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Government workers' compensation may be more than area cities can afford

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Like much of the country, cities in North Texas are scrambling to balance their budgets. Dallas faces a \$130 million shortfall. Fort Worth has a \$73 million gap. Arlington is \$10 million short.

They're considering closing libraries and pools, slashing maintenance programs and aid to the homeless and laying off workers.

The moves may plug next year's hole, but they don't address the most vexing problem:

Government employees, as a group, get higher salaries and richer benefits than their private-sector counterparts -- and whacking those public expenses is a political nightmare.

The disparity in pay is greatest among federal employees. Their average compensation is twice as high as the private sector's, according to studies from the Cato Institute, a think tank dedicated to limited government.

But state and local government employees also earn more, largely because their benefits are worth almost \$6,000 extra per person. Traditional pensions, becoming rare in private business, remain a valuable benefit for government workers and a ticking time bomb in many public budgets.

At a Friday retreat, Fort Worth officials discussed ways to cover the growing pension liability, and all the options are expensive.

"We realize we're not in sync with the private sector," Mayor Mike Moncrief said. "It's not acceptable or responsible to just kick this down the road."

Councilman Danny Scarth called for a broader assessment of the city's compensation. Fort Worth should benchmark its rates against other industries', not just those of Austin, San Antonio and Dallas, because he worries that city-to-city comparisons "tend to ratchet up" pay.

He's on to something. According to Cato, state and local government workers earn 26 percent more than those in private industry in the region that includes Texas. The premium is much larger in the Pacific region, which includes strapped California. Government workers there have the highest hourly rates, earning 59 percent more than the private sector.

The pay advantage isn't equal across job categories, says Chris Edwards, Cato's director of tax policy studies. Managers and professionals make about the same in both workplaces. But sales, office and service workers have a significant edge in the public sector.

Pensions are four times more prevalent than in the corporate world, and they're twice as generous. The costs are often exacerbated by favorable retirement formulas and workers who game the system by piling up overtime.

Government often has better health insurance and more paid leave, too. And retiree healthcare coverage remains a staple in many government jobs.

Most private employers dropped pensions and retiree healthcare years ago because the perks are unsustainable. Companies can't add enough workers to handle the burden of an aging work force, so they switch to a pay-as-you-go 401(k) and get out of the healthcare business as much as possible.

Painful as it may be for individuals and the economy, getting smaller and cheaper is often a matter of survival in



business. But elected leaders don't generally follow the private world template. They're especially reluctant to challenge police and firefighters, even if their compensation packages are among the most generous.

Labor accounts for about half the spending in most cities' general funds, and collections from sales tax and property tax are falling. So Moncrief had it right last week when he said Fort Worth has to redefine local government.

But the city staff proposes changes that would affect future workers only; they see a moral obligation, not a legal one, in continuing programs that were in place when employees joined the city. In a financial crisis, private companies get over such reservations quickly.

For employees, working for government used to present a trade-off between upside potential and job security. Government employees gave up a shot at big bonuses, stock options and the kind of job switching that could boost pay by 30 percent; in exchange, they rarely got laid off, and salaries rose slowly and steadily, with many workers accruing a rich retirement package.

About 30 years ago, public-sector employees started earning more than private workers. The gap narrowed in the late '90s during a booming job market. But the public-side pay gap resumed growing a decade ago and expanded through the recession, according to Edwards.

Government workers in other states earn much more than in Texas because public-sector unions are more widespread and powerful. Police in Fort Worth, for example, have a right to "meet and confer" over contracts, but that isn't quite on par with a formal union negotiation.

Still, it's tough for any elected official to push for deep cuts for police, firefighters or other city workers, because employees are effective advocates. They can garner public support, sway the media and turn out voters.

"They can be boisterous and loud and can cause quite a headache for anyone who takes them on," says Tad DeHaven, a Cato analyst who worked as deputy director of the Indiana Office of Management and Budget.

If market forces influenced leaders more than politics do, local governments could cut pay and benefits and still have lots to sell: Their jobs are more stable, and the average workload is smaller, about 225 fewer hours per year.

In 2009, private employees were four times more likely to be laid off than federal workers, according to Cato, and government employees are fired less often for poor performance.

More evidence of the appeal of government work: Just one-third as many employees voluntarily left public-sector jobs, according to federal statistics on turnover.

"That suggests that state and local pay is higher than needed to attract qualified workers," Edwards wrote.

Situations vary by city, state and job, but changes are coming. The great reset that rocked private industry is knocking on government's door.

Mitchell Schnurman's column appears Sundays and Wednesdays. 817-390-7821

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