

## Yes on 2 ad uses flawed info - get the facts

Local Presidents, Officers and Executive Committee, staff ---

You have likely seen an ad supporting Issue 2 that highlights the economic impact on Ohio families, suggesting that public employees are paid 43 percent more than private sector employees. This simply is false and deceptive. Unfortunately, that ad is based on erroneous information taken from a flawed report that Issue 2 supporters mischaracterize as fact. We'd like to set the record straight so that our members have accurate information for their conversations with family and friends about voting No on Issue 2.

The ad uses an Ohio Business Roundtable report regarding public sector compensation that is deeply flawed. A memo from Amy Hanauer, Executive Director of Policy Matters Ohio, a research organization, outlines some of the more egregious claims in the study.

Authors of the report used to inform the ad indulge in double-counting, flawed math and mythical calculations that inflate claims of differential compensation - the 43 percent figure blazed in the ad. How did they get that figure? They put an arbitrary value or worth on "job security" of about 9.3 percent. The Policy Matters rebuttal points out that as workers and community members, we want security for public AND private workers - it's a good thing if Ohioans who are doing their jobs don't expect to be made jobless. But neither public nor private sector workers have security. The flawed report claims with no proof that public sector wage and benefit premium is 31.2 percent and creates the fictitious value for job security at 9.3 percent, which they say puts the total public sector pay premium at 43.4 percent. While this arbitrary formula is invalid, their math also is off by 2.9 percentage points.

This is a somewhat more detailed point than you might use in conversations with people you ask to vote no, but is a good illustration of how the report is flawed.

The full Policy Matters rebuttal memo is online at [http://www.policymattersohio.org/BRTStudy\\_2011.htm](http://www.policymattersohio.org/BRTStudy_2011.htm) - it includes endnotes that provide supporting citations. We wanted to share here some brief explanation about why the report is flawed so that you can help arm your members with accurate information to use in conversations with people in their community around voting NO on Issue 2. Here are some examples Policy Matters uses to explain how the Business Roundtable report used in the ad is wrong:

- Policy Matters Ohio reiterates that numerous more reputable reports have previously found that public workers in Ohio and elsewhere are slightly underpaid in comparison to private-sector workers with similar levels of education and experience. Public workers are far more likely to have earned various levels of college degrees - nearly half (49percent) of full-time public employees have a 4-year degree. In contrast, only 26 percent of private sector workers have even a 4-year degree. If you control for education, looking at just those with at least a 4-year degree, salaries are about \$46,000 a year in the public sector compared to about \$62,000 in the private sector.
- The Ohio Business Roundtable report arbitrarily reduces the value of Social Security, in order to make private sector compensation look lower, and arbitrarily inflate the value of

pensions, in order to make public compensation look higher. Any private employer knows that she must pay 6.2 percent of salaries (up to \$106,000) for Social Security. They instead calculate the value of Social Security as only 2 percent of salaries.

- They also seem to undervalue private sector contributions to pensions. It seems likely that the main rationale for both of these is to make private compensation appear lower. Instead of using what public employers actually pay into public pensions, they use a different number that is substantially higher.
- To further inflate the value of public compensation, they calculate a value for retiree health care, which they add to all public worker compensation and which it appears they don't add to any private worker compensation (they say, on page 15, "we do not attempt to calculate the value of retiree health care for private sector workers"). This is erroneous. Public workers do not all get retiree health care.
- The most egregious error in the Business Roundtable document is the use of a series of calculations – some that are difficult to comprehend or follow, some that rely on sourcing that can't be verified, and some that rely on double counting. These numbers differ dramatically from costs faced by employers – public or private – because the report attempts to assess the value of compensation to workers, rather than the cost of paying workers. This is mysterious, since the purported goal of SB-5 is to save public money, not to punish public workers. It is also curious because costs are often relatively easy to measure, whereas measuring benefits perceived by recipients requires numerous judgment calls.

In short, the Ohio Business Roundtable analysis relied on by the Yes on Issue 2 camp works in numerous ways to make private sector workers appear to be paid less and to make public workers appear to be paid more. Their final findings defy common sense. The report is not a reasonable basis for policy-making or policy discussion.