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Blame California Public Employees!

By Martin J. Bennett

A recent article in the Economist magazine titled “Tough Times for Everyone – Except Public Sector Workers” states that taxpayers are now learning about “the banquet public sector workers have been having at the expense of everyone else” and that many public employees can “retire in their mid-50s on close to full pay.”

These unsubstantiated claims--repeated endlessly in media--stand reality on its head. Such accusations are part of a systematic campaign by corporate America to mislead taxpayers and scapegoat public employees.

California public sector workers, such as teachers, public health nurses, firefighters, librarians, maintenance, park, transit, and social workers are not responsible for the economic crisis that makes drastic cuts to state and local governments necessary. These public employees earn modest, middle-class pay and benefits.

Rather, it was big business and the wealthy who gamed the deregulated financial system to make huge profits. Their speculation in the home mortgage markets triggered the Great Recession; then they proceeded to take billions in bailouts from the government; and last year, Wall Street’s leading investment and financial services firms paid out a record $144 billion in compensation and benefits.

These same corporate interests adamantly refuse to pay their fair share for vital public services or education.

Moreover, the recent Congressional extensions of the Bush era tax cuts are an unexpected windfall for the richest Californians. According to the Citizens for Tax Justice, the top 1% of the state's income earners will now bring home about $14 billion more each year to their mansions. This represents more than one half the state's budget deficit.

What are the myths and what are the facts about California public employees?

First, there are *not* “too many” public employees in California. According to the California Budget Project (CBP), we have the second lowest ratio of state workers per 10,000 residents in the nation. In addition, more than 70,000 public sector jobs have been eliminated in California since the crash of 2008, and public sector job loss is proportionately greater in California than in most other states.

Second, public employees in California *are not* overpaid and they *do not* receive lavish benefits, compared with the private sector, according to the UC Berkeley Institute for Labor and Employment (IRLE). Economists Sylvia Allegretto and Jeffrey Keefe authored the IRLE report, “The Truth about Public Employees,” in which they examined wage and demographic data from the Bureau of Labor Statistics, and found that the average California public sector worker is older, more experienced, and more educated than their private sector counterpart--55 percent of public employees have completed a bachelor’s degree, compared to 35 percent in the private sector.

The report indicates that the typical private sector worker receives higher wages, but public employees with the same characteristics earn somewhat better vacation, medical and retirement benefits. The researchers conclude that an “apples to apples” comparison that takes into account age, experience, and education reveals “*no significant differences in the level of employee compensation costs on an annual or per hour basis between private and public sector employees.”*

Third, public sector employees *do not* receive “gold plated” pensions as alleged by the corporate media like the Economist magazine. Again, reality defies the myth.

The California Public Employee Retirement System (CalPERS), which administers and manages a pension fund for 1.6 million public employees, reports that the average CalPERS retiree receives a pension of $25,000 per year. Half of CalPERS retirees receive less than $16,000, and 78 percent receive less than $36,000 annually. Less than 2 percent of CalPERS retirees receive a pension of more than $100,000 per year, and the majority of these are highly paid managers and supervisors--not union members--with 30 years' service.

Often forgotten is that public pensions are not paid from operating budgets of state and local government but are earned through monthly employee and employer contributions over 20 to 30 years. CalPERS professionals manage the $225 billion trust fund, and 75 cents on every dollar of retirement benefits are investment earnings. The taxpayers contribute 14 cents for every dollar of benefits.

Blaming public employees for our fiscal crisis deflects from the central issue of the historic, and widening, divide between the rich and everyone else. The solution is to reform our inequitable and unsustainable system of taxation.

The CBP reports that corporate profits increased by more than 400 percent between 2001-2008 in California, and the adjusted gross income of the upper 1 percent increased by 77 percent between 1993-2008, while incomes of the bottom 80 percent remained flat. Yet state revenues from corporate taxes have declined by one half since 1981, and the wealthiest 1 percent of income earners (who averaged $1.7 million in 2010) pay lower tax rates than they did two decades ago.

In California we have a revenue crisis--and not a spending crisis.

Tax reform and boosting taxes for those most able to pay would make it possible to restore cuts to public services, adequately fund public education, safety, and health care, and fairly compensate public employees. Such a progressive tax policy includes: 1) increasing by a modest 1% the corporate tax rate (returning to the

1981 level); 2) closing corporate tax loopholes such as the failure to reassess commercial real estate at market rates (now protected by Proposition 13); 3) enacting a severance tax on oil extracted and produced in California; 4) restoring the top personal tax rate for the upper 1 percent from 9.3 to 11%; 5) reconsidering and repealing some of the $12 billion in tax cuts by the legislature for individuals and corporations over the last fifteen years.

A healthy and vital public sector is essential for the private sector to flourish.

Corporations and the wealthiest Californians greatly benefit from public investment in infrastructure such as mass transit and affordable workforce housing, high quality education accessible to all, and comprehensive social services, particularly for low-income Californians.

Let's stop pointing fingers at hard working public employees and begin to build a broad coalition to implement a responsible and progressive tax policy.

Martin J. Bennett teaches American history at Santa Rosa Junior College, serves as Co-Chair of the Living Wage Coalition of Sonoma County and is a member of the California Federation of Teachers Local 1946.