

Newsmaker Friday: Snyder Faces Conflicting Reports On Wages

Governor-elect Rick Snyder has said he wants to see state employee wages both in line with the private sector and affordable, but he will have to sort through some conflicting information in determining what that level is.

Mr. Snyder, at a Republican Governors Association meeting this week, said he wants to work with state employees, but that current pay and benefits levels for those employees are too high.

“(Y)ou have to ask two questions from a fiduciary point of view. What’s comparable with the private sector, and what’s financially affordable? And my view is I don’t believe you can check either one of those boxes today. And if you can’t check either of those boxes, we need to sit down and have a dialogue,” Mr. Snyder told the Washington Post this week.

And economists at the Mackinac Center for Public Policy will back the assertion that public employee compensation is both too high and is growing too quickly.

“We’ve eliminated positions, but the cost to the taxpayer has not gone down,” said James Hohman, fiscal policy analyst for the Center.

Mr. Hohman said state employees have seen their wages increase 33 percent between 2001 and 2009, to \$1,058 a week on average. The private sector, over the same period, saw wages grow only 14 percent to \$824 average per week, he said.

He said in particular, public employee benefits are too expensive. For instance, those state employees still in the old defined benefit retirement system cost 37 cents for each dollar of salary to keep that system solvent.

While he acknowledged some have retired, he said as of 2009 about half of all current state employees were still in that system.

“State and local (employment) has been protected in from the forces that have hit the private sector,” he said.

A study by Michigan State University economist Charles Ballard, however, found that state employee wages, adjusted for inflation, had been nearly stagnant over that period. Between fiscal year 2002-03 and 2008-09, state employee wages increased only 6.6 percent once the contractual increases, 19 percent, were offset by banked leave time and furlough days.

Ray Holman, spokesperson for the UAW Local 6000, the largest state employee union, said Mr. Hohman’s and others’ studies do not account for the differences in skill and education levels required of state employees.

“The average state employee has more education,” Mr. Holman said. “We have psychiatrists and attorneys and scientists, masters of social work.”

Those jobs demand higher pay than the average worker.

A recent study by the Economic Policy Institute showed that 54 percent of public sector employees have at least a bachelor’s degree, while only 35 percent of private sector employees had that level of education. And that study showed those more educated public employees, nationally, earn 25 percent less than their private sector employees.

“If you reduce pay and benefits, you’re not going to be able to maintain the highly educated workforce we have,” Mr. Holman said. “If you don’t have the right skills and talent, it

could end up costing us.”

But that same Economic Policy Institute study showed lesser-educated public employees make more than their private sector counterparts.

Mr. Holman acknowledged that could be true, but was not willing to say the union would concede to bringing those wages down to market, even in exchange for bringing others up to market.

“We wouldn’t want to give up on any of our employees and say that they’re over paid or have Cadillac benefits,” he said.

Mr. Hohman disputed the Institute’s findings, at least as they relate to Michigan. He said the Mackinac Center had a 2007 study that did compare like positions and still found that total compensation for state employees was more than that for equivalent private sector posts.

“In every case we looked at, the state government employee received a compensation package that’s more expensive than the private sector,” he said.

Among the comparisons the Center made in its report, it balanced a communications assistant, then paid \$42,200 to \$59,700, against a receptionist for the Lansing Chamber of Commerce, paid \$30,200 to \$34,400. Corrections officers at the time made \$14.35 to \$21.06, which the report compared to \$14.48 paid by the operator of the now-closed Michigan Youth Correctional Facility.

At the higher end of the wage spectrum, the report said state-employed physicians are paid up to \$70 an hour, while physicians for a contract service the Center contacted were paid up to \$90 an hour. But the report noted that the contract physicians also are not paid when they are not working and are not provided benefits.

Mr. Ballard cited a House Fiscal Agency study that showed across eight different categories that state employees earned less than their private sector counterparts. State employees with a high school diploma earned 93.2 percent of what a similarly-educated person would in the private sector. Those with an associate’s degree earned 94.9 percent; a bachelor’s degree, 72.4 percent; a master’s degree 62.2 percent; and a doctorate, 76.1 percent.

But he noted that average wages for all state employees were 102.3 percent of average wages for all workers.

Mr. Holman said the state employee unions were looking forward to discussions with the new governor but were also expecting concessions demands.

“There are going to be some tough negotiations,” he said, noting that bargaining on new contracts is set to begin next summer.

But Mr. Holman said Mr. Snyder’s comments that state employee wages and benefits should be more stable than they have been are also welcome.

“He has said things like he wants to empower state employees. We definitely welcome that,” he said. “He also said he doesn’t want state employees looking over their shoulders for the next thing coming.”