

# T O L E D O FREE★PRESS

JUST BLOWING SMOKE

## Atlas shrugs

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Many of us working in the private sector have born a burden of guilt, told that we should take pity on public sector employees who were not being compensated at nearly the equal of those in the private sector. Now, as detailed by Chris Edwards in a recent piece by the CATO Institute, "Employee Compensation in State and Local Governments," we see that many of the assumptions that we made about government employees and their level of compensation are in fact false. According to this article, "public sector pay averaged \$39.66 per hour in 2009, which was 45 percent higher than the private sector average. The public sector advantage was 34 percent in wages and 70 percent in benefits." In addition, most of these public sector employees are covered by "defined benefit" pension programs and retirement health benefits.

Some 84 percent of these workers are protected by such plans, as opposed to only 21 percent of those in the private sector. As a consequence of the continuing growth of public sector jobs (especially in comparison to those in the private sector), the ever increasing costs of these salary and pension programs is putting an almost unbearable strain on budgets of every level of government.

Here in Toledo, much of what the city is facing in this area relates to labor negotiations dating back to 1996. As detailed in a December 2008 Toledo Free Press editorial by Jim Harpen, "Carty's \$10 million-a-year mistake," this all goes back to labor negotiations that year with AFSCME Local 7.

Then first-term Mayor Finkbeiner ended up pushing the negotiations into arbitration in the hopes of gaining a better deal for the city, and the fact-finder in the case determined instead that not only was the rest of the package fair, but that the city should make a "full pick up" of their employee pension contribution, which at that time was an estimated \$3 million per year.

Because of a "me too" system of contracts that exists with union city employees in Toledo, it wasn't long before police, firefighters, teamsters, and other AFSCME workers soon received this same pension pickup.

As Harpen pointed out more than a year ago, pensions are now costing the city in excess of \$30 million, more than \$10 million of which is the extra pickup. A recent contract negotiated with the police union in July 2009 deferred (but did not eliminate) this pick up for a period of six months this year, but will eventually cost the city a 3.5 percent salary increase for these employees in 2011 that could likewise affect contracts with other union city workers.

At the national level, things are little different. Even our members of Congress enjoy lavish levels of salary, pension and benefits. With their most recent pay raise, the average member of Congress now earns a staggering \$174,000 per year, with the Speaker of the House and the Senate Majority Leader receiving additional compensation and perks.

As for their pensions, according to Martin Frost in the Foxnews.com article "Congressional pensions explained," members elected before 1983 earn a benefit based on 2.5 percent of their highest salary for every year of service. Those elected after 1983 earn a pension based on 1.5 percent of their highest salary for every year of service.

Of course the different systems reflect the fact that starting in 1983, members also paid into and became eligible of collecting Social Security and both now carry a 401(k) plan that members can also contribute to. What this could mean in real money is that a member retiring this year after 20 years of service (under the old plan) would get up to 50 percent of his or her last three years' pay (approximately \$165,200 average), for a pension of \$82,600. Records

show us that members of Congress currently retired from that august institution currently collect an average of \$60,972 per year.

So much of this reminds me of the 1957 novel by Ayn Rand, "Atlas Shrugged", and I can only hope that this 50-year-old message still resonates enough to force them to step forward as to shrug off this unwanted and back-breaking burden before it becomes too late.

*Tim Higgins blogs at <http://justblowingsmoke.blogspot.com/>.*

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