

RENÉE LOTH

Tensions over pensions

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SWEET RETIREMENT deals like the one lavished on departing Massport director Tom Kinton can make even the biggest government-loving liberal gnash her teeth. Who really needs a \$195,000 pension, every year, for life — especially after getting a hefty salary and nearly half a million dollars in unused sick pay? Righteous venting about fat-cat bureaucrats may feel good, but the truth is that high-profile abuses like Kinton's are outliers. They shouldn't be used to condemn the ordinary pensions most government workers will receive.

The Massachusetts Budget and Policy Center, an independent research group, is trying to throw some facts at the raging fire of public anger over the supposedly plush salaries and benefits of public employees. The group did an analysis of state and local government workers in Massachusetts and compared their compensation to employees in the private sector.

Although public sector workers as a whole in Massachusetts do earn more than workers in the private sector, the difference is largely explained by the fact that most public workers are better educated. The private economy includes everyone working at Walmart and McDonald's along with the CEOs. But in Massachusetts, at least, 60 percent of government workers have a college degree.

When the numbers are corrected to compare apples to apples, the analysis found, state and local government workers with college diplomas earn 17 percent less than their college-degree equivalents in the private sector. Workers with advanced degrees suffer an even larger wage penalty.

But it is state pensions where perception and reality diverge the most. Critics often neglect to mention that government workers, from teachers to toll-takers, don't participate in Social Security, so they rely heavily on pensions to

support them in old age. Social Security has helped reduce the poverty rate for older Americans to just 9 percent in 2010, compared to an estimated 44 percent who would be below poverty without it, according to the Congressional Research Bureau.

So why not enroll government workers in Social Security like the rest of us? Here's the real news: public pensions are a bargain for state government compared to private businesses that participate in Social Security. The state contributes about 2.6 percent of payroll to current employee pensions. But private companies are required to pay 6.2 percent (of the first \$106,800 of salary) into Social Security. If the state were to abolish its pension plan and pay into Social Security instead, the policy center found, its costs would more than double.

If public pensions are actually saving the state money, why are taxpayers so angry? Could it be simple bitterness, because only about 40 percent — and falling — of private sector workers now receive any pensions at all? “That’s really the sad state of affairs,” said Thomas Kochan, a professor at MIT’s Sloan School of Management. “Private sector workers have seen their pension plans terminated or replaced by 401(k)-type plans that don’t come close” to providing real security in retirement.

The Globe’s Spotlight team has exposed some of the more egregious attempts to game the public pension system — and many of these scams have been corrected. No longer can employees claim time served on volunteer boards toward their pension, and the “king for a day” provision that gave an employee a year’s worth of service for working just one day is a memory. There is a looming problem because the state neglected to fully fund pension accounts in previous years, but the workers — who began contributing roughly 9 percent of their salaries to their pensions in 1996 — shouldn’t get blamed for that.

The fact is that both public and private sector workers in Massachusetts are well-paid compared to the rest of the country. The US Bureau of Labor Statistics reported just this week that workers in the Northeast are the most highly compensated in the nation. The average cost of wages and benefits in

the Northeast is \$31.63 per hour, compared to \$24.83 per hour in the South, the area with the lowest wages and benefits.

This is a good thing. We can choose to consider our salaries and benefits “overly generous” and a drag on the region’s economy, or we can be proud that our educated, highly skilled population commands higher pay. Why not aim high? Otherwise, we’ll all be living in Alabama.

Renée Loth’s column appears regularly in the Globe. ■