

Mackinac Center for Public Policy

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AFL-CIO Says: Union Rules Hurt Us

By [John R. LaPlante](#)

Has the AFL-CIO finally agreed that unions drive up labor costs to unsustainable levels, hurting business, workers, and taxpayers alike? A [news story](#) in last week's Detroit News suggests so.

The Detroit Metro Convention and Visitors Bureau recently surveyed organizations that considered, but ultimately decided against, holding a convention at Cobo Hall. The News obtained a copy of the survey. While many groups offered no reason for their decision, and others cited the city's weather or reputation, others singled out the high labor costs of the center, which requires convention groups to hire union labor.

So who cited union-required labor costs as a reason to stay away? One group, according to a May 7 article, was the Union Label & Service Trades Department of the AFL-CIO. Ironic, isn't it? A union department finds that union-imposed costs are not worth the trouble. The chief victims, in this case, are union workers themselves. (Union officials issued a subsequent [denial](#), saying "Labor costs were not the reason we decided to go to Cleveland instead of Detroit." The convention and visitors bureau stands by its report.)

Like everyone, union workers ought to be free to pursue wages as high as the market will bear. To be sustainable however, the wages must be close to the market value of the service offered, not artificially high union demands. When wages are pushed by union requirements beyond their market value and buyers are free to shop elsewhere, workers lose out.

It would have been better for workers to get 40 hours of work at a rate of \$36 an hour in a free market than to get zero hours of work at \$46 an hour based on a union-dominated requirement. (The latter rate is what some convention groups must pay for each electrical worker.)

The requirement to use overpriced labor has effects far beyond the fate of particular workers. In just the first three months of this year, metro Detroit was under consideration for, but lost, \$162 million in convention business. As the

convention center's survey reveals, artificially high labor costs are one reason that money got away. So in 2006, more than 100,000 union conventioners will be meeting in Cleveland rather than on this side of Lake Erie. That's an expensive lesson in simple economics.

In Michigan the harm inflicted by the Detroit's labor policy extends beyond that city. Cobo Hall's operations are underwritten not only by taxpayers in the region, but also by state residents as a whole. In that light, the hiring practices of Cobo are of interest to everyone in Michigan. It's imperative that Cobo's costs be in line with those of convention centers across the country, not in excess of them. Dealing with union requirements is one place to start.

An equally worthy, and more fundamental reform would be for the city to sell off the money-losing convention hall. Detroit, which owns Cobo, subsidizes the facility to the tune of millions of dollars each year — dollars it can ill afford. Two years ago, the Mackinac Center for Public Policy estimated that a [sale of Cobo](#) would reap a one-time windfall of \$50 million and generate an ongoing income stream of \$1.9 million annually in property taxes. What are we waiting for?

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