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## U-M study: Local officials say benefits to public employees too generous, but not their pay

By University of Michigan

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**U-M study: Local officials say benefits to public employees too generous, but not their pay**

ANN ARBOR, Mich.—Many of Michigan's local government leaders think fringe benefits given to their jurisdictions' employees are too generous, but they are not overpaid, a new University of Michigan study finds.

In addition, many of these leaders also believe employees don't pay enough toward their own health care costs, the findings say.

The study found significant differences in these views, based on the size of Michigan's local governments. Leaders from the state's largest jurisdictions are much more likely than others to believe that their jurisdictions' employee benefits are too generous, and that their employees don't pay enough toward their own health care benefits.

The report regarding Michigan's local government leaders' assessments of their employee compensation levels and retirement benefits comes from the Michigan Public Policy Survey (MPPS), conducted by the Center for Local, State, and Urban Policy (CLOSUP), which is in the U-M's Gerald R. Ford School of Public Policy.

Many local governments are coping with a fiscal crisis, caused by falling revenues and rising costs. Personnel costs are a major component of government budgets and are under greater scrutiny for possible cuts in pay and fringe benefits.

The growing policy debate on public sector compensation has been informed so far by conflicting reports from various organizations, some arguing that government workers are overpaid, and others arguing the opposite. The new CLOSUP report examines the opinions of Michigan's local government leaders who must balance their budgets while operating on the frontlines of the fiscal crisis.

"As local governments around the state begin crafting budget plans for the upcoming fiscal year, these survey findings can help them better understand how their peer jurisdictions are handling these increasingly common fiscal challenges," said Brian Jacob, director of CLOSUP.

The study also found that local leaders are taking steps to cut personnel costs and to better position their jurisdictions regarding retiree obligations. These steps include employee furloughs; layoffs; raising employees' shares of health care and retirement benefit costs; moving toward defined contribution retirement plans; and negotiating with unions for reduced retirement benefits.

MPPS asked government leaders whether they think their jurisdictions' employee pay rates are too high, too low, or about right. Sixty-five percent think the rates are about right, compared with 25 percent who think these pay rates are too low and 6 percent who think they are too high.

While nearly one-third of all Michigan jurisdictions report they do not offer fringe benefit packages to employees at all, among those who do, 27 percent believe these benefits are too generous. About 62 percent think the benefits are at the right levels. Among the state's largest communities, 53 percent of officials believe the benefits are too generous, while only 18 percent of leaders in small communities have the same viewpoint.

The report also indicates that 49 percent of leaders think their employees' contributions to their health care benefits—such as co-pays, premiums and deductibles—are at the right levels. However, 38 percent believe the contributions are too low (including 68 percent of leaders from the largest communities).

Regarding pension and retire health care obligations, about 35 percent of Michigan's local leaders think these obligations present somewhat of a problem or a significant problem for their jurisdictions' fiscal health. The severity of the problem is correlated with community size: only 3 percent of the smallest jurisdictions described these obligations as a "significant problem" compared with 33 percent for the larger communities.

The Michigan Public Policy Survey is a biannual survey of each of Michigan's 1,856 units of local government. Surveys were sent through the Internet and hardcopy to top elected and appoint officials in all 83 counties. A total of 1,305 jurisdictions completed valid surveys in the Spring 2010.

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