

January 28, 2011

<http://detnews.com/article/20110128/OPINION03/101280389>

Gov. Snyder puts public employee pay under scrutiny

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If data from the federal government's Bureau of Economic Analysis mean anything, the looming rhetorical battle between Gov. Rick Snyder and Michigan's public-sector unions may be over almost as soon as it starts.

On Monday, the governor is scheduled to unveil a "Citizens' Guide to Michigan's Financial Health," a simplified 20-some page document intended to detail the state's financial obligations, public employee compensation and cash flow and set the table for the coming budget debate.

Crippling state and local budget woes, exacerbated by recession, political drift and the Detroit automotive implosion, are driving a cold-eyed assessment of the pay and benefits of state and local employees. And the numbers show that total compensation of Michigan's public employees grew at twice the rate of private-sector employees between 2000 and 2009.

"Our private sector workers have just been killed — that's what everyone should keep in mind," said Donald Grimes, senior researcher in the University of Michigan's Institute for Research on Labor, Employment and the Economy. "The private sector just can't afford the public sector as it's structured. In 2000, they could."

Average pay and benefits for Michigan's private-sector employees totaled \$43,882 in 2000, comparable with \$43,450 for state employees and \$40,733 for local government employees, according to an analysis of BEA data by Grimes. By 2009, average compensation in the private sector rose to \$52,365 — an increase of 19.33 percent without adjusting for inflation.

Michigan's public-sector workers fared much better. By 2009, average compensation for state employees — which includes, among others, college professors and big-name coaches — totaled \$62,237, a 43.24 percent increase. For local government employees, average compensation equaled \$57,333, an increase of 40.75 percent, or more than twice the gain for the private sector.

Even if you accept the argument that government workers generally are better educated than those in the private sector and even if you concede that the private-sector numbers include "burger flippers," low-wage retail jobs and corporate execs, the ability to afford local and state government has been diminished by the hollowing out of Michigan's economy.

Is that the fault of the public workforce? No. But it is an inescapable by-product of declining property values, downsized employers, ineffective political leadership, chronic joblessness and a culture of entitlement.

"Think of all the people who are unemployed," Grimes said. "Most of them are from the private sector. The money just is not there. The less educated workers in the public sector are paid more than the less educated workers in the private sector."

But that's not the whole story. The BEA numbers also show total compensation in Michigan's public sector is consistently higher than its Great Lakes peers in Indiana, Wisconsin and Ohio. State counterparts in Illinois and Minnesota earn more than Michigan; only Illinois' local government workers earn more than Michigan's.

Total compensation for Michigan's state employees in 2009 averaged \$62,237, 18.3 percent more than

Wisconsin at \$52,598, 25 percent more than Ohio at \$49,773, and 32.4 percent more than Indiana at \$47,007 — and 5.77 percent above the nation.

For local government, Michigan's \$57,333 (about \$50 below the national average) is 7.3 percent more than Minnesota's \$53,441, 7.4 percent more than Ohio's \$53,398, 14.4 percent more than Wisconsin's \$50,111 and 14.5 percent more than Indiana's \$50,050.

The over-arching point: The state whose median income dropped 21.3 percent between 2000 and 2009 steadily paid its public employees more during that period, despite shrinking compensation in the private sector and one of the nation's highest unemployment rates.

That's the definition of unsustainable. And it's certainly legitimate fodder — the BEA numbers, the analysis underpinning Snyder's citizens' guide, the slide in median income — for full-blown debate at the highest levels in Lansing.

In the early days of Ford Motor Co.'s turnaround, CEO Alan Mulally routinely used ugly numbers on production, quality, warranty, product development and the financial statements to make his case for radical change. His favorite phrase: "The data will set you free."

That, and it will provide an honest place to start.

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