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## **Someone will have to pay for a two-tier job system**

The compensation gap between the public and private sectors is growing ever wider

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Toronto's garbage strike is about as popular as a skunk at a picnic. As the streets get messier and smellier, public support for the union seems to be hovering at zero. Why? Because the garbage workers are striking to hang on to benefits unknown to the rest of us, including a cushy deal that allows them to pile up sick days and cash them in when they retire.

The sick days have caused public outrage. But they're the tip of the entitlement iceberg. Across the country, the compensation gap between public- and private-sector jobs has grown increasingly wide.

The garbage workers are typical. Their hourly wage is about 20 per cent higher than in the private sector. They have a gold-plated benefits plan, to which they contribute not a cent. After 10 years service, their jobs are guaranteed. Workers with top seniority get seven weeks vacation. Then there's the pension - a generous defined benefits plan, guaranteed by you and me.

A stunning piece of research by the Canadian Federation of Independent Business has chronicled the public/private wage gap. It found that public-sector workers across Canada earn 8 per cent to 17 per cent more than people with similar jobs in the private sector. The public-sector wage advantage is now 11.9 per cent for municipal workers, 7.9 per cent for provincial workers and 17.3 per cent for federal workers.

That's just half the story. They also get better benefits and pensions. Their work weeks are shorter (typically 33.5 hours, versus 37.3 in the private sector), and they get more vacation and sick leave. Once you calculate the value of the benefits and shorter work time, the total compensation advantage adds up to 35.9 per cent for municipal workers, 24.9 per cent for provincial workers and 41.7 per cent for federal workers.

There used to be a deal that everyone understood: Public-sector work didn't pay a lot, but there were good benefits and job security. Now, people are forking over tax dollars so government workers doing essentially the same jobs can make a lot more than they do.

The inequities are greatest when it comes to pensions. That's because the tax system is biased against the private sector. Think of a pair of teachers who retire at 55 and live happily ever after on their guaranteed, indexed pensions. You have good reason to envy them. Not only do public-sector workers retire four years earlier (58 versus 62 in the private sector), they can build up pension wealth in a way the rest of us are not allowed to.

In a paper for the C.D. Howe Institute, pension lawyer James Pierlot calculated the difference. A pair of middle-income public-sector workers can retire at 58 with retirement savings of \$1.3-million or more. A private-sector couple with the same work history will typically retire at 62 with savings of \$244,800. The public-sector couple work four years less and get five times more retirement income.

On top of that, sweetheart deals for retiring government bureaucrats are a way of life. Although the details are fiendishly opaque, these deals are not available to you. "It's the Latin American general

syndrome,” says one pension expert. “They feather their own nests and don't worry about anybody else.”

Governments across the country have lost control of benefit costs. Sick days are easier to give out than raises because the true cost of sick days can be indefinitely deferred. Pension promises were easy because people figured the good times would last forever.

But, eventually, someone will have to pay. C.D. Howe president William Robson figures that Canada's net liability for unfunded pension promises to all those government workers and bureaucrats amounts to a staggering \$422-billion. Unlike private-sector pension plans, however, these plans will never fail, because they're backstopped by the taxpayers.

Luckily for us, we don't riot in the streets. We just phone talk shows and sound off.