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Governments should rein in public worker pays, pensions

By Jack Markowitz, FOR THE PITTSBURGH TRIBUNE-REVIEW
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About the writer

 Retired business editor Jack Markowitz's columns are published on Sundays and Thursdays. He can be reached via e-mail.

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"Freeze government employees' wages." "Stop their pensions and health care from growing like crazy."

Remind you of protest signs at taxpayer marches? Don't be surprised to see more of them.

Because they're identifying the quickest way to get control of government spending that threatens to cripple U.S. business, if not bankrupt the country.

Federal deficits are running \$1 trillion-plus in the red per year. But states and local governments are fiscal cripples, too.

And why? Simple. They pay their employees too much.

Chris Edwards is director of tax policy at the Cato Institute, a libertarian think tank. He says employee compensation (for 20 million workers) now accounts for half of all spending at state and local government levels. In 2008, the civil servants got paid \$1.1 trillion, and everything else the taxpayers' money got spent on added to about as much.

So when governors and mayors say they've got to shut down parks or quit mailing welfare checks, it's because they won't face what's really tough: the public employee unions.

"Large savings could be found by freezing wages and overhauling excessive benefit packages," Edwards writes in the "Budget & Tax News" of Chicago-based Heartland Institute.

This past year, he says, average pay of public employees nationwide was \$39.66 per hour, 45 percent higher than the private sector's \$27.42. To think of public workers as poorly remunerated now is just cultural lag, though still fostered by liberal interest groups.

Cato's expert reports, for example, that public workers generally retire earlier on pensions twice the private industry average, indexed for inflation. In California, New Jersey and Utah, they can "double-dip," going back into the same jobs after retiring on pension.

A California policeman or firefighter can call it quits at 50 after 30 years on the job — with benefits equal to 90 percent of final salaries.

Public pension formulas are virtually all more generous than in private industry, typically basing benefits on the last three years of pay versus the last five years. And just 21 percent of private pensions are of the costly "guaranteed benefit" type now; in public employment, it's 84 percent.

And this is not even to mention an oft-heard abuse of overtime for favored public workers in the years just pre-retirement; it adds icing on top of the pension bonanza.

And if a worker messes up? He's three times likelier to be fired from a private than a public job.

Overpromised, underfunded pensions particularly (as in Pittsburgh) loom as an

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obligation communities can't handle anymore and remain viable. Officially, they're estimated at about \$1 trillion underfunded nationwide. But that's based on rosy budget assumptions. Edwards says the true funding shortfall might be three times as much.

His suggestion for making the coming facedown with public unions at least a trifle more palatable: Freeze salaries on members of Congress, legislators and cabinet officials, too. At least two years of "shared sacrifice." (Protest marchers would make it more.) But it's still going to be a tough sell.

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