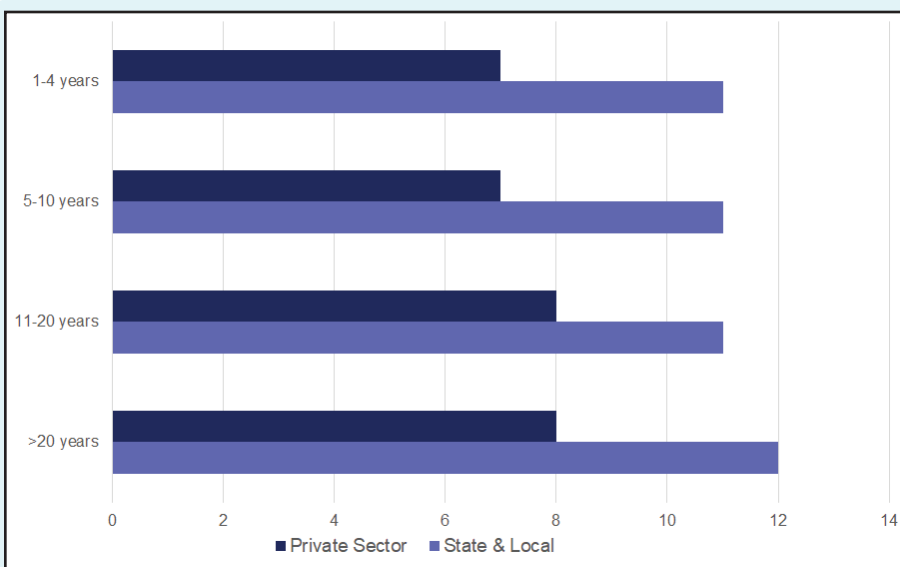


to the public. Often, the costs are more hidden than that, so the reported salary rates and benefits appear lower than they seem, adding compensation for such items as:

- Overtime
- Time off the job (usually paid), including release time for union work, sick leave, personal days, and sabbaticals
- The taxpayers picking up the tab for such things as clothing allowances, continuing education, and health care buybacks
- Being paid again for doing the job, with additional pay for activities like mentoring, covering for coworkers, and faculty meetings and professional development
- Increases based on workloads

The above categories don't include still other costs of collective bargaining. Moreover, the costs of union bureaucracies, themselves, are ultimately borne by taxpayers.

We find that wages for public-sector workers are 5–10% higher than equivalent private-sector workers. With the value of benefits, the RI total compensation premium is in the 20–27% range. Our estimate of the total amount that is transferred from taxpayers to public-sector workers in the form of excess compensation ranges from \$300 million to more than \$1 billion per year, with a best estimate of \$888 million per year. Both the state and local communities are increasingly struggling to meet the financial obligations created by public-sector unions and collective bargaining. With \$590 million in annual municipal savings, RI could easily



## A Sick Day Premium

### *U.S. Public Sector and Private Sector Number of Sick Days by Years of Service, 2017*

Not only do they get more sick days, but state and local government employees are more able to carry unused days from year to year and then to be paid for not taking them.

**Source:** "Employee Benefits Survey" Bureau of Labor Statistics. [www.bls.gov/ncs/ebs/benefits/2017/benefits\\_leave.htm](http://www.bls.gov/ncs/ebs/benefits/2017/benefits_leave.htm) (Accessed 3/30/19.)

pay for all needed school building repairs and upgrades, estimated to be over \$2 billion statewide, in three to four years.

The total excess in Portsmouth (the median town by tax levy and population) produced by a separate line-item approach is \$8.6 million. For perspective, in fiscal year 2016, this estimate amounts to 15% of the town's total budget.

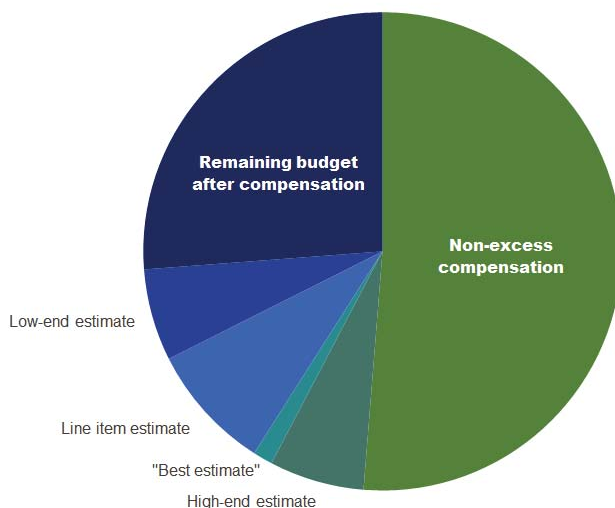
### State and Local Long-Term Liability for Compensated Absences, FY16

	Total Liability (\$)
<b>Total</b>	<b>238,334,464</b>
State government	75,776,000
Barrington	620,207
Bristol	3,569,060
Burrillville	1,195,984
Central Falls	257,820
Charlestown	969,441
Coventry	3,814,958
Cranston	12,565,086
Cumberland	2,263,367
East Greenwich	925,744
East Providence	5,080,943
Exeter	75,443
Foster	355,092
Glocester	992,917
Hopkinton	133,349
Jamestown	801,182
Johnston	7,667,293

### Continued

	Total Liability (\$)
Lincoln	4,349,534
Little Compton	305,235
Middletown	2,663,798
Narragansett	3,961,962
New Shoreham	436,887
Newport	6,793,804
North Kingstown	2,524,208
North Providence	7,444,362
North Smithfield	947,369
Pawtucket	8,828,931
Portsmouth	2,011,457
Providence	34,896,000
Richmond	189,651
Scituate	913,798
Smithfield	4,845,015
South Kingstown	5,262,047
Tiverton	1,127,028
Warren	1,691,477
Warwick	12,865,047
West Greenwich	341,115
West Warwick	6,831,926
Westerly	2,096,330
Woonsocket	9,943,597

Source: "Financial Reports." State of Rhode Island Office of Accounts and Control." [controller.admin.ri.gov/Financial%20Reports/index.php](http://controller.admin.ri.gov/Financial%20Reports/index.php) and "Municipal Audits." 2016. [municipalfinance.ri.gov/data/audits](http://municipalfinance.ri.gov/data/audits) (Accessed 3/30/19.)



### \$ for Other Things

#### Portsmouth Total Compensation Excess Estimates Portion of Budget, FY16

The "remaining budget" is what the town currently has to spend after compensation. The low-end estimate is most likely to be excess and therefore available for other purposes, while the high-end estimate is least likely to be excess and most likely to be needed for compensation.

## RI State and Local Government “Best Estimate Excess” Total Compensation, 2016 (\$M)

	Total	Excess		Total	Excess		Total	Excess	
<i>State</i>	1,543.3	298.7	<i>Local</i>	2,700.4	589.5	<i>Total</i>	4,243.8	888.3	
Municipality	Total	Excess	School District	Total	Excess	Fire District	Total	Excess	Total Excess
Barrington	12.7	2.8	Barrington	40.5	8.8				11.6
Bristol	16.6	3.6	Bristol-Warren	43.2	9.4				14.6
Warren	7.1	1.5							
Burrillville	6.9	1.5	Burrillville	24.7	5.4	3 fire districts	1.8	0.4	7.3
Central Falls	12.3	2.7	Central Falls	30.8	6.7				9.4
Charleston	6.9	1.5	Chariho	44.6	9.7	2 fire districts	0.3	0.1	13.0
Hopkinton	4.5	1.0				Hope Valley	0.4	0.1	
Richmond	3.2	0.7							
Coventry	21.4	4.7	Coventry	57.3	12.5	3 fire districts	5.1	1.1	18.3
Cranston	90.7	19.8	Cranston	124.7	27.2				47.0
Cumberland	16.5	3.6	Cumberland	48.6	10.6	Cumberland	6.2	1.4	15.6
East Greenwich	15.5	3.4	East Greenwich	28.4	6.2				9.6
East Providence	52.9	11.5	East Providence	58.3	12.7				24.3
Exeter	1.6	0.4	Exeter-West Greenwich	23.8	5.2	Exeter	0.8	0.2	6.5
West Greenwich	3.7	0.8							
Foster	2.6	0.6	Foster	3.3	0.7				7.4
Glocester	5.0	1.1	Glocester	7.3	1.6	Chepachet	0.3	0.1	
			Foster-Glocester	15.2	3.3	Harmony	0.4	0.1	
Jamestown	5.8	1.3	Jamestown	7.8	1.7				3.0
Johnston	33.1	7.2	Johnston	39.0	8.5				15.7
Lincoln	15.8	3.4	Lincoln	41.0	8.9	6 fire districts	3.3	0.7	13.1
Little Compton	3.5	0.8	Little Compton	3.9	0.9				1.6
Middletown	17.1	3.7	Middletown	28.9	6.3				10.0
Narragansett	22.4	4.9	Narragansett	23.7	5.2				10.1
New Shoreham	3.4	0.7	New Shoreham	3.8	0.8	Block Island	0.0	0.0	1.6
Newport	41.3	9.0	Newport	30.4	6.6				15.7
North Kingstown	25.0	5.5	North Kingstown	50.4	11.0				16.5
North Providence	29.9	6.5	North Providence	39.1	8.5				15.0
North Smithfield	5.6	1.2	North Smithfield	19.8	4.3				5.6
Pawtucket	68.0	14.9	Pawtucket	96.7	21.1				36.0
Portsmouth	16.8	3.7	Portsmouth	30.1	6.6				10.2
Providence	230.3	50.3	Providence	271.7	59.3				109.6
Scituate	5.6	1.2	Scituate	17.7	3.9				5.1
Smithfield	21.8	4.8	Smithfield	29.3	6.4				11.2
South Kingstown	16.6	3.6	South Kingstown	47.6	10.4	Union	0.9	0.2	14.2
Tiverton	11.2	2.4	Tiverton	22.8	5.0				7.4
Warwick	111.8	24.4	Warwick	135.2	29.5				53.9
West Warwick	26.8	5.9	West Warwick	44.8	9.8				15.6
Westerly	14.8	3.2	Westerly	46.2	10.1	4 fire districts	0.9	0.2	13.5
Woonsocket	37.6	8.2	Woonsocket	55.5	12.1				20.3

Source: Original research from analysis of line-item budgets for fiscal year 2016 or the nearest equivalent.