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Last Updated: April 02, 2010 9:07AM

**Daniel Howes**

### State pay issue will get worse



Nothing like taking a two-week vacation, collecting your pay and leaving a mess that will be manifestly worse when you return.

That's no way to run a sane business -- in fact, it's a recipe for bankruptcy, unemployment or both. But that appears to be standard operating procedure in the

Michigan Legislature, 148 people surrounded by a financial and economic reality that a majority of them struggle to comprehend.

Example: Nine days from now, before the lawmakers reconvene, a deadline will pass quietly for the Legislature to rescind scheduled 3 percent raises for unionized state employees. That's an expense the state cannot afford in dollars or in credibility.

Why? Let me count the ways: because the state is staring at a \$1.5 billion deficit; because the governor, to save cash, nixed a similar increase for salaried state employees; because any serious talk of closing the revenue gap should require action on public compensation before moving to tax reform.

Advertisement And because some enlightening numbers culled from government reports tell a starkly different tale than the self-serving rhetoric special interests use effectively to torpedo efforts by Democrats or, heaven forbid, Republicans to slow expansion of public-sector employee compensation -- the only thing this side of Wall Street pay that goes up no matter what the economy.

Wage and benefit compensation for Michigan's public sector is up 11.4 percent since 2000, according to Bureau of Economic Analysis numbers cited by the Mackinac Center for Public Policy and readily available at [www.bea.gov](http://www.bea.gov). Over the same period, private-sector compensation is down 19.7 percent, meaning this:

Michigan ranks 37th in per-capita income. Taxpayers whose average earnings are down and whose home values are declining even faster are expected to a) pay more or b) receive fewer services so c) the people who work for them can get even more. That's before making good on outsized pension and retiree health care obligations that remain largely unfunded.

No, it hasn't always been this way in Michigan, ancestral home to the American middle class. But it is now. And it's not just happening here.

According to Bureau of Labor Statistics numbers compiled by the Cato Institute, average hourly wage-and-benefit compensation for state and local government employees across the country totaled \$39.66, a 45-percent premium over the \$27.42 earned per hour by private-sector employees.

In the industrial Midwest of Michigan, Ohio, Indiana, Illinois and Wisconsin, the gap is even wider. Total compensation (wages and benefits) for state and local government employees in 2009 was \$43 per hour worked, compared to \$26.72 per hour in the private sector.

That means taxpayers here and in neighboring states are paying a whopping 61 percent premium to their state and local government employees. Those public employees quit their jobs at one-third the rate of those in the private sector, Cato says, meaning such large premiums aren't necessary to attract and retain good employees.

Necessary, of course, has nothing to do with it. As much as Michigan lawmakers, particularly House Democrats, are desperate to avoid the third-rail of public employee compensation, an inescapable political fact is that pressure to slow the rate of growth in public employee compensation will intensify.

Maybe not in this budget. Maybe not before the November elections. But with property values still bottoming, commercial real estate values slumping and weary voters increasingly willing to push back,

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explaining away rising pay and entitlements for public employees will become more of a losing proposition than it already is.

We've seen this movie before in Michigan: ignore the trend lines, hope for better times and bet that the rising tide called the economy will come roaring back. Each time, the bounce for Detroit's automakers was smaller and so was the margin for error.

Michigan's public sector may not be there yet. But it's heading in the same direction, and a goodly chunk of the Legislature is standing back, watching.

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