

ECONOMIC SCENE

A small dose of common sense would help Congress break the gridlock over airport security.

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"WHEREFORE, security being the true design and end of government," Thomas Paine advised in 1776, "it unanswerably follows that whatever form thereof appears most likely to ensure it to us, with the least expense and greatest benefit, is preferable to all others." Such common sense is needed in Congress on aviation security.

Everyone agrees that the current system, in which barely profitable airlines contract with private companies, provides inadequate incentives for security. Airlines seek the lowest-cost providers. Federal standards are lax and poorly enforced, so security companies provide the bare minimum -- and sometimes less.

The main disagreement is whether screening should be contracted out by airports to companies working under federal oversight or whether screeners should be federal employees -- or whether the president should have the flexibility to choose between these models.

Economic logic says you usually get what you pay for. Airline security is no exception.

Low pay is particularly problematic. Screeners and other security workers are paid the minimum wage or slightly more. Not surprisingly, companies can recruit only minimally skilled workers.

Better security will require employees with enough common sense to search luggage thoroughly if they discover passengers with knives in their pockets, regardless of what federal standards require. Every contingency can never be spelled out.

Low pay also causes high turnover. The General Accounting Office found that annual turnover for screeners varied from 37 percent in Honolulu to 416 percent in St. Louis. The average was 126 percent at the 19 largest airports.

High turnover has a potentially pernicious effect because it makes it easier for terrorists to get airport jobs. High turnover also raises training costs and reduces the incentive to provide training in the first place.

A new study directed by Michael Reich of the University of California at Berkeley examines the effect of an initiative at San Francisco International Airport that established recruitment, compensation, training and performance standards for all workers in security areas or engaged in security tasks in April 2000.

Starting pay for screeners rose from \$5.91 an hour to \$10 plus health benefits. Turnover fell from 95 to 19 percent. Employers reported that morale, skills and performance improved, while absences and grievances fell.

Looking across 19 airports, Professor Reich also found that lower turnover was associated with a greater likelihood of detecting security breaches.

Both the House and Senate bills would raise pay, but the Senate bill -- which federalizes workers -- would raise it more. The House only vaguely authorizes the Transportation Department to set "minimum compensation levels, when

appropriate."

Federal workers would be more likely to unionize, although the Service Employees International Union has made inroads with security workers. It is disingenuous, however, to say unions and Democrats favor federalizing security to increase membership. The service employees' union opposes federalizing the work force (because it would lose members), while the largest government union supports it. If all 28,000 screeners were unionized, membership would increase by only one-tenth of a percent.

Anyway, a more heavily unionized work force would not jeopardize security. Ever since the seminal study by the economists Charles Brown and James Medoff, most studies have found that unions raise productivity, even in the public sector. Unions raise wages and reduce turnover, so it is not surprising they lead to higher productivity, although at higher cost.

European airports, which commonly contract with the private sector for security, provide only limited guidance on the advantages of public versus private employees. First, firing for cause is about as easy in the private sector in Europe as in the public sector here. Second, pay and benefits for low-level workers in Europe are much higher.

The main potential advantage from private contractors stems from their incentive to use resources efficiently. Most important, competition among private companies may result in security innovations.

And the option of contracting to private providers shields government should a terrorist attack occur; government could quickly replace the contractor, giving the appearance (and possibly reality) of improving security.

The main risk of using private contractors is that they could marshal their resources to influence regulators. Indeed, the Aviation Security Association, a group representing security firms that was formed two days after Sept. 11, is lobbying for bigger budgets and higher pay. Could it be that cost-plus contracts, which lead to increased profit when costs rise, have something to do with their sudden interest in worker pay?

Contracts must be written with safety in mind. The House bill simply leaves this up to the Transportation Department. Companies should be penalized if they fail undercover tests. Profits should not be just a mark-up over cost.

Another risk is a shortage of federal employees to perform the crucial supervision, background checks, training and certification. Federal employment is down 10 percent since 1966.

And will private workers have access to C.I.A., F.B.I. and I.N.S. data networks?

Regardless of who employs the screeners, security issues still remain. "It takes a village to turn around a 747," said Julie Neff, who just retired after 30 years as a flight attendant because her relatives were concerned for her safety. Caterers, cleaners and others have access to planes. "What is missing from both bills but in the San Francisco plan," Professor Reich said, "is the inclusion of higher standards for the other workers who have access to the planes."

President Bush is said to be readying an executive order in case the House and Senate remain gridlocked. So here's a Brandeisian proposal: direct the Transportation Department to contract out screening in some airports and use federal workers in others. Then have the Federal Aviation Administration conduct random undercover tests to see which system is working best.

As Thomas Paine argued, "The representative system of government is calculated to produce the wisest laws, by collecting wisdom where it can be found."