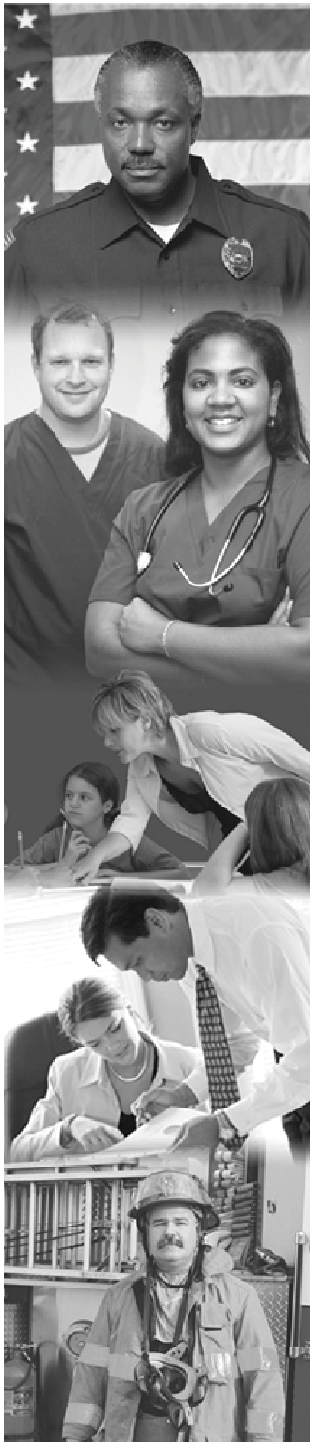


Fact sheet: Public employee compensation

BY DOUGLAS VON KORFF & MARILYN P. WATKINS, PH.D.



Public employee benefits are on the chopping block across the country as state and local governments look for ways to reduce spending. Public revenues remain low due to the lingering effects of the recession and the longer term trend shifting income from the middle class to the wealthy.¹ Washington state, with an unbalanced tax structure that compounds national trends, faces a roughly \$5 billion budget shortfall for the 2011-2013 biennium. Cities, counties, and school districts around the state are also grappling with projected deficits.

Wages of public employees are typically lower than those of people working in private companies with similar levels of education and work experience. Nonetheless, critics frequently point to better benefits in the public sector, and advocate cutting public employee pension, health, and other benefits.

However, even with better benefits calculated into the equation, a number of analyses have found that public employees receive less total compensation than their private sector peers.²

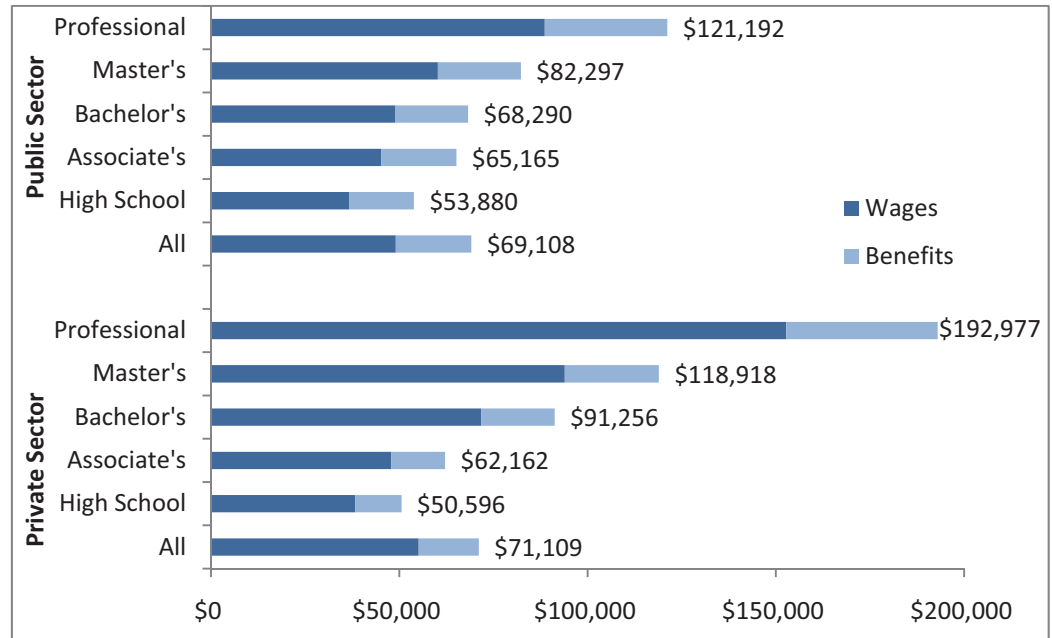
Public Employees Earn Less

Public employees earn less than their private sector counterparts when the total cost of wages and benefits is included.

- Nationally, state and local governments spent \$26.25 per hour per employee in 2010, with 34% of total compensation represented by benefits. Private industry employers spent \$27.88 per hour, with 29.4% for benefits.³
- A study of national data controlling for education, work experience, annual hours worked, organizational size and other factors found that total compensation was 1.8% less for local government employees and 7.6% less for state government employees than for comparable private sector workers.⁴
- A separate study found that state government employees across the country earned 6.8% less in total compensation than comparable private sector peers between 2000 and 2008, and local government employees earned 7.4% less.⁵
- According to an analysis by the *Seattle Times*, median wages for the same type of work was lower for Washington state government workers than in the private sector in the majority of nearly 200 occupational categories examined. State government workers tended to earn higher wages in lower paying jobs.⁶
- Over the past twenty years, the gap between public and private sector compensation has grown.⁷

MARCH 2011

**TOTAL COMPENSATION OF U.S. PUBLIC AND PRIVATE SECTOR EMPLOYEES
CONTROLLED FOR EDUCATION LEVEL, 2009**



Source: Analysis of 2009 Current Population Survey data by Jeffrey Keefe, EPI 2010

\$23,000

AVERAGE
AMOUNT PRIVATE
SECTOR WORKERS
EARN OVER PUBLIC
SECTOR WORKERS
WITH A
4 YEAR DEGREE

Public Sector Workers: More Education, Less Pay

Many public sector jobs – such as teachers and social workers – require college or graduate degrees, while some of the largest private sector occupations – such as cashiers and waiters – require little formal education.

- In the U.S., 27.4% of public sector employees have college degrees and 23.5% have advanced degrees, compared to 20.9% and 8.9% respectively in the private sector.⁸
- In Washington, 48.3% of state and local government employees have a bachelor's degree or higher, compared to 31.4% of private sector workers in the state.⁹
- The average age of public sector workers in Washington is 47 compared to 39 in private industry.¹⁰
- Overall, people whose formal education ended with a high school diploma or associate's degree tend to earn slightly more in the public sector, but those with a bachelor's degree or higher earn significantly less in the public sector.¹¹
- The average **total compensation gap** for public service, including both wages and benefits, is 6.8% to 7.6% for state workers and 1.8% to 7.4% for local government employees.¹²

COMPARATIVE AVERAGE ANNUAL WAGES FOR SELECT OCCUPATIONS, U.S.

Occupation	Private	State Government	Local Government
Registered nurse	\$66,700	\$65,020	\$63,310
General office clerks	\$27,210	\$29,430	\$29,380
Janitors & cleaners	\$22,570	\$25,780	\$28,230
Executive secretaries	\$44,220	\$40,630	\$45,060
General operations managers	\$111,840	\$83,410	not available

Source: Bureau of Labor Statistics, "Occupational Employment and Wages by Ownership, 2009."

\$2.36

Public Employee Pensions - A Good Investment

Each dollar paid out in public pension benefits results in \$2.36 in economic activity, according to the National Institute on Retirement Security. In 2006, 7.3 million retired employees of state and local governments and their family members across the U.S. received \$151.7 billion in pension benefits. The spending generated led to the creation of more than 2.5 million American jobs.¹³

In 2010, Washington's public employee pension systems paid \$2.6 billion in benefits to over 122,000 people living throughout the state.¹⁴ In turn, those pension dollars supported nearly 43,000 jobs.¹⁵

IN ECONOMIC
ACTIVITY FOR
EVERY \$1 IN
PENSION BENEFITS

Public Sector Job Loss and Pay Cuts Slow Economic Recovery

State and local government employees provide vital services to their communities as teachers, firefighters, social workers, prison officials, and nurses. They are also consumers. Cuts in public jobs and in paychecks through mandatory furloughs, pay freezes, and higher contributions for health insurance and pensions reduce purchasing power and slow economic recovery.

Federal assistance allowed state, school district, and local governments to avoid more severe losses in 2009 and 2010, but renewed federal aid is unlikely for the 2011-13 biennium. Public job losses will continue at least through 2012 as public budgets and programs continue to be slashed. These reductions will slow economic recovery.

1,400

JOBS LOST BY
WASHINGTON
TEACHERS IN
K-12 EDUCATION,
2008-10

PUBLIC SECTOR JOB CHANGE IN WASHINGTON, DEC. 2008 TO DEC. 2010

Government Sector	Job Change
Federal	2,100
State	-5,300
Public K-12 Education	-1,400
Other Local Government (not including Tribal)	-5,700
Total	-10,300

Source: Washington ESD, *Nonagricultural Wage and Salary Employment*.

LARGEST OCCUPATIONS AND SHARE OF EMPLOYMENT BY SECTOR, U.S. AVERAGE

Private Sector		State Government		Local Government	
Occupation	Share of jobs	Occupation	Share of jobs	Occupation	Share of jobs
Retail salesperson	3.9%	Correctional officers	5.6%	Elementary school teachers	9.5%
Cashier	3.1%	General office clerks	4.6%	Teacher assistants	6.7%
Food service	2.3%	Registered nurses	2.8%	Secondary school teachers	6.6%
Waiters & waitresses	2.1%	Exec. secretaries & admin. assistants	2.6%	Middle school teachers	4.1%
General office clerks	2.1%	Secretaries	2.4%	Police patrol officers	3.8%
Customer service reps	2.0%	Business operations specialists	2.3%	Janitors & cleaners	3.0%
Registered nurses	2.0%	Graduate teaching assistants	1.9%	Other teachers & instructors	2.6%
Laborers & freight and stock movers	1.9%	Postsecondary teachers	1.7%	General office clerks	2.4%
Stock clerks	1.7%	Janitors & cleaners	1.7%	Secretaries	2.2%
Bookkeeping clerks	1.5%	Police patrol officers	1.5%	Firefighters	1.9%
General & operations mngrs.	1.4%	Social workers	1.4%	School bus drivers	1.8%
Janitors & cleaners	1.4%	Postsecondary health teachers	1.3%	Registered nurses	1.8%
Total share	25.4%		29.8%		46.4%

Source: Bureau of Labor Statistics, "Occupational Employment and Wages by Ownership, 2009."

Notes

- ¹ The rising share of income held by the top 5% in the U.S. relative to the rest of the population is documented by the Internal Revenue Service, SOI Tax Stats - Individual Income Tax Rates and Tax Shares, <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=129270,00.html>.
- ² John Schmitt, "The Wage Penalty for State and Local Government Employees," Center for Economic and Policy Research, May 2010; Jeffrey Keefe, "Debunking the Myth of the Overcompensated Public Employee: The Evidence," Economic Policy Institute, Briefing Paper 276, September 15, 2010; Keith Bender and John Heywood, "Out of Balance?: Comparing Public and Private Sector Compensation over 20 Years," Center for State and Local Government Excellence and National Institute on Retirement Security, April 2010, www.slgc.org/.
- ³ U.S. Bureau of Labor Statistics, "Employer Costs for Employee Compensation – September 2010," December 2010, <http://www.bls.gov/news.release/pdf/ecec.pdf>.
- ⁴ Keefe.
- ⁵ Bender and Heywood.
- ⁶ "How State Workers' Pay Really Stacks up." Drew DeSilver and Andrew Garber, Seattle Times, March 6, 2010, http://seattletimes.nwsourc.com/html/localnews/2011277862_statewageso7m.html.
- ⁷ Bender and Heywood.
- ^{8,9,10} Schmitt.
- ¹¹ Keefe and "How State Workers' Pay Really Stacks up." Drew DeSilver and Andrew Garber, Seattle Times, March 6, 2010, http://seattletimes.nwsourc.com/html/localnews/2011277862_statewageso7m.html.
- ¹² Keefe and Bender and Haywood.
- ¹³ Bender and Heywood.
- ¹⁴ National Institute on Retirement Security, "Pensions by the Numbers," http://www.nirsonline.org/storage/nirs/documents/final_factsheet_by_the_numbers.pdf.
- ¹⁵ Washington State Department of Retirement Systems, County Annuitants for Washington State, 2010, <https://fortress.wa.gov/drs/data/>.
- ¹⁶ Based on NIRS calculation of jobs supported by public sector pension benefits nationally.