



Insight

# The Real Status of Government Workforce and Pensions

PAUL GESSING | MARCH 8, 2011

While New Mexico remains relatively quiet on the government worker protest front, the issue of unionized government workers and their compensation levels has exploded across the nation, particularly in Wisconsin, but also in Indiana and Ohio, with rumblings of reform bubbling up in other states.

The topic has been a point of some contention on this site between Carter Bundy, the head lobbyist for the Association of Federal State County and Municipal Employees (AFSCME), and me. The Rio Grande Foundation has released several studies [here](#), [here](#), and [here](#) that explain that New Mexico's government workforce is too big and paid too well.

Bundy's most recent response can be found [here](#). His most recent assertion is that government workers do not make more than their private-sector colleagues.

If that is the truth, then I'm wondering why public employees are paying their dues to their unions in the first place. After all, if they are only making what is paid to workers in the private sector (more than 90 percent of whom are not unionized), they are wasting their money.

I'm also wondering, if government workers don't earn any more than their private sector counterparts, why they are putting up such a fight over their benefits. Why did AFSCME feel the need to spend \$592,300 in contributions from last April through the end of 2010 while the supposedly mighty oil and gas industry handed out a mere \$183,000 (30 percent of what AFSCME spent).

Government workers are smart enough to know that they are benefitting tremendously in terms of pay and benefits. Otherwise they'd ask for their \$600,000 in political contributions back!

## New Mexico's real problem

The fact is that New Mexico is in nearly as much trouble as states like Wisconsin and Ohio. New Mexico's government employee pension obligations, as a percentage of state GDP, are the third highest in the nation (behind Wisconsin and Ohio).

According to our studies of the issue, over-employment in the public sector is New Mexico's real problem when it comes to government workers. Reducing the number of state and local workers in New Mexico to the national average would save taxpayers in the state an astonishing \$2.5 billion annually, while reducing compensation to the national average for those very same workers would save just under \$700 million annually.

Neither of these amounts is trivial, but there can be no doubt that New Mexico's real problem lies in having used government as an economic development for far too long.

Across the country – national data forms the basis of Bundy’s arguments – state and local workers are compensated 2.2 percent more than their private sector counterparts (doing the same jobs). This is not too far out of line, but New Mexico workers are indeed rather highly compensated with wages and benefits 11.5 percent higher than their private sector counterparts.

Curiously enough, in his most recent column, Bundy cited a study, “The Wage Penalty for State and Local Government Employees,” that largely reinforces our research showing that New Mexico indeed does have the 3rd-highest ratio of government workers per private sector workers. And, while Bundy asserts that geographic size and sparse population cause government employment to be bloated, according to this very same report, Colorado, Nevada, and Arizona all have government employment levels that are far below the national average (Colorado and Nevada are 3rd- and 4th-lowest among the states).

## **Solutions**

As we’re seeing in Wisconsin, solving the government pension problem is not going to be easy or popular with the politically-powerful government employee unions. But, solutions do exist:

- First and foremost, New Mexico needs to significantly reduce government employment.
- Secondly, the system, especially for new government workers, must be transformed into a defined contribution and away from a defined contribution system.
- Thirdly, government employee contributions must be increased further.
- Lastly, New Mexico’s elected leaders must expand the private sector in order to pay the bills.

New Mexico’s pension system is in a uniquely poor condition. Before education, health care, and basic government services are reduced (or taxes are increased), the Legislature needs to address the issue with an eye to the solutions outlined above.