

# The Center for Local, State, and Urban Policy

Gerald R. Ford School of Public Policy >> University of Michigan



Michigan Public  
Policy Survey January 2015

## Michigan local government leaders' views on employee pay and benefits

By Debra Horner and Thomas Ivacko

This report presents Michigan local government leaders' evaluations of their jurisdictions' employee pay and fringe benefit rates. Findings in the report are based on the statewide survey waves of the Michigan Public Policy Survey (MPPS), referencing those conducted each spring from 2011 through 2014.

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>> The **Michigan Public Policy Survey (MPPS)** is a census survey of all 1,856 general purpose local governments in Michigan conducted by the **Center for Local, State, and Urban Policy (CLOSUP)** at the University of Michigan in partnership with the **Michigan Municipal League, Michigan Townships Association, and Michigan Association of Counties**. The MPPS takes place twice each year and investigates local officials' opinions and perspectives on a variety of important public policy issues. Respondents for the Spring 2014 wave of the MPPS include county administrators and board chairs, city mayors and managers, village presidents, managers and clerks, and township supervisors, managers and clerks from 1,344 jurisdictions across the state.

For more information, please contact: [closup-mpps@umich.edu](mailto:closup-mpps@umich.edu) / (734) 647-4091. You can also follow us on Twitter @closup

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## Key Findings

- Among those Michigan local governments that have paid employees, the percentage that reported boosting employee pay has increased in each of the last four years, from 22% in 2011 to 48% in 2014.
  - » However, in each year, even higher percentages of jurisdictions reported they were holding pay steady, instead of either increasing or decreasing pay rates.
  - » And, where jurisdictions have increased pay rates, most increases were likely to be modest on average. Almost no jurisdictions reported providing “greatly increased” pay rates at any time between 2011 and 2014.
- Most leaders continue to think their employee pay rates are “about right” (68% in 2011 compared with 70% in 2014).
  - » However, among the largest jurisdictions, the percentage who think pay is too low jumped from 9% in 2011 to 23% in 2014.
- Among local governments that provide employee fringe benefits, officials are much less likely to say their jurisdictions' fringe benefit packages are “too generous” today, compared with four years ago.
  - » Over the past few years, many Michigan local governments that offer fringe benefits have been asking employees to take on a greater share of the costs of health care, from a peak of 51% in 2012 to a still-substantial 43% in 2014.
  - » While 28% of officials thought their jurisdictions' employee benefits were too generous back in 2011, this is down to just 10% today. In the state's largest jurisdictions—those with over 30,000 residents—this has fallen from 46% in 2011 to 23% today.

## Background

The local government fiscal crisis launched by the Great Recession in 2007 led many jurisdictions in Michigan to cut costs in order to balance their budgets against reduced revenue streams, with personnel costs as a primary target. Previous MPPS reports found many local governments—especially in large jurisdictions—have tried to “right-size” themselves by cutting staff, reducing pay rates for new hires, shifting health care costs to be paid increasingly by their employees, and more.<sup>1</sup> In 2010, at the height of the Recession’s impact on Michigan jurisdictions, 85% of the state’s largest jurisdictions (those with more than 30,000 residents) reduced their number of employees, while 71% planned to increase the share of health care costs paid by employees and 31% planned to reduce employee compensation rates. Similar cost cutting actions have been common in local governments across the nation as well. For example, the National League of Cities reports that in 2010, 74% of cities nationwide had enacted hiring freezes, 54% reduced or froze wages, 35% enacted layoffs, and 17% reduced health care benefits for employees (which increased to 30% in 2011).<sup>2</sup>

Although workforce reductions have been common in both Michigan and elsewhere, the cuts in Michigan were more than twice as deep as those nationwide. According to the US Census Bureau, between 2007 and 2013, full-time equivalent local government employment (excluding workers in the education sector) decreased by approximately 7% in Michigan, compared to about 3% across the country at large.<sup>3</sup> In fact, as of 2012, Michigan had just 193 state and local government workers per 10,000 residents, second lowest in the nation.<sup>4</sup>

In terms of wage rates today, Michigan somewhat lags the nation at-large. According to the most recent Census figures, the average full-time equivalent monthly pay in March 2013 was \$4,771 for local government employees nationwide, compared to \$4,239 for local government workers in Michigan.<sup>5</sup>

And while both MPPS and NLC surveys of local fiscal health show that cost-cutting efforts have been easing in the last few years, many jurisdictions continue to shift health care costs to be paid increasingly by their employees. A recent sample survey conducted by the Center for State and Local Government Excellence found that 57% of local governments nationwide reported increasing the portion of health care premiums paid by their employees in 2014.<sup>6</sup> By comparison, the 2014 MPPS finds that 43% of all Michigan jurisdictions that offer benefits reported similarly shifting health care costs to employees, including 62% of the state’s largest jurisdictions.

To get a better sense of how Michigan local government leaders view compensation for their employees in the midst of all these changes, the MPPS originally asked local leaders back in 2011 whether they thought their employees were paid too much or too little, and whether fringe benefits packages provided to employees were too generous or not generous enough. Among jurisdictions with paid employees, the MPPS found that, four years ago, most local leaders thought their employee pay rates were at about the right level. However, a larger percentage thought their jurisdictions’ fringe benefits for employees were too generous (27%) compared to those who thought the benefits were not generous enough (8%).

After a number of years of additional cost-cutting efforts by jurisdictions across Michigan, the MPPS took another look at how local leaders view questions of employee compensation in the Spring 2014 wave of the survey. This report compares local leaders’ views on employee pay and benefits in 2014 with those first reported in 2011.



## Fewer Michigan local governments are cutting staff and more are raising pay

In 2011, as local governments statewide were reeling from the effects of the Great Recession, almost a quarter (24%) of jurisdictions with paid employees reported that they had decreased their number of employees during that fiscal year (see *Figure 1*). Over the next few years those ongoing cuts in staff declined, so that by 2014, just 10% of jurisdictions report decreasing their number of employees further. In fact, by 2014, 8% of jurisdictions report they are increasing their number of employees. By far the majority (82%) in 2014 report no change in the number of employees in their jurisdictions.

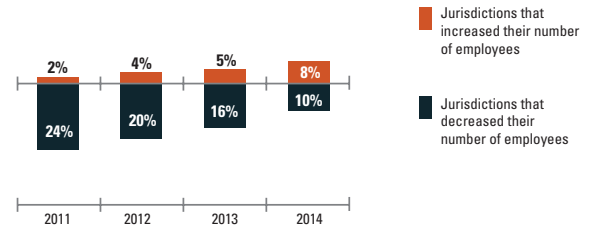
However, while jurisdictions were generally either cutting or holding steady on their staff sizes over the past four years, they have increasingly been raising their pay rates for current employees. When the MPPS asked if pay rates had either increased, decreased, or remained the same compared with the previous fiscal year, overall, 22% of jurisdictions reported in 2011 that they had increased pay, compared to 10% that had decreased pay rates (see *Figure 2*). In 2014, 48% say they increased employee wages and salaries while just 3% report reducing the rates.

Even so, in most cases since 2011, any pay rate increases are likely to have been modest, on average. Almost no jurisdictions reported that they had “greatly increased” pay rates in any of these years.

Looking specifically at reports from 2014, local leaders from jurisdictions with 10,001 to 30,000 residents are the most likely to report having increased employee pay in the past year, with 63% saying they increased such pay rates (see *Figure 3*).

**Figure 1**

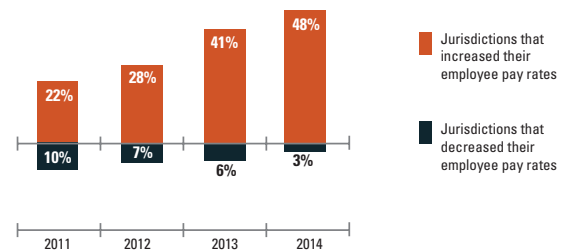
Percentage of jurisdictions that have reported an increase or decrease compared with previous year in number of employees (among those jurisdictions that have employees), 2011-2014



Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

**Figure 2**

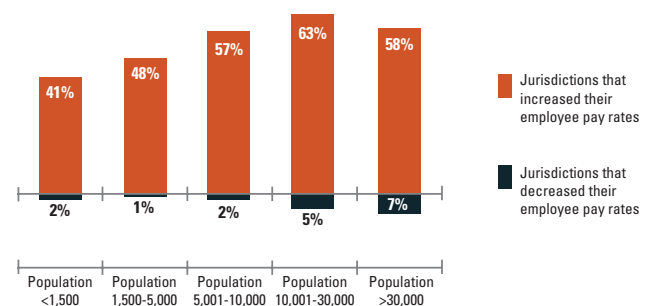
Percentage of jurisdictions that have reported an increase or decrease compared with previous year in pay rates for employee wages and salaries (among those jurisdictions that have employees), 2011-2014



Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

**Figure 3**

Percentage of jurisdictions that have reported an increase or decrease compared with previous year in pay rates for employee wages and salaries (among those jurisdictions that have employees), 2014, by population size

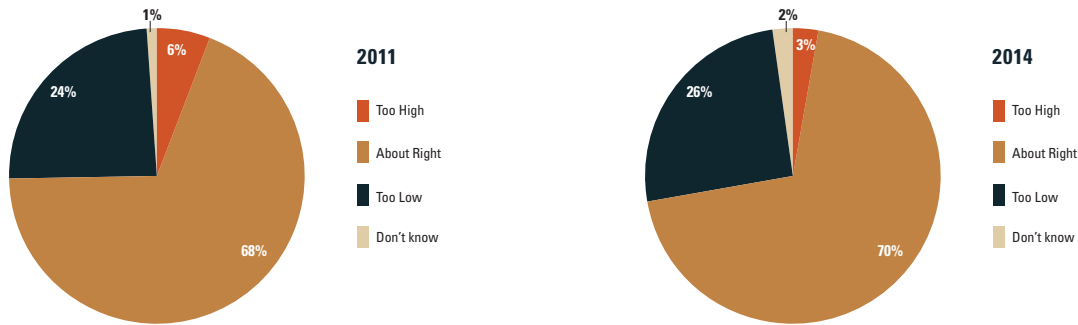


Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

## Despite many jurisdictions increasing pay, one quarter of local officials still believe pay is too low

**Figure 4a**

Local officials' assessments of current employee pay rates (among those jurisdictions that have employees), 2011 and 2014



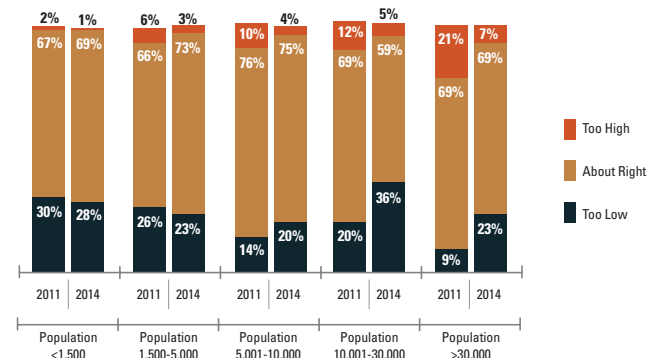
Note: responses for “not applicable” omitted; some report figures may not add to 100% due to rounding within response categories

In both 2011 and 2014, the MPPS asked local government leaders whether, in general, they believe their jurisdictions' employee pay rates are too high, too low, or about right. The trend of more jurisdictions increasing wages in the last four years has not translated into concern among officials overall that pay has gotten too high. In fact, local leaders' views on wage rates in 2014 are remarkably similar to those from 2011. In 2011, among jurisdictions that have employees, 68% of local officials said their employee pay was “about right,” while in 2014, 70% say the same (see *Figure 4a*). Meanwhile, a quarter (26%) of local officials statewide think their employee pay is still too low in 2014, largely unchanged from the 24% who felt this way in 2011. By contrast, only a handful (3%) in 2014 say they believe employee pay is too high, a slight decrease since 2011 (6%).

However, when opinions on pay rates are broken down by jurisdiction size, there are significant shifts among local officials from the state's larger jurisdictions compared to its smaller jurisdictions. Among jurisdictions with between 10,001-30,000 residents, over a third (36%) say their employees' pay is too low in 2014, compared with 20% that said the same in 2011 (see *Figure 4b*). Similarly, almost a quarter (23%) of local officials from jurisdictions with over 30,000 residents say their employee pay is too low as of 2014, compared with 9% who felt this way in 2011. These changes come despite the fact that the state's larger jurisdictions have been more likely to raise pay rates, compared to small jurisdictions. At the same time, the percentage of officials in the largest jurisdictions who say employee pay is too high has dropped from 21% in 2011 to just 7% in 2014.

**Figure 4b**

Local officials' assessments of current employee pay rates (among those jurisdictions that have employees), 2011 and 2014, by population size



Note: responses for “not applicable” omitted and those for “don't know” not shown



## While slowing, the policy of shifting health care costs to employees continues through 2014 for many jurisdictions

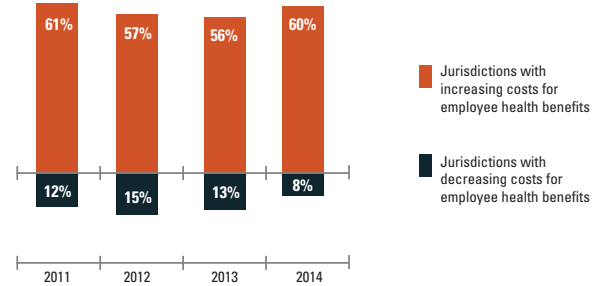
Not all local jurisdictions in Michigan offer their employees health care or other fringe benefits. In fact, statewide, fewer than half (45%) report on the 2014 MPPS that they offer fringe benefits to their current employees (with smaller governments being the least likely either to have any employees or to offer benefits to employees they do have). However, among those jurisdictions that do offer benefits, concerns over increasing costs—both for current employees and legacy costs for retiree benefits—continue to impact local government fiscal health.<sup>7</sup> For example, as shown in *Figure 5*, a majority of Michigan jurisdictions that offer benefits report year-over-year increases in their current employee health care costs, with only relatively few jurisdictions seeing those costs decline.

One strategy local governments have utilized over the past few years to address the rising costs of benefits is to ask employees to shoulder more of the burden. Previous MPPS findings have detailed this pattern among Michigan local governments’ negotiating fringe benefits with their employee unions. For example, in 2013, 63% of jurisdictions that negotiated with unions on fringe benefits reported that only the union(s) made concessions, while 5% reported that only the jurisdiction made concessions.<sup>8</sup> Whether unionized or not, many local governments statewide report they have been shifting health care costs to be paid increasingly by their employees. While this peaked at 51% of jurisdictions in 2012, it remains substantial in 2014, with 43% reporting this strategy (see *Figure 6*).

Among those jurisdictions that offer benefits, larger jurisdictions are more likely to say they are shifting health care costs to employees. Officials from two-thirds (66%) of jurisdictions with between 10,001-30,000 residents predict their jurisdictions will utilize this strategy in the coming year, as do 62% of officials from the state’s largest jurisdictions (see *Figure 7*). This stands in contrast to just 28% of the smallest local governments.

**Figure 5**

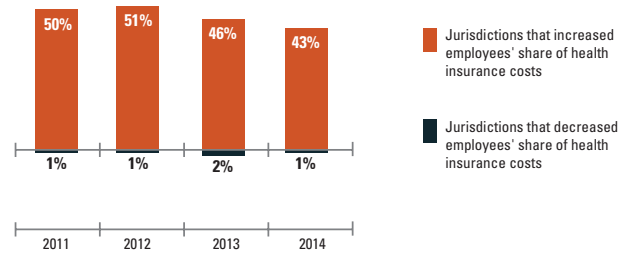
Percentage of jurisdictions that have reported an increase or decrease compared with previous year in the cost of government’s current employee health benefits (among those jurisdictions that offer benefits), 2011-2014



Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

**Figure 6**

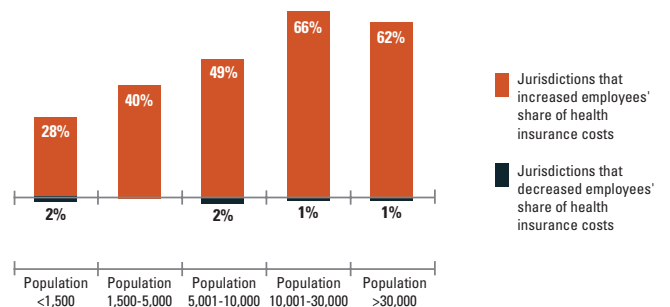
Percentage of jurisdictions that predict an increase or decrease in the coming year in employees’ share of premiums, deductibles, and/or co-pays on health insurance (among those jurisdictions that offer benefits), 2011-2014



Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

**Figure 7**

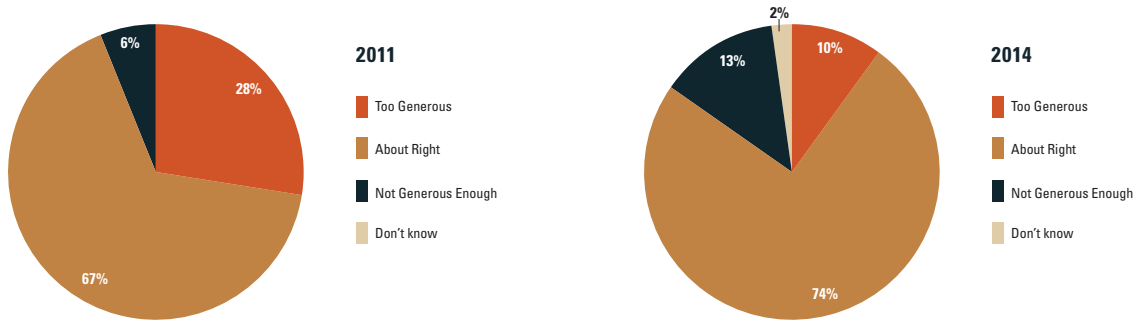
Percentage of jurisdictions that predict an increase or decrease in the coming year in current employees’ share of premiums, deductibles, and/or co-pays (among those jurisdictions that offer benefits), 2014, by population size



Note: responses for “not applicable” omitted, and those for “no change” and “don’t know” not shown

## With costs shifted to employees, leaders less likely to say benefits are too generous

**Figure 8a**  
Local officials' assessments of current employee fringe benefit packages (among jurisdictions that offer fringe benefits to employees), 2011 and 2014

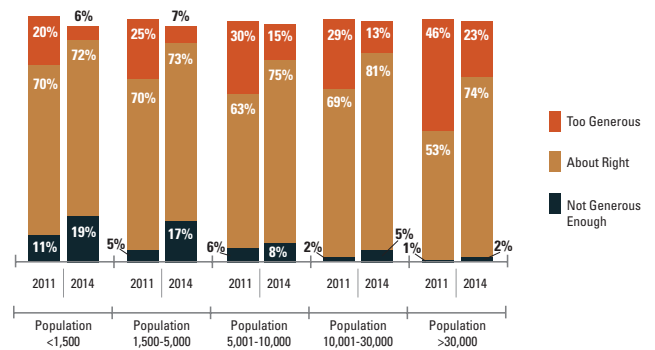


Note: responses for “not applicable” omitted; some report figures may not add to 100% due to rounding within response categories

After a number of years of shifting benefit costs to be paid increasingly by employees, the percentage of local officials who believe their benefit packages are too generous has dropped significantly, from 28% in 2011 to just 10% in 2014 (see *Figure 8a*). By contrast, the percentage who believe their jurisdictions’ employee benefits are not generous enough has more than doubled, from 6% in 2011 to 13% in 2014. Overall, the percentage of officials who say their benefit packages are “about right” has increased from 67% in 2011 to 74% in 2014.

Many of these opinions are shared across jurisdictions of different sizes. Among the state’s smallest jurisdictions, 20% of affected officials said their benefit packages were too generous in 2011, while only 6% say the same in 2014 (see *Figure 8b*). Similarly, while almost half (46%) of officials from the state’s largest jurisdictions thought their employees’ benefits were too generous in 2011, that percentage has dropped to under a quarter (23%) in 2014.

**Figure 8b**  
Local officials' assessments of current employee fringe benefit packages (among jurisdictions that offer fringe benefits to employees), 2011 and 2014, by population size



Note: responses for “not applicable” omitted and those for “don’t know” not shown



## Conclusion

Local government employees have shouldered a large part of the cost-cutting measures implemented by Michigan jurisdictions in the wake of the Great Recession, according to local leaders. Many jurisdictions have reported that staffing cuts have led to “doing more with less,” while many of the remaining employees have furthermore been asked to pay for more of their own health care costs and other fringe benefits.

The MPPS finds that most local leaders in Michigan continue to believe that their employee pay rates are at about the right levels, although there has been a small decrease in the percentage who think the pay rates are too high (6% felt this way in 2011, compared to just 3% in 2014). By comparison, there has been a larger shift in local leaders’ views regarding their employee fringe benefit packages. In 2011, 28% of leaders in jurisdictions that provide fringe benefits thought the benefits to their employees were too generous, and just 6% thought they were not generous enough. After a number of years of shifting benefits costs to be paid increasingly by employees, only 10% of local leaders now think the benefits are too generous, while 13% think they are not generous enough.

Unfortunately for local employees themselves, the trend of jurisdictions shifting more of their health care costs to employees appears to be continuing for a significant portion of jurisdictions (43% as of 2014 overall, including nearly two-thirds of the state’s larger jurisdictions). On the other hand, more and more jurisdictions have also been increasing their pay rates for employees over the last few years, perhaps helping to offset some of the increased cost to employees of paying for their own benefits.

## Notes

1. Ivacko, T., Horner, D., & Crawford, M. (2012, September). *Fiscal stress continues for hundreds of Michigan jurisdictions, but conditions trend in positive direction overall*. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from <http://closup.umich.edu/files/mpps-fiscal-health-2012.pdf>
2. Pagano, M., Hoene, C., & McFarland, C. (2012, September). *City Fiscal Conditions in 2012*. Washington, DC: National League of Cities. Retrieved from <http://www.nlc.org/Documents/Find%20City%20Solutions/Research%20Innovation/Finance/city-fiscal-conditions-research-brief-rpt-sep12.pdf>  
(Note: Compared with the MPPS, the annual NLC City Fiscal Conditions Surveys draw from a different sample of jurisdictions—namely, only cities with populations greater than 10,000 residents—and use a slightly different scale in their policy questions—namely, one that does not include a “neither increase nor decrease” midpoint—which may lead to certain differences in the size of the percentages reported.)
3. U.S. Census Bureau. (2014). *Annual Survey of State and Local Government Employment and Payroll*. Retrieved from <http://www.census.gov/govs/apes/>  
(Note: Authors’ calculations for full-time equivalent employment, excluding education employees)
4. Governing Magazine. (2014). *States With Most Government Employees: Per Capita Rates By Job Type*. Retrieved from <http://www.governing.com/gov-data/public-workforce-salaries/states-most-government-workers-public-employees-by-job-type.html>
5. U.S. Census Bureau. (2014).
6. Keller, E., et al. (2014, December). *Local Government Strategies to Address Rising Health Care Costs*. Washington, DC: Center for State and Local Government Excellence. Retrieved from <http://slge.org/wp-content/uploads/2014/12/LG-Strategies-to-Address-Rising-Health-Care-Costs1.pdf>
7. Ivacko, T., Horner, D., & Crawford, M. Q. (2014, October). *Michigan local governments finally pass fiscal health tipping point overall, but one in four still report decline*. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from <http://closup.umich.edu/files/mpps-fiscal-health-2014.pdf>
8. Ivacko, T. and Horner, D. (2013, October). *Michigan local governments continue seeking, and receiving, union concessions*. Ann Arbor, MI: Center for Local, State, and Urban Policy at the Gerald R. Ford School of Public Policy, University of Michigan. Retrieved from <http://closup.umich.edu/files/mpps-unions-2013.pdf>

### Survey Background and Methodology

The MPPS is a biannual survey of each of Michigan's 1,856 units of general purpose local government, conducted once each spring and fall. While the spring surveys consist of multiple batteries of the same "core" fiscal, budgetary and operational policy questions and are designed to build-up a multi-year time-series of data, the fall surveys focus on various other topics.

In the Spring 2014 iteration, surveys were sent by the Center for Local, State and Urban Policy (CLOSUP) via the internet and hardcopy to top elected and appointed officials (including county administrators and board chairs, city mayors and managers, village presidents and managers, and township supervisors, clerks, and managers) from all 83 counties, 277 cities, 256 villages, and 1,240 townships in the state of Michigan.

The Spring 2014 wave was conducted from April 8 to June 10, 2014. A total of 1,344 jurisdictions in the Spring 2014 wave returned valid surveys (67 counties, 211 cities, 175 villages, and 891 townships), resulting in a 72% response rate by unit. The margin of error for the survey for the survey as a whole is +/- 1.4%. The key relationships discussed in the above report are statistically significant at the  $p < .05$  level or below, unless otherwise specified. Missing responses are not included in the tabulations, unless otherwise specified. Some report figures may not add to 100% due to rounding within response categories. Quantitative data are weighted to account for non-response. Contact CLOSUP staff for more information.

Detailed tables of the data analyzed in this report broken down three ways—by jurisdiction type (county, city, township, or village); by population size of the respondent's community; and by the region of the respondent's jurisdiction—will soon be available online at the MPPS homepage:  
<http://closup.umich.edu/mpps.php>

*The survey responses presented here are those of local Michigan officials, while further analysis represents the views of the authors. Neither necessarily reflects the views of the University of Michigan, or of other partners in the MPPS.*





## Previous MPPS reports

Despite increasingly formal financial management, relatively few Michigan local governments have adopted recommended policies (December 2014)

Most Michigan local officials are satisfied with their privatized services, but few seek to expand further (November 2014)

Michigan local governments finally pass fiscal health tipping point overall, but one in four still report decline (October 2014)

Beyond the coast, a tenuous relationship between Michigan local governments and the Great Lakes (September 2014)

Confidence in Michigan's direction holds steady among state's local leaders (August 2014)

Wind power as a community issue in Michigan (July 2014)

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Michigan local governments increasingly pursue placemaking for economic development (January 2014)

Views on right-to-work legislation among Michigan's local government leaders (December 2013)

Michigan local governments continue seeking, and receiving, union concessions (October 2013)

Michigan local government fiscal health continues gradual improvement, but smallest jurisdictions lagging (September 2013)

Local leaders evaluate state policymaker performance and whether Michigan is on the right track (August 2013)

Trust in government among Michigan's local leaders and citizens (July 2013)

Citizen engagement in the view of Michigan's local government leaders (May 2013)

Beyond trust in government: government trust in citizens? (March 2013)

Local leaders support reforming Michigan's system of funding local government (January 2013)

Local leaders support eliminating Michigan's Personal Property Tax if funds are replaced, but distrust state follow-through (November 2012)

Michigan's local leaders satisfied with union negotiations (October 2012)

Michigan's local leaders are divided over the state's emergency manager law (September 2012)

Fiscal stress continues for hundreds of Michigan jurisdictions, but conditions trend in positive direction overall (September 2012)

Michigan's local leaders more positive about Governor Snyder's performance, more optimistic about the state's direction (July 2012)

Data-driven decision-making in Michigan local government (June 2012)

State funding incentives increase local collaboration, but also raise concerns (March 2012)

Local officials react to state policy innovation tying revenue sharing to dashboards and incentive funding (January 2012)

MPPS finds fiscal health continues to decline across the state, though some negative trends eased in 2011 (October 2011)

Public sector unions in Michigan: their presence and impact according to local government leaders (August 2011)

Despite increased approval of state government performance, Michigan's local leaders are concerned about the state's direction (August 2011)

Local government and environmental leadership: views of Michigan's local leaders (July 2011)

Local leaders are mostly positive about intergovernmental cooperation and look to expand efforts (March 2011)

Local government leaders say most employees are not overpaid, though some benefits may be too generous (February 2011)

Local government leaders say economic gardening can help grow their economies (November 2010)

Local governments struggle to cope with fiscal, service, and staffing pressures (August 2010)

Michigan local governments actively promote U.S. Census participation (August 2010)

Fiscal stimulus package mostly ineffective for local economies (May 2010)

Fall 2009 key findings report: educational, economic, and workforce development issues at the local level (April 2010)

Local government officials give low marks to the performance of state officials and report low trust in Lansing (March 2010)

Local government fiscal and economic development issues (October 2009)

All MPPS reports are available online at: <http://closup.umich.edu/mpps.php>

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The **Center for Local, State, and Urban Policy (CLOSUP)**, housed at the University of Michigan's Gerald R. Ford School of Public Policy, conducts and supports applied policy research designed to inform state, local, and urban policy issues. Through integrated research, teaching, and outreach involving academic researchers, students, policymakers and practitioners, CLOSUP seeks to foster understanding of today's state and local policy problems, and to find effective solutions to those problems.

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