Public Employee Pay, Pensions and Collective Bargaining

Some governors, for example those in Ohio and Wisconsin, have justified their attacks on state employees by claiming that excessive public employee pay and unfunded pensions caused their budget deficits, and that stripping workers of their rights to union representation is a necessary remedy. They are wrong on all counts. Here are the facts:

Public employees are fairly compensated, not overpaid.

- Public employees perform a different mix of jobs, have greater education and experience and bear more responsibility for the public interest than private sector employees. Compensation experts warn against comparing pay averages between these groups. www.bls.gov/news.release/ecec.tn.htm
- Studies that compare similar workers show that public employees earn *lower* salaries than comparable private sector workers. Even with the better benefits offered by the public sector, the National Institute on Retirement Security and the Center for State and Local Government Excellence found that total compensation is approximately 7 percent lower for state workers than for comparable private sector workers. As the study coauthor concluded, "in an apples-to-apples comparison, state and local government employees receive less compensation than their private sector counterparts."
  www.epi.org/publications/entry/debunking_the_myth_of_the_overcompensated_public_employee;
  www.slge.org/ (search "Out of Balance? Comparing Public and Private Sector Compensation Over 20 Years");
  www.cepr.net/documents/publications/wage-penalty-2010-05.pdf
- Over the last 30 years, salaries and wages of state and local government employees increased less than the growth in personal income in 45 of 50 states plus the District of Columbia.
  www.gao.gov/new.items/d10899.pdf

Public pensions are a cost-effective and reliable means of providing retirement security

- Public employee pensions are a modest benefit that workers themselves have largely paid for. The average AFSCME member earns $45,000 a year and receives a pension of about $19,000 after a career of public service. Many public employees do not qualify for Social Security so their pension is their only source of retirement security. Public employees typically contribute towards the cost of their pension. In fact, taxpayers bear just 14 percent of all pension funding, with employee contributions and investment returns covering the rest. www.ebri.org/pdf/FFE127.17June09.Final.pdf
- Pension expenses make up a small share of state and local budgets – less than 4 percent across the nation. Future contributions will rise to make up for recent investment loses and some public employers' failures to adequately contribute in the past. But even with that increase, pension costs will still be a manageable 5 percent or so of total spending. crr.bc.edu/images/stories/Briefs/slp_13.pdf;
  nasra.org/resources/ERContributions.pdf
- Prior to the financial market crash, public pension funds had 86 percent of the assets needed to pay for accrued benefits. (Anything over 80 percent is considered healthy.) Unlike many individuals' retirement accounts, most pension funds are safe from depletion and have many years to recover

investment losses. www.publicfundsurvey.org/publicfundsurvey/pdfs/Summary_of_Findings_FY08.pdf; www.retirement-usa.org/retirement-income-deficit-0; crr.bc.edu/images/stories/Briefs/slp_15.pdf

- Where unfunded pension liabilities are especially deep, the cause is the failure of employers to consistently fund pension plans on top of investment losses. New Jersey's Chris Christie complains about pension costs but has failed to pay one dime of the state's pension obligation. Recently enacted legislation will allow New Jersey to continue to underfund its pension obligations, even as workers have made their payments each year and the new law increases their costs.
- The accounting methods and investment return assumptions of pension funds are well established, widely endorsed, and most reflective of pension funds' actual historical returns. Models using "risk-free" rates of return are a meaningless distraction and are at odds with authoritative accounting standards. www.nasra.org/resources/NASRANCTR1104.pdf
- The benefits provided by state and local government pension plans have a significant economic impact: 2.5 million American jobs and $358 billion in economic activity each year. www.nasra.org/resources/economic.htm
- Putting new public employees in a defined contribution plan instead of continuing them in pension plans would cost taxpayers more, not less. Pension plans can deliver the same retirement benefit as a 401k-style plan for 46 percent less cost – a huge savings for taxpayers. www.nirsonline.org/index.php?option=com_content&task=view&id=121&Itemid=48
- AFSCME has worked to end abuses and other unjust gains from pension systems. However, the isolated story of the $100,000 a year pensioner that makes headlines represents only 1 or 2 percent of all pensioners.

Taking away workers' rights does not balance budgets or boost the economy

- State budget crises were caused not by employee compensation, but by revenue declines triggered by the Great Recession, from which most states have yet to recover. Irresponsible tax cuts and giveaways during the good times exacerbated the problem. www.americanprogressaction.org/issues/2011/03/pdf/statebudgetissuebrief.pdf
- Collective bargaining does not raise states' employee compensation costs. Compensation makes up 16 percent of total expenditures in states that authorize collective bargaining compared with more than 18 percent in states that prohibit bargaining, according to Census and Labor Department data.
- Wisconsin Gov. Scott Walker admitted in Congressional testimony that eliminating public employee collective bargaining rights did not save the state any money. youtu.be/xqhtUTyqVOY
- Eight of the top ten states in per capita disposable income (and 20 of the top 25, according to Bureau of Economic Analysis rankings) recognize the right of state employees to bargain with their employers. This disposable income stimulates state and local economies. Conversely, nine of the bottom ten and 15 of the bottom 20 states do not recognize that right.
- Collective bargaining has proven to provide a successful forum for workers and management to share ideas about how to improve the quality and efficiency of services and save money. Collective bargaining also helps insulate workers from politics, favoritism and arbitrariness in the workplace. As a result, bargaining benefits public employers, public employees, and taxpayers.