THE WAR AGAINST PUBLIC SERVICES AND PUBLIC EMPLOYEE UNIONS

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Are Public Sector Workers Overcompensated?

Moderator:

Ken Brynien

President

New York State Public Employees Federation

Speakers:

Matthew Di Carlo

Senior Fellow

Albert Shanker Institute

Jeffrey H. Keefe

Professor, Labor and Employment Relations, School of Management & Labor Relations, Rutgers University

MR. BRYNIEN: My name is Ken Brynien. I'm the president of the New York State Public Employees Federation, representing 56,000 professional, scientific and technical workers for the state of New York. And our local has been researching the cost differences between the state's use of its own employees versus the state's use of private contractors for about a decade.

And we found some startling evidence showing that private contractors cost far more, especially in jobs requiring technical expertise, when you take into account the profit margins of the companies. Even with health benefits, pension benefits and other types of benefits added to wages, here are just some examples of the differences. Private engineering contractors cost up to 2 ½ times the cost of state civil engineers, $125 an hour versus $50 an hour. The New York State Department of Transportation alone could save $100 million a year by replacing its private contractors with state employees. Private bridge inspectors cost about 75 percent more. IT, architectural, accounting, auditing, legal, medical and other private contractors all cost between 50 percent and a 100 percent more than comparable state employees doing the same work.

The worst example we found was $553 an hour paid for private legal services when state-employed paralegals could do the job for $42 an hour, including their benefits. That's eight percent of the cost of the private contractors.

On average, New York State paid private contractors about 62 percent more than it cost to have state employees do the job. If New York's 23,000 private contractors were all replaced with state employees, the state could save almost $1 billion a year—that's with a "B."

Now, we've published these results for the press and the legislature to see in a report called "The Tip of the Iceberg: How New York state can save millions of dollars by using the state work force."

And we're pushing legislation that requires that a cost-benefit analysis be done before privatizing any services. This would convince legislators that state employees would win the work most of the time, and this legislative program is simply called "Go Public."

But given all this, it seems unconscionable that I had to miss most of this meeting today because I was outside on the phone authorizing public relations and street actions to fight that campaign against a Democratic governor who today announced almost 10,000 layoffs, which will begin on July 15 because he says state employees cost too much, and the state can't afford that.

If we want to reach a national audience on this kind of issue, we need nationally based data because this is happening everywhere. And rather than everybody fighting their own fights and finding out their own data, we need to have some sort of group consensus about what's happening in this country.

And the two presenters we have today can share some of that evidence with us. Matt Di Carlo is a senior research fellow at the Albert Shanker Institute. He has published work on labor markets, social stratification, and political attitudes. And in his paper "Are Public Employees Overpaid?" he shows how simply comparing average earnings of public and private-sector workers is misleading. And a proper analysis would show that they're not overpaid.

And Matt will begin with a brief presentation. Following Matt, we'll hear a more-detailed presentation from Jeffrey Keefe. Jeff is an associate professor of labor and employment relations at Rutgers University. He's studying state and local government employee compensation, health benefits, pensions and employment levels. And in his paper, "Debunking the Myth of the Overcompensated Public Employee: The Evidence," he controls for education, experience and other factors, and finds that when you compare apples to apples, public employees are not overcompensated.

And finally, both of these gentlemen received their PhDs from Cornell University. So as a New Yorker, I know their presentations will be absolutely brilliant. With that, let's start with Matt Di Carlo.

MATTHEW DI CARLO: Thanks, Ken.

As Ken said, I deal with mostly education policy research, but I also do some work on public employees more generally. We are very privileged to have Jeff Keefe here, who is literally one of the foremost national experts on the subject of public employee compensation.

My time is short; I want to give Jeff as much time as possible to present his research, so I'm just going to give a little context. Now, I don't have to tell you what's being said about public employees. We've been talking about it this whole time – basically, that we're rich, we are loaded. We're a whole new class of workers – the "haves" versus the "have nots." We have access to rich-person things like dentists. Karl Rove's lobbying organization is airing commercials saying that public employees are paid 42 percent more than private-sector workers, all right? So you know it's true.

Now, the idea obviously, and it's absolutely essential, is to portray public employees as overcompensated. You've all seen the stories, but I think that this one was probably my favorite mostly because of the timing.

It was March of this year. Wisconsinites camped out in the capitol. USA Today runs this headline: "Wisconsin one of 41 states where public sector workers earn more."

So they took simple data from the Bureau of Economic Analysis, and they laid out the average compensation, which is salary plus benefits, for public—that's state and local—versus private-sector workers in each state. Then, using this brand-new, sophisticated statistical technique called subtraction, they determined that Wisconsin was one of about 40 states where public sector workers were paid more.

Now, given the timing, and given the fact that this was not USA Today's first offense, I actually got so angry that I downloaded a huge census data set, did my own analysis, and wrote a little blog post purely out of spite, just walking through the calculations—when you add experience, the gap closes; when you add education, the gap closes.

But the funny thing they did was to quote Jeff in the article, saying that this approach is misleading because it doesn't look at factors such as education that result in higher pay for public employees. Roughly translated, this means, "This comparison doesn't really mean that much, but by all means, we'll present it anyway."

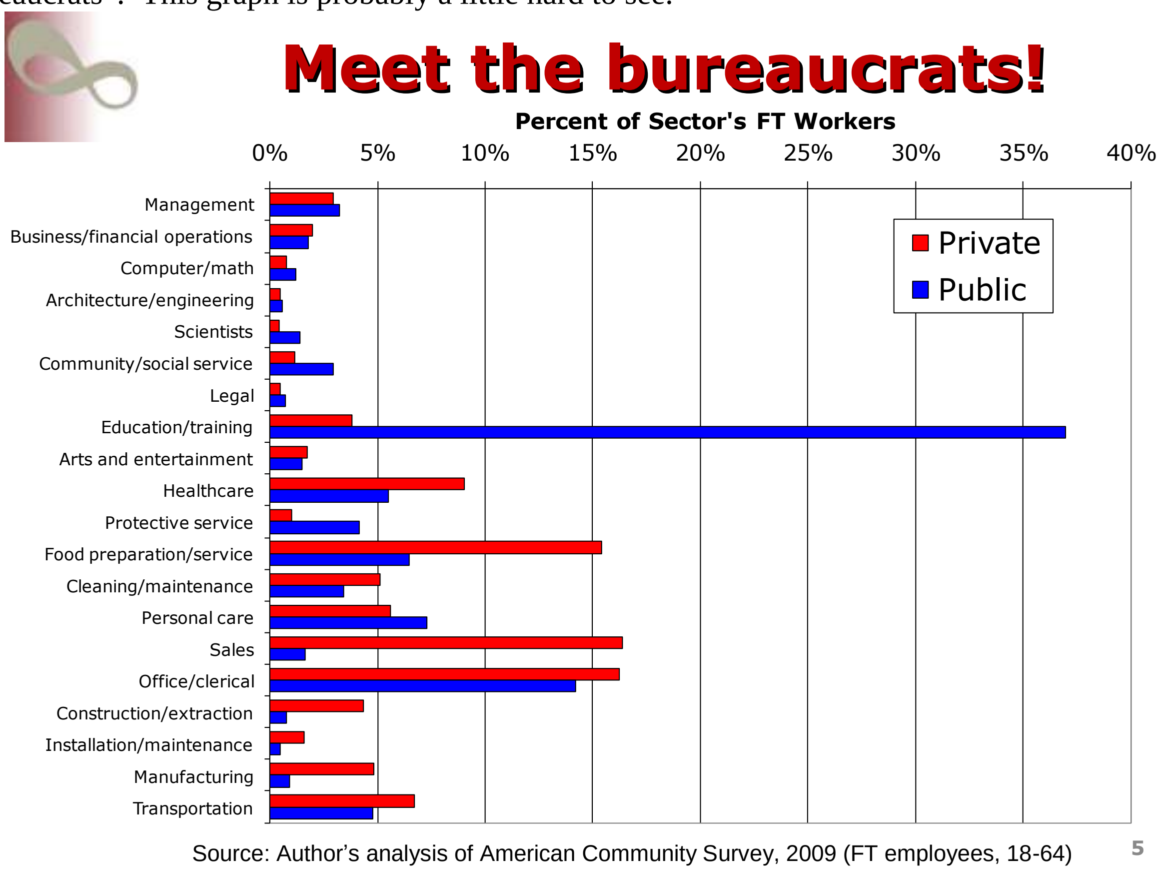
Now, not all comparisons are alike. Some of them carry baggage; some of them carry implications. If I said, for example, that Shanker Institute staff earn more on average than the people across the street at Starbucks, that's true. At least, I hope we earn more. But if I use that as evidence to say that Shanker Institute employees are overpaid, that's nonsense. It's also preposterous.

So proper comparisons have to account for differences between the groups. Doing that is harder. You need to do a complicated analysis. Iif you don't, you're just comparing two different groups of workers, and not saying very much.

One big problem is the constant refrain during this whole conference: People don't know that public employees are different than private-sector employees. They're not aware of what public-sector workers do. So I say, we tell them.

And so if you read the paper or watch the news, you hear the word "bureaucrats" a lot. I guess that this is supposed to conjure images of these long rows of desks with kind of boringly dressed workers shuffling papers --because that never happens in the private sector.

And so I decided to look at what public employees actually do, which I'm calling "meet the bureaucrats". This graph is probably a little hard to see.

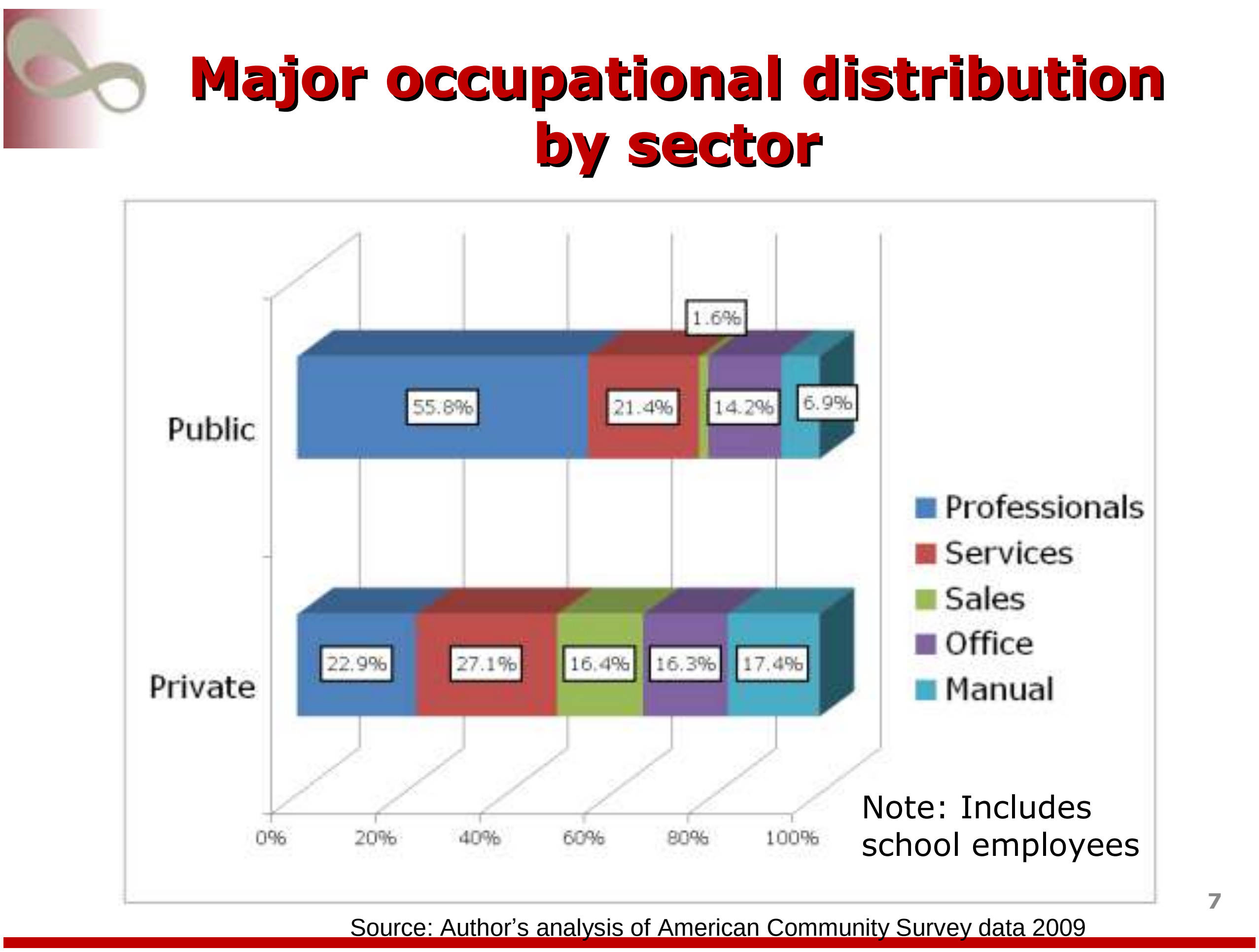


A percent of each sector, public and private (this is fulltime workers only)t work in many different occupational categories. Now, these are actually occupations. So you see that the education bar is between 35 and 40 percent, but that's not "education industry," that's "education occupation." There are many occupations, like "food-service" that do work in schools, but wouldn't be reflected in that bar.

So what the graph shows you is that public- and private-sector workers are different. Public workers are over-represented towards the top, and under-represented towards the bottom, which comprises the low-wage, manual, sales-worker occupations.

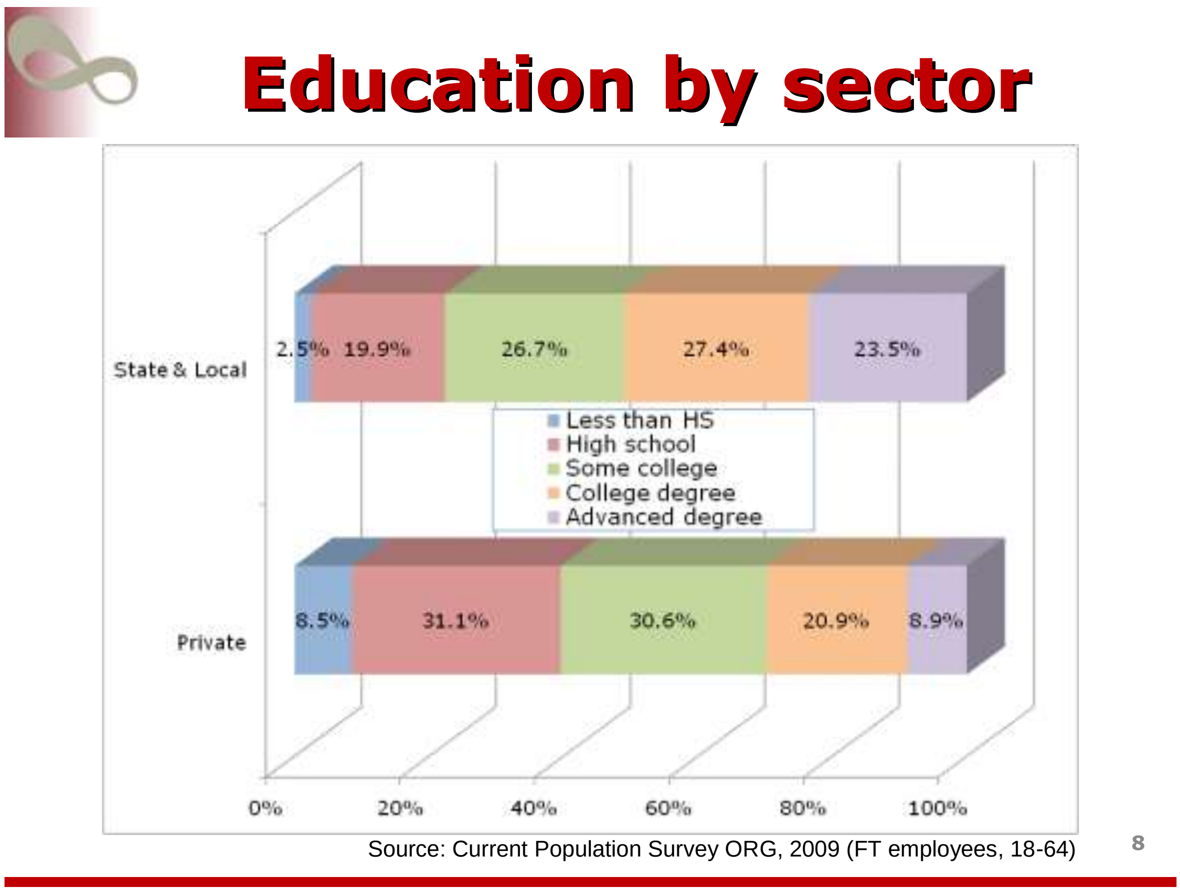
Now, state and local governments are dominated by education—about four in 10 public-sector workers are in education occupations. Again, that's occupation, not industry. About one in five is a K-12 teacher; one in 10 is a teaching assistant, and that includes higher education and K-12.

Public-sector employees include three times as many scientists-as do private sector workers; 50 percent more computer and math workers. If we just make this a little bit easier and combine some of these categories and take a bird's-eye view of the occupational distribution, you see that over half of public-sector workers are in professional occupations, whereas about half of the private sector works in occupations considered sales or office work or manual work.



What does all this mean? It means that you have to account for these differences. And if you don't, you're not saying anything. It's not about how much public employees make versus private-sector workers. A better way to look at it is: how much would public employees make if they worked in the private sector?

It's difficult to match up jobs. Researchers compare workers in terms of those key characteristics that tend to maintain a very strong association with compensation. Education level is the big one, but not the only one.



If you just take a quick look at the educational distribution, you see that about half of public-sector workers have a bachelor's degree or higher, compared to about 30 percent of private-sector workers. And this is full time, only.

So education is the big factor. But that's not it. As Jeff will note, public-sector workers are different on many other very important variables, like experience. Public employees are more experienced; they're older; they work longer hours; they're more likely to be full-time workers; they work for larger organizations—and a number of other things that really matter.

This makes the comparisons one often sees in the media really annoying. You can't do it in Excel. You can't make pretty little graphs in USA Today. You have to know what you're doing, and you have to work.   If you don't do that, you're probably being misleading and reaching the exact opposite conclusions you should be reaching.

I'm going to hand this over to Jeff. I and look forward to the discussion. Thank you very much.

JEFFREY KEEFE: Thank you, Matt. . What I want to do, at first, is to focus on my governor, Chris Christie who just reached a deal with the Democratic Party to cut public employee heath and pension benefits. But this governor was elected in November of 2009. He ran as a moderate; he did not run like Scott Walker ran. He ran as a moderate Republican. And what the financial crisis meant is that the New Jersey tax base was eroding rapidly, and that the state government was cutting funding of municipal services and schools. Now, thinking that it was a recession—of course, it was more than any normal recession that we were headed into—many of the school districts and municipalities responded by dramatically increasing their property taxes. And that kicked off a revolt, a tax revolt in many communities, which led to the election of Chris Christie and the defeat of Jon Corzine.

After not saying much for a few months, Christie came out fighting against the New Jersey Education Association and public employees generally. And it continued every day.

And so what's happened? Christie is the first to say there are two classes of people in New Jersey—public employees who receive rich benefits, and those who pay for them. And before you know it, the echo chamber begins.

Our largest paper in New Jersey has a front-page, above-the-fold editorial saying, it's time to freeze New Jersey public workers' pay. Change the bargaining rules. They are saying that everybody in the public sector is overpaid because we all rank high. Well, it turns out all private-sector occupations —New Jersey is the most expensive state to do business in—all the occupations in the private sector rank equally as high.

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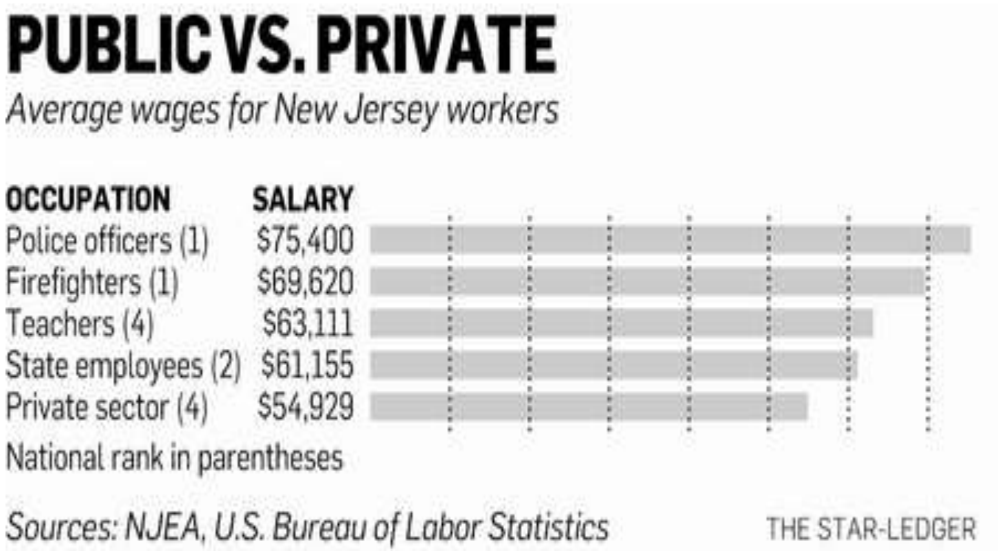
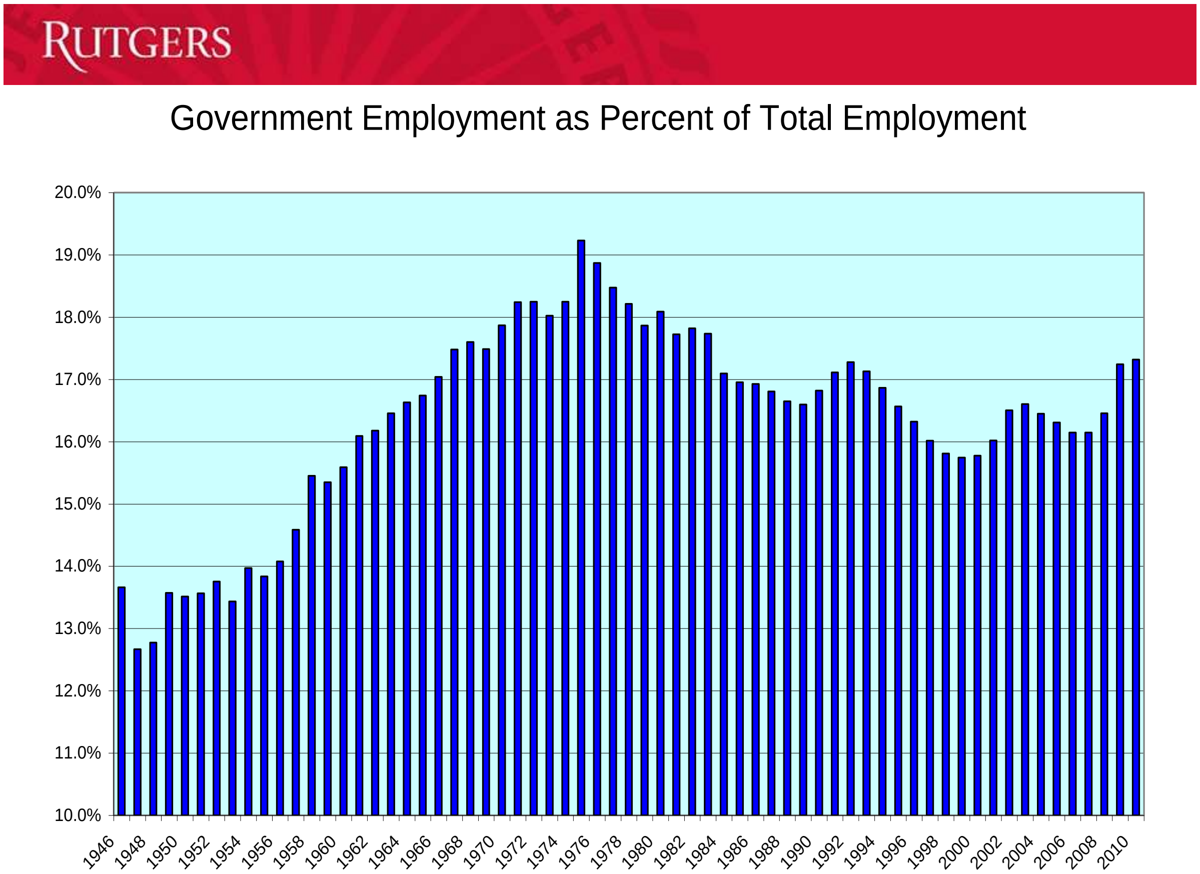
It's time: Freeze N.J. public workers' pay, change bargaining rules. ***Star-Ledger Editorial Board/The Star-Ledger***. Feb 28, 2010

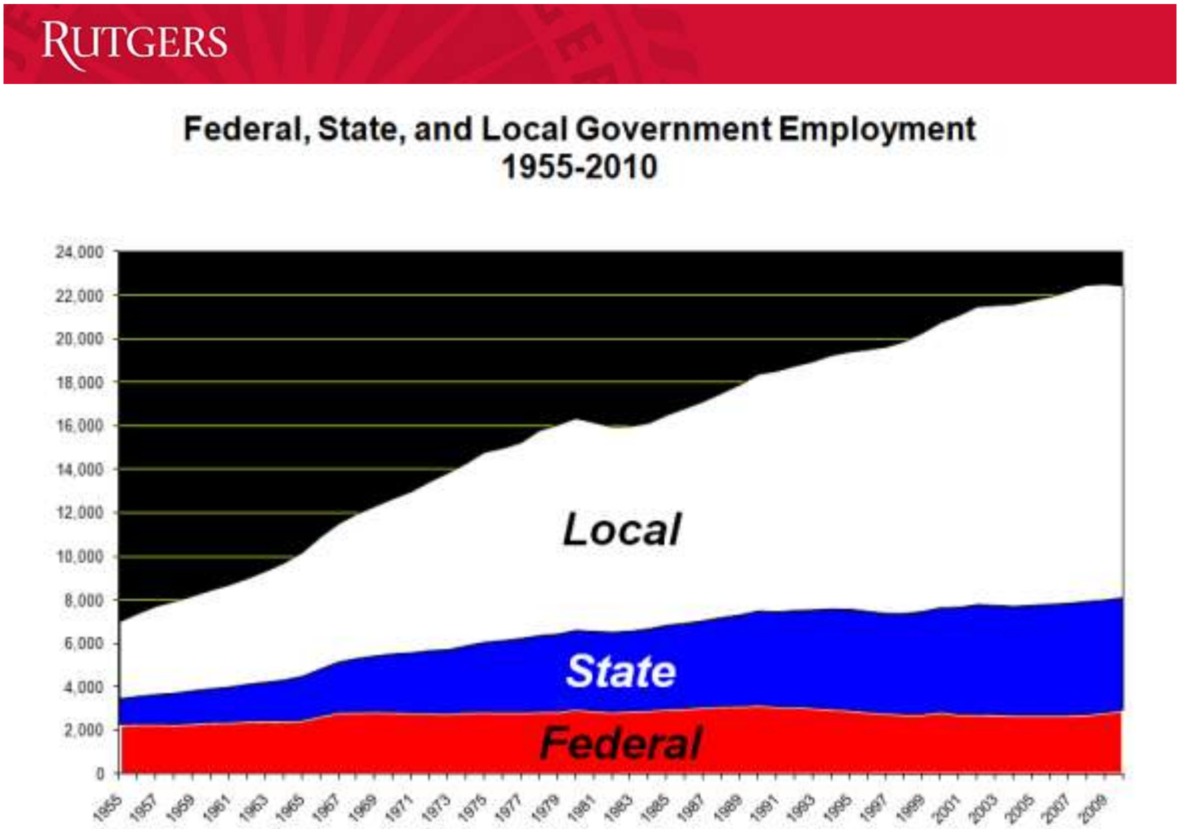


This is what we see, continual selective omissions in the data. For example, the Star-Ledger forgets to report that local government employees actually make *less* than private-sector employees in the state of New Jersey, on average. Three-quarters of our public workforce is at the local level, not at the state level.

Where are we in terms of public employment? We peaked in the mid-1970s as a percent of total employment, and then in the Reagan years it trended down, and it's leveled off at around 16 or 17 percent. And it ticked up with the stimulus bill and the high level of the first phase of the recession—the Great Recession—when there were a lot of private-sector layoffs.



As you can see, most of the public sector growth over the last 60 years has been at the local level. The federal government employment levels have been flat in the post-war period. State employment grew slightly, but it's been basically flat since the 1980s. And whatever growth we see now has been at the local level. By the way, that's the level where the taxpayers are the happiest with their services, in the sense that they feel more connection with those folks.



So, are public employees overpaid? The Republican mantra is that there's a cycle of corruption: Overpaid public employees, through their unions, finance Democratic politicians, who then get elected and then reward the public employees with higher pay, who then make contributions. If this were really true, if public employees had been this successful, Gov. Christie couldn't have become governor, of course, or Scott Walker or any of the other people we're talking about. So obviously, the story doesn't work.

So, the analysis I've tried to do, and that I've done now in a number of different publications, is to answer this question: Are public sector workers overpaid? This has been the mantra, that public employees are overpaid. And I, in New Jersey, have looked at the data. I watch data and enjoy reading data so I was aware that something was wrong with this narrative. So I started to look more carefully at it and, to look at how the public sector is really different.

And the first thing that stands out is that the public sector is just so much more educated than the private sector in New Jersey. So 35 percent—this is national data, but my first inclination was to look at New Jersey— 35 percent nationally of private employees are college educated, whereas 54 percent of state and local government employees are. When I did national comparisons, you can see that even on wages, there's no doubt that public-sector employees earn less. And that historically has always been true.

Earnings returns and educational attainment for private-sector and state/local workforce

Highest degree earned	Earnings return to education compared	All private employers	Private, 1 to 99 employees	Private, 100 to 499 employees	Private, 500 and more employees	All state and local government
Less than high school	0%	6%	9%	6%	5%	2%
High school	28	29	33	30	27	19
Some college	46	19	19	18	19	14
Associates	56	11	9	11	11	10
Bachelor's	84	24	20	22	26	28
Professional degree	145	2	2	2	2	2
Master's	106	8	6	8	9	21
Doctorate	135	1	1	1	2	3
		100%	100%	100%	100%	100%
Memo: College plus		35%	29%	33%	38%	54%

The real complication in this story was how do we value benefits and think about benefits? Because one thing we know is that in the private sector, benefits have undergone a fundamental change over the last 30 years. Pensions have switched from defined benefit to defined contribution. Health benefits have shifted in a variety of ways, but certainly one of the ways they've changed is increasing the co-insurance payment of workers to get both single and family care.

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Average earnings and total compensation by education level in the United States: Private sector compared to state and local government employees

	Annual wage earnings			
Education	*Private*	*Public*	*Compared*	*Public penalty*
All workers	**$55,132**	**$49,072**	**-$6,061**	-11%
Less than high school	29,135	24,378	- 4,757	-16
High school	38,269	36,640	- 1,630	-4
Some college	43,152	42,108	- 1,044	-2
Associate's	47,894	45,247	- 2,647	-6
Bachelor's	71,781	48,874	- 22,906	-32
Professional degree	152,733	88,629	- 64,105	-42
Master's	93,918	60,263	- 33,655	-36
Doctorate	119,878	88,625	- 31,253	-26

When I looked at total compensation—and this varies state by state—but when we looked at total compensation, the college-educated workforce earns less, without any adjustments for experience or anything else; but the less-educated workforce in the public sector earns more when we include benefits. And that's largely because so many lower-skilled workers or less-educated workers in the private sector no longer have benefits, or have very few benefits.

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	Total compensation			
Education	*Private*	*Public*	*Compared*	*Public premium/penalty*
All workers	**$71,109**	**$69,108**	**-$2,001**	-3%
Less than high school	38,918	36,407	- 2,511	-6
High school	50,596	53,880	3,284	6
Some college	56,279	61,210	4,930	9
Associates	62,162	65,165	3,003	5
Bachelor's	91,256	68,290	- 22,966	-25
Professional degree	192,977	121,192	- 71,785	-37
Master's	118,918	82,297	- 36,621	-31
Doctorate	151,875	120,642	- 31,233	-21

Here's the distribution, as of December 2009, of benefits across different sectors. There's no doubt that public-sector employees have much better health benefits, and retirement benefits, than do their private-sector counterparts. They cost more, and they figure much more prominently in the total compensation package. But the answer to that is that we've already done a comparison on wages, and we see that the wages are less. So now the real question is, when we put this all together, will the lower wages offset the higher benefit cost, or will they not?

Distribution of compensation cost for private-sector and state and local workforce (Dec. 2009)

Employer costs	Private employers: Employees 1 to 99	Employees 100 to 499	Employees 500+	Government state and local workers, all
Insurance	**6.7**	**8.6**	**9.0**	**11.6**
Life	0.1	0.2	0.2	0.2
Health	6.3	8.0	8.3	11.2
Short-term disability	0.1	0.2	0.3	0.1
Long-term disability	0.1	0.1	0.2	0.1
Retirement and savings	**2.5**	**3.4**	**4.8**	**8.1**
Defined benefit	0.9	1.4	2.2	7.2
Defined contribution	1.6	2.0	2.6	0.8
Legally required	**8.9**	**8.2**	**7.2**	**6.0**
Social Security	6.1	5.9	5.8	4.7
Medicare	4.9	4.7	4.6	3.6
Federal Unemployment Insurance	1.2	1.2	1.2	1.0
State Unemployment Insurance	0.2	0.1	0.1	0.0
Workers' Compensation	0.7	0.6	0.3	0.2
Workers' Compensation	1.9	4.0	1.7	1.1

When I did it initially, I looked at wages and total compensation. You can see that, on average, wages were, for a public employee, about 14 percent less, and total compensation was about six percent less. This is without an adjustment for hours. This is often the conservatives' big complaint, because, they argue that teachers don't really have full-time jobs.

I feel like I've returned to the 1960s and the initial consciousness-raising about women. Those social workers, those teachers, those librarians, they don't have real jobs; only CEOs do.

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State and local public employee wage and total compensation estimated comparisons with state and local private sector employees from standard earnings equations controlling for annual hours of work

	Wages	Total compensation
Public employee	-0.1147 ***	-0.0374 ***
State government employee	-0.1557 ***	-0.0755 ***
Local government employee	-0.0946 ***	-0.0184 *

CONTROL VARIABLES: Hours of work, education, experience, organizational size, gender, race, ethnicity, and disability. (IPUMS CPS) .

* Probability estimate 0 is >.05.

** Probability estimate 0 is >.01.

*** Probability estimate 0 is >.0001.

SOURCE: Current Population Survey: IPUMS 2009 and Employer Cost of Employee Compensation, December 2009.

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State and local public employee wage and total compensation estimated comparisons with state and local private-sector employees from standard earnings equations

	Wages	Total compensation
Public employee	-0.1403 ***	-0.0628 ***
State government employee	-0.1856 ***	-0.1072 ***
Local government employee	-0.1180 ***	-0.0406 ***

CONTROL VARIABLES: Education, experience, organizational size, gender, race, disablity, year (IPUMS CPS).

* Probability estimate 0 is >.05.

** Probability estimate 0 is >.01.

*** Probability estimate 0 is >.0001.

SOURCE: Current Population Survey: IPUMS 2009 and Employer Cost of Employee Compensation, December 2009.

When we adjust for hours, we find that actually public employees still have lower compensation—it's about four percent less—but we can argue back and forth as to whether that's appropriate or not. And you can see, here's the series of studies that I have written that were collected in the paper that Tom Kochan was speaking of, that look at where public employees' compensation is either at market or below market. Wisconsin, by the way, is below market. Missouri is -- of any of the states with collective bargaining; and I've really looked at the states with collective bargaining—the most below market; whereas, New Jersey, California, are pretty much at market.

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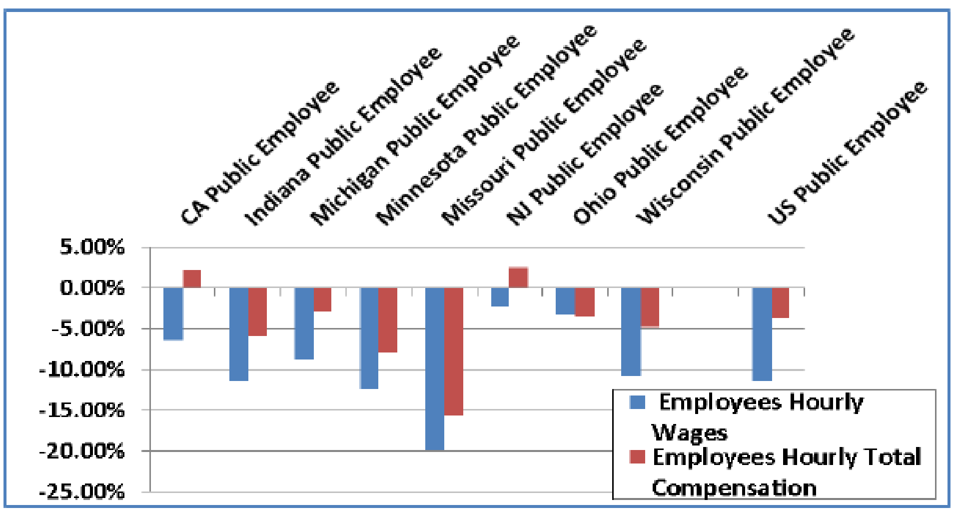
Public Employee Compensation Compared

Figure 1: Public Sector Hourly Wages and Hourly Total Compensation Compared to Private Sector Employees of Equal Education



Gallup polling says the public supports collective bargaining; they have some positive views of some of our occupations, but not too positive a view of our organizations. But we've lost the battle, at least according to the recent polling data, about whether we should take pay cuts or benefit contribution increases. So while we have strong support for collective bargaining rights, the public does believe that public sector workers should contribute more to our pensions and health benefits, and we should consider pay freezes. We have not won that debate.

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Gallop: **More Americans Back Unions Than Governors in State Disputes by 48% to 39%**

With Whom Do Americans Agree More -- Governors or State Employee Unions -- in State Disputes?

As you may know, Wisconsin and other states have been in the news because of disputes between the governors and state employee labor unions over collective bargaining policies and the state's budget. In states where there are such disputes, would you say you agree more with -- [the governors (or) the state employee labor unions]?

	Mar 25-27, 2011
	%
State employee labor unions	48
Governors	39
Neither (vol.)	4
No opinion	9
	100%

(vol.) = Volunteered response

GALLUP

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HART/McINTURFF
February 2011

Study #11091--page 7
NBC News/Wall Street Journal Survey

	TOTAL POSITIVE	TOTAL NEGATIVE
Teachers	73	10
State and local government employees	47	24
Federal government employees	42	22
Teachers unions	47	30
Barack Obama	49	35
Public employee unions	38	34
Labor Unions	38	36

And we have hundreds of bills kicking around different state legislatures that seek in some way to limit collective bargaining. A lot of people have criticized my research, and I just want to give you my response to some of these criticisms. One anonymously wrote a paper criticizing my research because I only relied on full-time workers. When I included part-time workers, it really did not change the results in any significant way. Part-time workers are treated badly in both sectors. That's what it basically comes down to.

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But You Used Only Full-time Employees

State and local government employee earnings compared with private sector

	Full-time employees' hourly wages	Full-time employees' hourly total compensation	Part-time employees' hourly wages	Part- and full-time employees' hourly total compensation
Public employee (state and local)	-11.47% ***	-3.74% ***	0.11%	-2.20% ***
State government employee	-15.57 ***	-7.55% ***	3.13	-5.51 ***
Local government employee	-9.46 ***	-1.84% *	-1.44	-0.44

prob 0<.0001 *** <.01 ** <.05 *

I do control in my equations for organization size, because it really matters when you talk about benefits in the private sector. I teach a course in benefits and social insurance. Small organizations in the private sector have a really hard time buying health insurance, and that's one of the things that the Obama health care plan will attempt to fix, if they want to buy health insurance. I suspect most of their employees will be in the exchanges—if it survives. Here again are the results with or without organizational size.

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Organizational Size Variable Biases Estimates

Full-time state and local government employees' total compensation compared with private sector

	Annual total compensation with organizational size as variable		Hourly total compensation with organizational size as variable		Annual total compensation without organizational size as variable		Hourly total compensation without organizational size as variable	
Public employee (state and local)	-6.28%	***	-3.74%	***	-8.06%	***	-0.63%	*
State government employee	-10.72	***	-7.55	***	-9.35	***	-2.10	***
Local government employee	-4.06	***	-1.84	*	-7.35	***	0.19	

prob 0<.0001 *** <.01 ** <.05 *

The one I've liked the most lately is that there should be a compensating wage differential—this comes from Heritage and AEI—for stable employment: the public sector has stable employment worth 15 percent. Now, they made up this number. They just made it up. Pick a number. Fifteen percent. They go through this micro-economic utility function exercise, and just at the end of it, decided for 15 percent.

To test this hypothesis, I ran a simple regression across the industries that we have layoff and discharge data for, and I found out that the industries that have the most unstable employment—once you control for all the usual things—should have the highest wages; and those with the most stable should have the lowest wages in the private sector.

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Public Sector Employment Stability Worth 15%

Predicted versus estimated wage differential if industry job stability were a factor in earnings

Layoffs and discharges, 2001-2009	Annual rate of involuntary separations *JOLTS average*	Estimated compensating instability earnings differentials *CPS results*	Predicted versus estimated differentials *Variance*
Arts, entertainment, and recreation	49%	5%	-23%
Construction	45	22	-3
Accommodation and food services	22	-22	-25
Real estate and rental and leasing	20	9	9
Retail trade	20	0	0
Nondurable goods manufacturing	17	10	13
Transportation, warehousing and utilities	17	10	13
Durable goods manufacturing	16	14	17
Natural resources and mining	16	26	29
Wholesale trade	15	12	17
Information	13	15	22
Educational services	12	-17	-9
Health care and social assistance	10	5	15
Finance and insurance	9	20	30

Well, that's wrong. Arts and entertainment—the most unstable—has a 23-percent lower wage structure. Whereas the most stable sector – finance -- that in terms of employment stability looks the most like the public sector, has the highest wage premium. So this "employment stability compensating wage differential", at least in a naïve way of looking at it, is just not borne out.

Now, what is it that public employees don't get to do? Well, this is a winner-take-all economy. We've had a number of books written now that are actually quite excellent on winner-take-all. Jacob Hacker has a new book out on this. Now, in the winner-take-all economy, public sector workers don't get to play. There are no big winners in the public sector. There are only big winners in the private sector.

So what you'll see—and this is the problem in all these data—is that when we get to the top 2 or 3 percent, that's where we see the grossest income inequality in the private sector by education.

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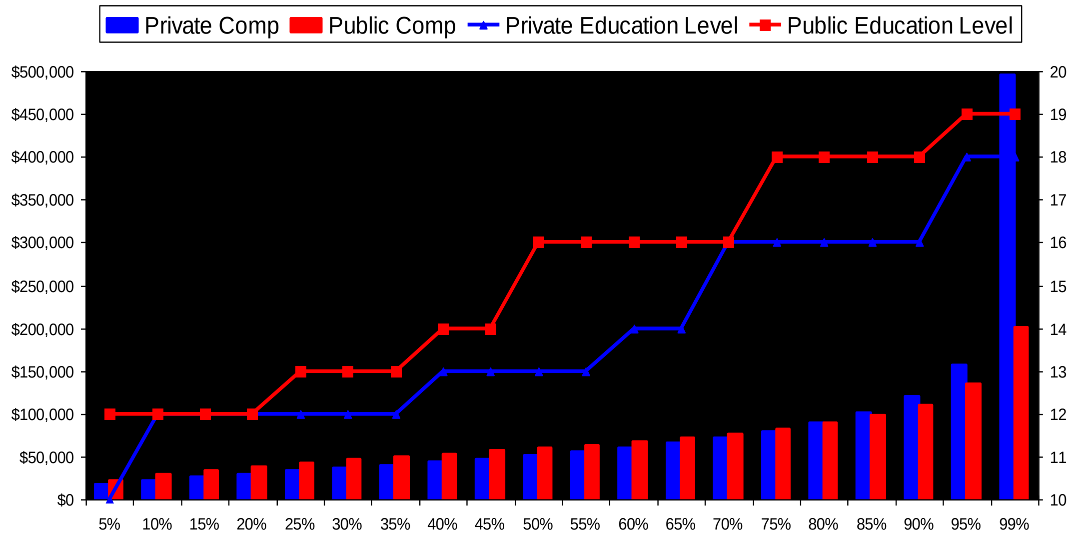
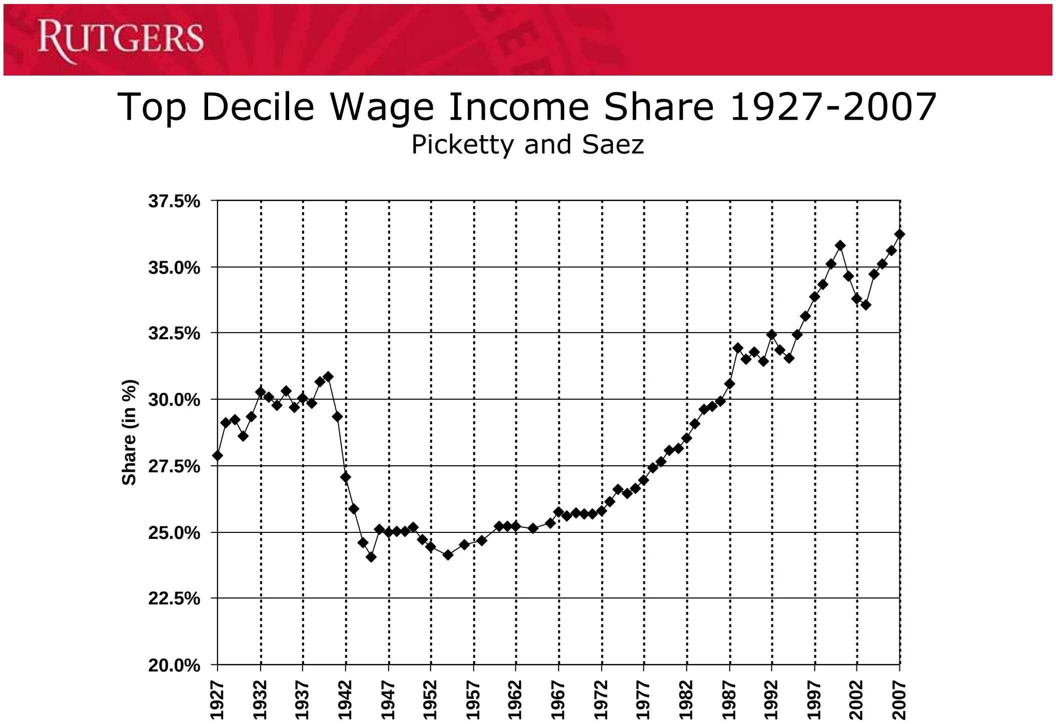
In the Winner Take All Economy
Public Employees Do Not Get to Play the Game

Comparison of Private and Public Compensation and Education in the United States



And again, here's another look at it. And as you can see, the real studies do an excellent job of trying to show what's been going on since the late 1970s in the United States, and the growth of total income inequality. But this is wage income shares, and they get at this because it's really the IRS data that only allows us to look at this. Most of our other data is top coded: they set some limit above which they won't go.



One of the attacks has been around pensions. Now, it would be nice to think that unions bargained these pensions, but in most states, pension bargaining does not exist. In fact, to my knowledge, probably two or three states have pension bargaining. We're still trying to research this out.

What we see is that there has been a substantial decline in public sector defined benefit plans. And in the private sector, about 20 percent of the workforce now that have defined benefit plans. Total workforce that's covered by defined benefit plans is 30 percent. And of course, when we look at private employers, hardly any of them have defined benefit plans.

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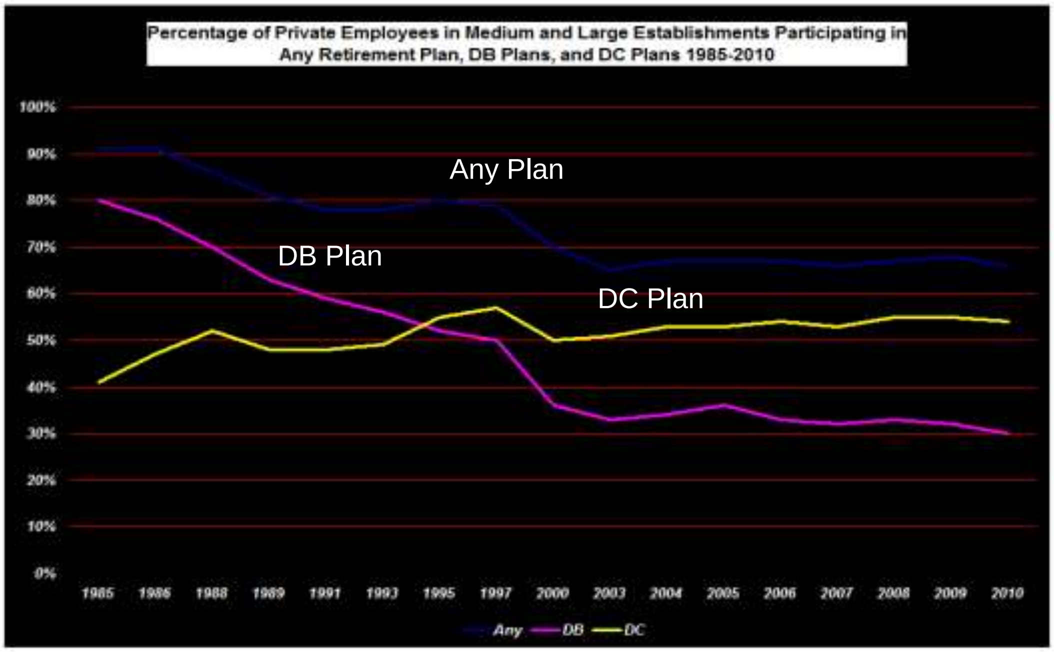
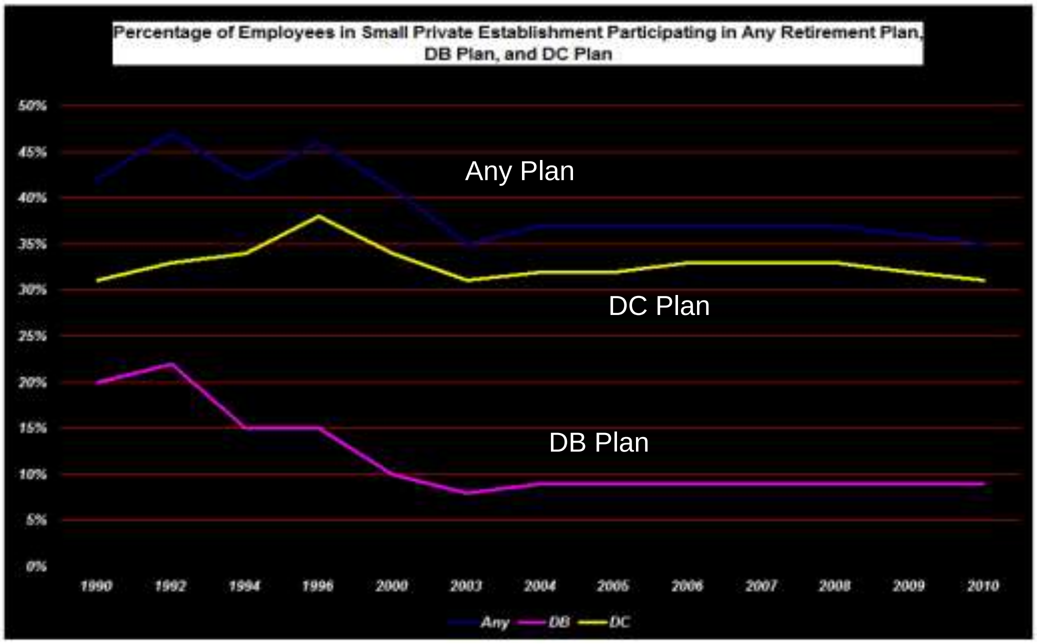
Are Public Sector Retirement Benefits Too Good?

Source: Employee Benefit Research Institute. EBRI's estimates for 1985-2010 were done using Department of Labor and Current Population Survey data.

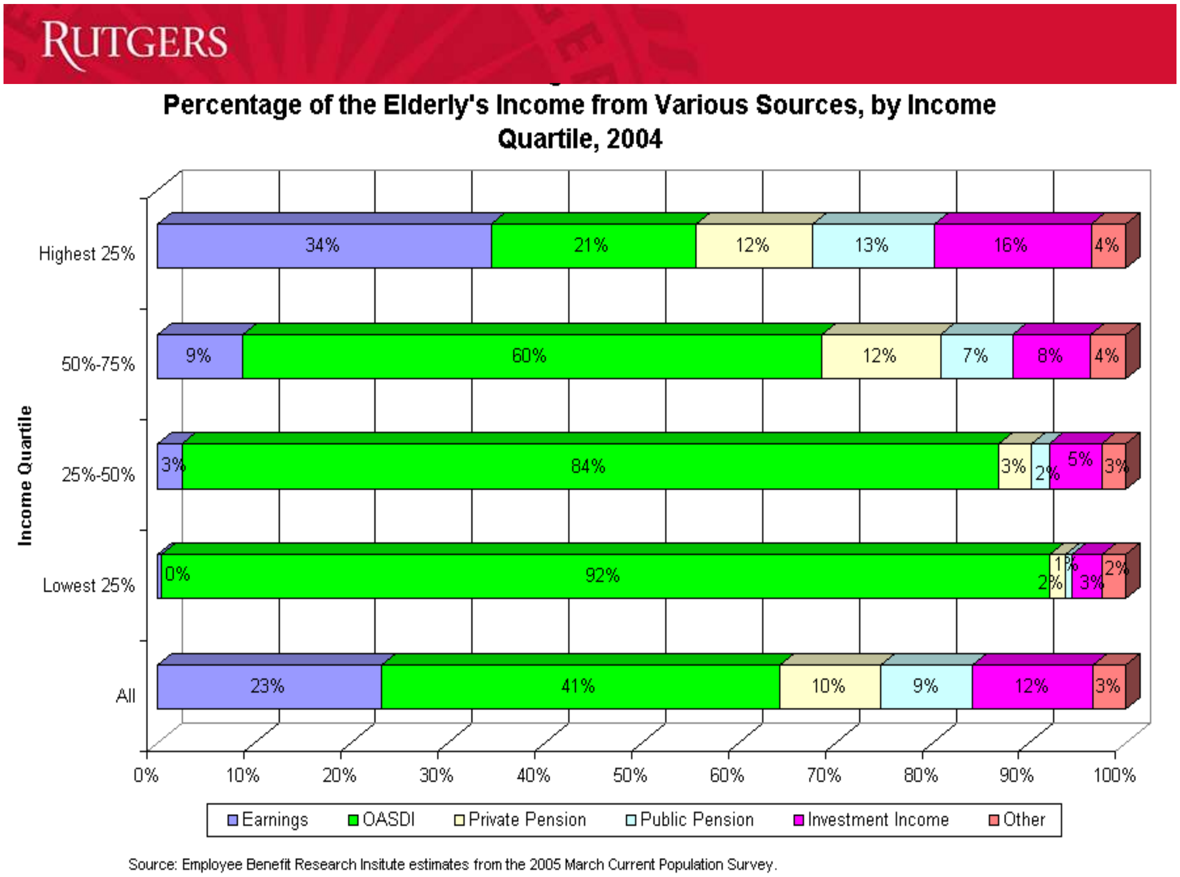


When we look at retirees, we see that benefits have become a real problem. Basically, below 75 percent in income level, the primary support of a retiree is Social Security. It's not really until you get to the 25 percent range that you get some benefits. And public employee pensions tend to account for as much support as private pensions, and we see that in the upper half of the distribution. In other words, public sector unions represent middle-class people who do have pensions, but private-sector middle-class people also have pensions.

Retirement Benefits in Small Private Establishments 1990-2010



Defined benefit plans provide real security because they offer an annuity; whereas the defined contribution plans that many people have been shifted to pose a very serious risk, and that risk is that you may live too long and outlive your money and wind up either dependent on your family or bankrupt in a Medicaid nursing home.



But primarily, the right has told a very interesting story. Chris Christie got to where he is through trial and error. He needed to cut a budget by $5 billion, and he did not have any plan other than attacking public workers. The most remarkable thing about Chris Christie is that he's now 17 months into his governorship, we're still losing jobs in New Jersey, unlike most states, and he has no jobs program—although he's given away a billion dollars in tax breaks. He has no jobs program.

So it's the most remarkable governing strategy, and this is why I think the right has glommed onto it, it's that you don't need a jobs program in the midst of the worst Great Recession to be successful. How could this be? But this is the reaction to the failed stimulus program, that we did not get anywhere close to full employment again

And we have to answer a question that we find very difficult, and that is: Thesstates are in fiscal crisis, and the right wing has a plan Their plan is to eliminate as many public-sector jobs and cut as many of the benefits as they can to balance that budget. Of course, it drives the state economies further down.

Well, what's our alternative?

Thank you.

MR. BRYNIEN: All right, why don't we open it up for comments and questions to our presenters?

Q: A couple of quick points. We've been through exactly the same debate in Canada about being overpaid. About 78 percent of the public sector is organized, as opposed to about 19 percent of the private sector. So we're a little schizophrenic in how to respond to that, because we don't want to deny it. If we've got higher level of unionization and it doesn't result in a higher wage rate, that's kind of a strange thing to have to deny. But we did drill a little bit further into it, because if you compare union to union, which is the only fair way to do it, we're not doing that well, and we're not too sure we want to brag about that, either.

But we discovered that two of the major factors for us are equal pay for women, which we've got because of higher unionization rates and because immigrants are treated more fairly. If you extract those back out, then that's the factor that makes our lower-paid folks better paid. And it's interesting to have the right wing trying to demolish that and say, well, we don't think women should be paid equally. So far they haven't gone quite that far.

Q: I think a good point was made—and one that we should use when we start working on what we should do with all this information, the next step—that the public sector tends to be more educated, and you have to pay for that education. I'm a statewide officer, but I come from the health department. I represented health, and I can use examples of health department employees. We have a top-notch research lab employing M.D.s, that also have Ph.D.s, who make $450,000 a year. They'd make more than that if they just went back to their M.D. practice. They're doing top-notch research in AIDS. The public wants this service. The public needs this service. And you have to pay for it. I think that we need to explain that to the people. I think we need to explain the disparity in their figures and ours. And I think a very good point that was made is that they're lying and we have to prove they're lying. And when they're not lying, there's a necessity to have that type of high salary. You've also got to pay for education.

Q: Just to follow up on what was said earlier and just add on the international picture, it's the same picture in Europe, as well, with the lower-paid public employees being ahead of the private sector and the higher-paid employees being behind. Interestingly, that also comes out very strongly when privatization is an issue, because what it means is, if you take that bar graph of yours which shows the extremity beautifully, if you move all those workers out of the public sector into the private sector, you can see exactly who is going to get massive pay increases, and that is the people at the top but not the others.

Q: Two things on Jeff's work. First of all, it's the most important work that we've got in this whole area. When we say getting it right and putting the facts out there in our paper, it starts with his analysis, and it takes a lot of work, as has been indicated. So I think we just really owe Jeff an enormous amount of appreciation for the work he's done and the impact that his work has had in trying to set the record straight. The first thing I did when I read his work was to read it as if I were reviewing it for a peer journal, and saying, would this pass muster? And then I showed it to a few of my colleagues, who are even more critical than I am, and I was convinced that this was the best work we could get. It's not perfect, because you don't have all the fine occupational comparisons, because it's very different occupations. But it's very, very important work and I appreciate it.

The second thing is that we have to understand one of the reasons why we see the small premium for the lower-level occupations. I call it the Wal-Mart effect. We have essentially taken the bottom out of the labor market, out of the wage structure, in the private sector by contracting out a lot of the work of lower-level production and clerical and janitorial work to private contractors and turning them into independent contractors in many cases, or we have Wal-Mart bringing down the wage structure in retail, food and in other small businesses in our local communities. The enormous downward pressure on the wage structure in the private sector accounts for some of the differences at that level. And we should be proud of the fact that unions do protect people at the bottom and we have less of an inequality of wage structure in the public sector than in the private. So I think it's important to frame that conversation carefully when we address it.

The third thing I would say that we ought to be talking about is the average age. And I think you've got some of those data as well, Jeff: the average age of the public employment force is greater. We're going to face a bigger rate of turnover and retirements in the public sector than in the private sector, which means we're then going to be back in the recruiting game of competing for young talent in the public sector over the next 10 years. And if we continue to denigrate the reputations of public-sector workers, who among young people is going to want to go and work in these jobs if they're going to be so disrespected and, in fact, in the professional levels, be underpaid.

So we have to think about this from a human resource, recruitment and retention and succession replacement strategy as well. If we take those facts and really use them effectively as one would think about a workforce and human resource strategy, it begins to present a coherent picture that counters a lot of this misinformation.

Q: I do a lot of work in Germany, and there was a propaganda minister in a certain regime by the name of Joseph Goebbels, who said that the populace won't believe small lies, but they'll believe big ones. And this is a big lie and being very effectively trumpeted and repeated, and then you come back with charts that make the average citizen's eyes glaze over.

It's shameless and manipulative and demagogic, and what do you do about it? Maybe it's a question of social psychology. But playing catch-up against a machine that is shameless in generating disinformation is very hard—it's very hard to push back against. And, you know, that's not my field, or as Werner Von Braun said, not my department. It is challenge for all progressive organizations, and particularly for the labor movement, however..

Q: No, I disagree with that. And I've used these data, as Jeff knows, shamelessly in at least five or six op-eds now. And all you have to say is that when you compare workers of equal education, here is the effect: that you get about 11 percent difference in wages and you get about a 3 percent difference in total compensation, and so this argument that workers are overpaid in the public sector just doesn't hold up. Very simple statement. It's all you have to say. And it reflects the reality of the results.

I'll be willing to defend it in any public forum. We've used it in our interview with Bob Edwards earlier this week, the same numbers. They come from the same place. You say it simply, and I think people can understand that.

Yes, it's hard. And we're playing catch-up because this other stuff was put out there. But I think all we can do is be as clear as we can, as simple in communicating it, and we just continue to communicate it over and over and over and in as many places we can.

Q: At the risk of sounding cynical, and following up on the comment about the human resources perspective -- the need to fill vacancies and compete for talent -- assuming that the "we hate government" crowd continues to be in power, there isn't even going to be an attempt to fill any vacancies and maintain these programs.

Q: I agree. You've got to continue to make the case that we need people to plow the roads in Wisconsin from time to time and you need people in our hospitals—

Q: They're built by private road builders.

Q: Yeah, but there you can show the differences in cost. And clearly that's where we can show in Massachusetts—and other numbers were put out—that it is cheaper and more cost-efficient to have an integrated public service plowing those highways and plowing the streets than it is to use contractors.

Now you're going to use both, because snowstorms are—it's predictable you're going to have them. You don't know how many and you don't know when and you've got to do things in a hurry. You've going to have private contractors and that gives you the data to show what it costs to plow a mile with a public worker and equipment versus a private contractor. And so you mix it in an efficient way.

MR. BRYNIEN: Speakers, any final comments?

Speaker: Just a couple. I'm not as pessimistic that this is a long-term problem. The swing to the right, I believe, will end fairly quickly, because I think they don't have the answers.

Now, I just want to relate a story… We are not the professionals that convey information. As academics, we do convey a lot of information, not always very simply But out of all the states that I've worked with, the state that struck me the most is Michigan, where the unions, the coalition of unions, were working with an advocacy firm of professional advocates who are former award-winning journalists from the Detroit Free Press. . And in Michigan, within three days of when the governor was elected, he put out this report using BEA analysis, saying how dramatically overpaid public employees were in Michigan.

I did an analysis for them. In three days, they had turned that around. The governor stopped talking about overpaid public employees. They're very skillful, much more skillful than, I think, any of us.

W hat it showed me is that public sector unions are good at what they do. So an education association knows the ins and outs of the education system. State workers know the ins and outs of civil service and all the attendant issues. Cops know everything about all the police–related issues and staffing and shift work and all the things that go into that. But nobody for the last 30 years has been looking at the larger issues in the public sector.

When we faced this all-out assault, no one was able to respond. Nobody had the resources or the institutional framework to respond. We couldn't talk to the Republicans because we didn't have that type of lobbying operation. We couldn't respond with our messaging because we didn't have that. We had internal messengers on our issues but no external people who are professionals at this.

I hope we'll struggle with this a little bit more, but I think we do need to reorganize ourselves. We were caught institutionally unprepared for this set of circumstances, not because we're doing anything wrong, but because we didn't have to face this challenge for over 30 years.

Speaker: I also want to just say one more thing very,very quickly. I read in The New York Times today a story about the New York state pensions, and the governor said we need to bring public employee compensation, in line with the private sector.

And my reaction is always that, for a lot of workers, the private sector is not a standard to which we should aspire, because the private sector, for a lot of workers, means no security, paltry benefits, and in terms of pension, often means nothing at all.

And I think that if you can push back on that whole "everything needs to be in line with the private sector, "message I would very much appreciate it. I also think it's an important point that there is a case for paying public employees more than the private sector, to attract the better people into these occupations, which are so socially meaningful, not just teachers and engineers but also bus drivers. What public servants do is very important, and there's a lot on the line in doing it.

MR: Brynien: Thank you very much.