Michael Powell’s Pension Story In NY Times Needs Correction

Posted By John Sexton On January 3, 2011 @ 11:30 am In New York Times, media bias, newspapers | 17 Comments

The *NY Times* finally wrote something about the public sector pension crisis which manages to be critical of unions. Still, it’s every bit the dishonest mess you would expect from the *Times*. Author Michael Powell isn’t straight with his readers and never works up the passion that the *Times* reserves for Republican scandals [1]:

> In California, New York, Michigan and New Jersey, states where public unions wield much power and the culture historically tends to be pro-labor, even longtime liberal political leaders have demanded concessions — wage freezes, benefit cuts and tougher work rules.

[2]

That’s the single best sentence in the article. Immediately, Powell shifts over to weasel words:

> Union chiefs, who *sometimes* persuaded members to take pension *sweeteners* in lieu of raises, are loath to surrender ground. Taxpayers *are split* between those who want cuts and those who hope that rising tax receipts might bring easier choices.

Really?! So roughly half of taxpayers prefer “rising tax receipts?” Powell offers no evidence to support this claim. I suspect that a majority of taxpayers strongly support tax *cuts* and, thus, lowering tax receipts. Powell isn’t done:

> And a growing cadre of political leaders and municipal finance experts *argue* that much

> of the edifice of municipal and state finance is jury-rigged and, without new revenue, *perhaps* unsustainable. Too many political leaders, they argue, acted too irresponsibly, failing to either raise taxes or cut spending. A brutal reckoning awaits, *they say*.

Question: Is this really just a he-said, she-said? And did he just say that this is "perhaps unsustainable?" Okay, so who are the municipal finance experts who think this is potentially sustainable? Please name them. My reading suggests that nearly everyone agrees adjustments need to be made to bring outlays and revenues in line. What this article could have and should have said (but nowhere did) is this: No one believes that what we're doing is sustainable.

At the core of this debate over union pensions is a disagreement over how much public sector workers earn compared to their private sector counterparts. Here's where Powell gets slick with his readers:

> A raft of recent studies found that public salaries, even with benefits included, are equivalent to or lag slightly behind those of private sector workers. The Manhattan Institute, which is not terribly sympathetic to unions, studied New Jersey and concluded that teachers earned wages roughly comparable to people in the private sector with a similar education.

The Manhattan Institute paper [3] Powell is referencing is an attempt to counter the liberal argument that, ranked by level of education, private employees make more money than their public sector counterparts. The Manhattan Institute counters [3] by noting that this discrepancy disappears once you factor in the reduced number of hours public employees (teachers in this case) work in a given year. In other words, teachers earn less because they work less.

On an hourly basis New Jersey teachers do very well for themselves. In fact, the MI paper concludes that if New Jersey teachers were to work the same hours as private employees, i.e. no summers off, their average salary would be over $86K a year. And the top 25% of them would be earning over $110K per year.

Amazingly, author Michael Powell either didn't read the MI paper or, perhaps, didn't want you to read it. Because near the end of his article he trots out the very liberal argument about comparable pay by education level that the Manhattan Institute paper was debunking. Then on top of that, he misstates the results:

> On their face, New Jersey's public salaries are not exorbitant. The state has one of the highest per-capita incomes in the country, and the average teacher makes $66,597, which even with benefits is on par with or slightly behind similarly educated private sector workers, according to Jeffrey H. Keefe, a Rutgers professor who studied the issue for the liberal-leaning Economic Policy Institute.

Here is the EPI paper [4] on New Jersey public employees. It did indeed find that public employee compensation was slightly behind private compensation *until* you control for hours worked. This matters because it turns out public employees with a bachelor's degree or higher work about 10% fewer hours. Once you control for that difference (exactly as the MI paper did) even Jeffrey Keefe finds that public employees make slightly more than their private counterparts. (See table 6 on page 10 of his report.) So public employees are not "slightly behind" according to EPI. That is false and should be corrected.

Furthermore, the EFI paper looks at all public employees, including those who don't get summer off. This helps bring the difference in compensation down. If EFI were to look at only teachers (who work about 320 less hours per year) the difference in compensation would undoubtedly go up.

Thanks to Mr. Powell, *NY Times* readers will never know that the real range of opinion on the matter lies between those on the left (EPI) who see public employees as slightly ahead of their private counterparts and those on the right who see them significantly ahead. The latter opinion isn't given any mention in Powell's piece, but it can be found in studies like this one [5] from the Cato Institute.

Instead, we get a vague reference to a "raft" of studies showing compensation is equivalent and a demonstrably false assertion based on a misread of a source that public employees are "slightly behind." That's would be enough of a shambles for one article, but I can't move on without nothing this downright sleazy paragraph:

> Governor Christie talked about tough choices this past year — then skipped the state's required $3.1 billion payment. Now New Jersey has a $53.9 billion unfunded pension liability.

The way it's written almost makes it sound as if Governor Christie is responsible for the entire $54 billion. Not that Powell says so really, but his terse description might suggest it. Wouldn't a more accurate way to phrase this be something like …

> Gov. Christie faced a $50 billion pension liability when he entered office. After skipping last year's $3 billion payment in order to balance the $11 billion budget shortfall he inherited, that figure is now $53 billion.

Readers relying on the *Times* for coverage of the pension crisis are going to be in for a lot of surprises in the coming years.

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