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Public Employee Unions Must Accept Reality on State Pensions, Work Toward Reform

KERRY JACKSON

A janitor who works for the Bay Area Rapid Transit system made nearly a quarter of a million dollars last year in regular and overtime pay. Another janitor made more than $200,000 while a third came close. The highest-paid worker earned $57,946 in base pay and $162,000 in overtime, and was one of 35 BART workers who made more in overtime pay than in base salaries.

As the old saying goes, "nice work if you can get it." And not many can. In this case, the "nice work" seems to be available only to public-sector union workers.

The worker, like many of his BART coworkers, is a member of the Service Employees International Union, and has to put in long hours to reach that level of overtime pay. His work ethic appears to be one we all should aspire to. But the pay data compiled by Transparent California also highlights another point: California's public sector unions are dragging the state into a financial pit.

Six years ago, when he was director of the Pacific Research Institute's journalism center, Steven Greenhut noted that "public employee unions are sinking California." If the state was ever going to get a handle on spending, it had "to take on its public employee unions," he added.

In 2016, it's no different. Public employee unions are still an anchor holding the state under water through luxurious compensation packages far in excess of their true market value.

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At one time, the thought of a government employee belonging to a union was absurd. Even private-sector union officials, members and supporters thought it was dangerous to let those performing essential civil services, such as law enforcement and firefighting, walk off the job in a strike.

But by the middle of the 20th century, that wall, both useful and sensible, began to crack across the country. During his first run at the governorship in the late 1970s and early 1980s, Jerry Brown essentially razed the wall in California. Now more than half – 55 percent – of the state's 1.3 million government employees belong to a union. Only New Jersey, Connecticut and Massachusetts have higher rates.

In this environment, there's no bargaining between governments and public-sector unions. Unions get what they want because there is no opposition sitting across the table during labor talks. The unions contribute cash and provide campaign staff members to the same politicians who negotiate the labor deals. This no-opposition structure provides public-sector union workers with an edge that private-sector workers who have to compete in labor markets don't have. Even the AFL-CIO's first president, George Meany, recognized that it is "impossible to bargain collectively with the government."

But today, unions routinely "bargain" with governments and the data shows that they secure highly favorable contracts. Economists Andrew Biggs and Jason Richwine have found that public-sector union workers' total compensation is as much as 20 percent higher than compensation for comparable workers in the private sector.

Much of the gap in compensation is due to the generous health care and pension benefits unionized government employees enjoy. City College of New York professor Daniel DiSalvo has noted that in Los Angeles alone, pensions as a share of the city budget soared from 3 percent in 2000 to almost 20 percent in 2015. Across California, "pension liabilities are increasing at a rate of $17 billion a year, which make the state's current cash surplus a mirage," he wrote last year in the *Los Angeles Times*.

With more than 30,000 retired California public employees raking in pensions of at least $100,000 a year, and about 450 pulling down more than $200,000, the unfunded state liabilities for pension and retiree health care costs have been estimated to be roughly $200 billion.

"This would put every household on the hook for an additional tax of $40,000 to pay for people who are no longer working," Pacific Research Institute economist Art Laffer and Laffer Associates analyst John Burke wrote a few weeks ago in *Investor's Business Daily.*

One way to deal with the growing problem is legislative reform.

If public pension reform doesn't happen – either in the Legislature or at the ballot box – the free market will surely give way to alternatives that public employees will abhor such as automation.

Private-sector workers are already being displaced by technology, especially when government mandates a minimum wage, and the seeds of progress are in the ground for the public sector. Consulting group Deloitte says that "up to 861,000 public-sector jobs – 16% of the overall workforce – could be automated by 2030" in the United Kingdom. Imagine how many public-sector jobs could be automated in California.

Robots can't join unions, don't need pensions and aren't able to vote for politicians who will keep their cozy arrangements alive. To avoid this scenario, it is in the best interests of workers to accept reality and work toward a reformed public pension and retiree healthcare system that is fair for taxpayers and workers alike.

Kerry Jackson is a fellow at the Center for California Reform at the Pacific Research Institute.