Buckeye Institute Report: Six Principles

Key talking points

- The Buckeye Institute report “Six Principles for Fixing Ohio” calls for a drastic, 19.73 percent across-the-board pay cut for state workers without providing any convincing evidence that state workers are overcompensated. In fact, several well-researched reports prove that the Buckeye Institute’s claim is untrue.

- The National Institute on Retirement Security said in an April 2010 report that state employees typically earn 11 percent less than their private-sector counterparts when comparing similar workers with similar education and experience. Local government workers earn 12 percent less.

- The NIRS study indicates that state and local employees have lower total compensation: 6.8 percent lower for state employees and 7.4 percent lower for local employees.

- Ninety percent of Ohio public employees work in an organization with more than 100 employees, according to the U.S. Census Bureau.

- Private employees earn 11 percent more in wages and 5 percent more in total compensation than do public workers, according to a study by Jeremy Keefe, associate professor at Rutgers University’s School of Management and Labor Relations.

- On average, state and local government workers are older and substantially better educated than private-sector workers with similar characteristics, said a May 2010 report by the Center for Economic and Policy Research. They earn an average of 4 percent less than their private-sector counterparts. For higher-wage workers, the wage penalty for working in the public sector is particularly great.

- Private-sector employees earn 11 percent more in wages and 5 percent more in total compensation vs. public workers, said the Economic Policy Institute in a September 2010 study.

  “Six Principles” repeatedly refutes the Economic Policy Institute study because it is “union funded.” We invite Buckeye Institute director Matt Mayer to provide a detailed report of the funding of his organization as comparison. If the funding is not bipartisan, then Mayer’s criticism of any other institute’s funding is null and void.

- “Six Principles” further diminishes the fact that public employees are more educated by insisting that a master’s degree has “external market value” only for private-sector employees, not for public-sector employees such as teachers. This biased and unsubstantiated point of view lacks credibility.

- Regarding pensions, “Six Principles” suggest draconian cuts without any explanation or consideration of other solutions. For instance, it recommends keeping employees’ contributions at 10 percent but cutting employer contributions to 4 percent.

- The suggestion of 4 percent is far below the amounts in the private sector. Private-sector employers contribute 6.2 percent to their workers’ retirement through Social Security alone. Most also contribute to some kind of retirement plan.

  Bureau of Labor Statistics data from December 2010 indicate that employer share of total compensation in the public sector is comparable to the employer share in the private sector. When Social Security and other benefits are added, private-sector employers routinely pay the types of percentages that Ohio public employers pay to the bulk of the state’s public workers – 14 percent of salaries.

  For large, private-sector employers, the cost was 14.7 percent of wages and salaries.

- Report: Double-dipping “abuses” are “rife with government workers.” Fact” OPERS is paying re-employment benefits to less than 5 percent of its retirees. Sixty-nine percent of them earn less than $20,000 in their new jobs.

- Report: Change the FAS to a lifetime FAS. Fact: The proposal to expand the final average salary calculation to five years attains $345.6 million in savings and a reduction of 3.4 amortization years.

  In addition to achieving cost savings, moving to a five-year FAS addresses concern about “spiking,” The OPERS recommended plan design changes include increasing the minimum earnable salary to $1,000 per month, up from $250 per month.

- The Buckeye Institute report contains several inaccuracies that can cause considerable damage if they’re taken as fact by Ohio’s legislators:

  - Referring to states switching to defined-contribution plans for its employees, the report states: “Illinois made the switch effective January 1, 2011.”

    That is untrue. Illinois public workers have defined benefit plans. In discussing the possibility, former Republican House speaker Lee Daniels told the *State Journal-Register* on March 2, 2011, that changing pension benefits for current employees would be unconstitutional and that he would prefer to “put new employees in a defined contribution pension plan.”

  - Only 8.5 million Ohioans “fund government” because the other 3 million are either public workers or their dependents.

    This statement ignores the fact that Ohio’s public employees also are taxpayers. Plus, Ohio PERS members pay at least 10 percent of their wages toward their retirement benefit, which is more than private-sector workers pay toward Social Security.