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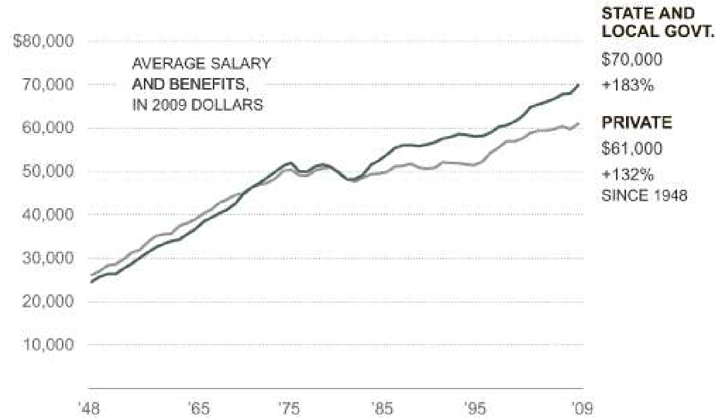
Are State and Local Government Employees Paid Too Much?

It's not an easy question to answer for a number of reasons. Here's a primer on the issue.

Public workers make more …

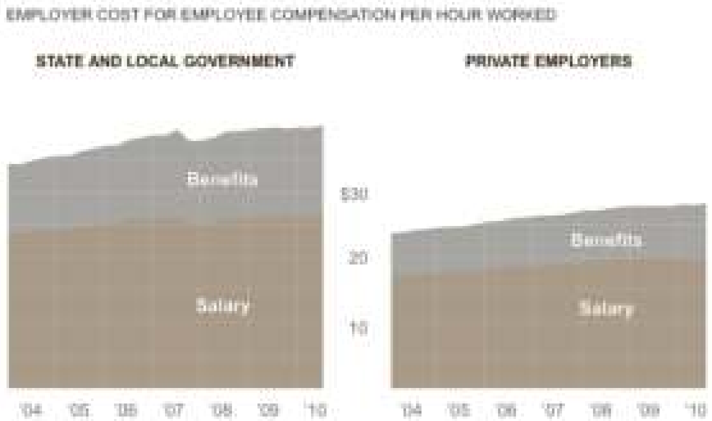
Surveys by the Bureau of Economic Analysis show that public workers' annual compensation — salary plus benefits — is higher on average than private sector workers, and they suggest that the gap is growing.



… especially when figured per hour of work.

Public workers also put in significantly fewer hours per week. According to the Bureau of Labor Statistics, their **compensation per hour** is much higher.

Most of the advantage is in **benefits**. They cost state and local governments $14 an hour on average, about 70 percent more than private employers pay for their workers.



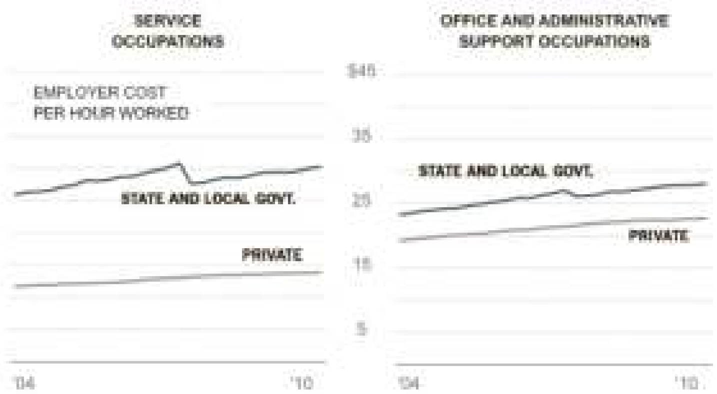
But comparisons are tricky …

Economists point out that government work tends to be in **highly skilled** categories, so it is misleading to compare the groups as a whole.

… even when comparing across smaller groups.

Among **service occupations**, public pay is still higher. But the public category includes firefighters and police officers; the private category includes many different kinds of jobs. Does that mean the groups are not comparable, or does it make the point that similarly qualified people can get better pay in the public sector?

In **clerical** jobs, employers' costs are higher in government, but the gap is less.



Public employees are more likely to be union members …

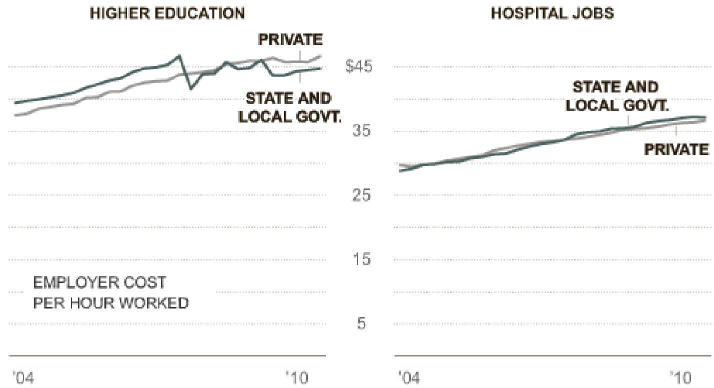
Public employees remain a **union**

bulwark, even as unionization has declined in the private sector.

Do unions earn public employees a **premium**? In most private industries, union workers are compensated more highly than nonunion workers. This is probably the case in government as well.

… but unionization does not always mean higher pay.

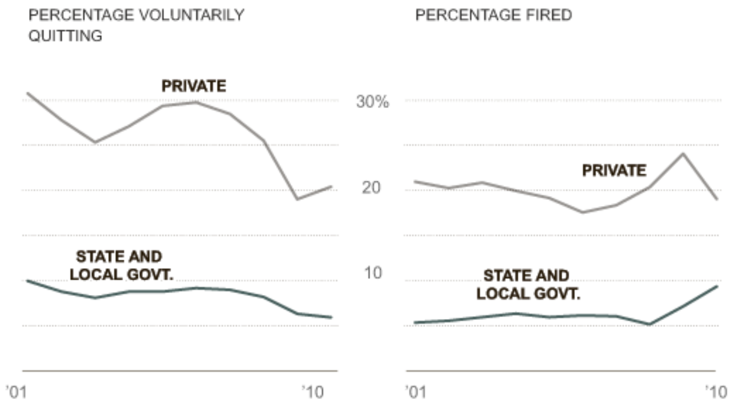
In some job categories, there is **virtually no difference** in the compensation of public and private employees. In higher education and hospitals, there is a smaller unionization gap, a high level of similarity in job descriptions and nearly identical compensation. Generally, with progress up the skill ladder, the public job premium declines or even reverses.



Public workers quit less often and are fired less often.

But there are other issues. The rate at which state and local workers **voluntarily quit** is very low. Some economists argue that this confirms that they are overpaid and that private workers leave for better pay.

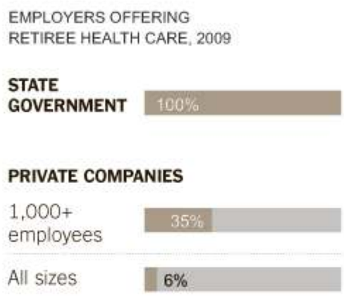
Public workers are also **fired at much lower rates**. By estimating the income loss before fired workers find new jobs, some economists argue that this is a benefit worth as much as 15 percent of their pay.

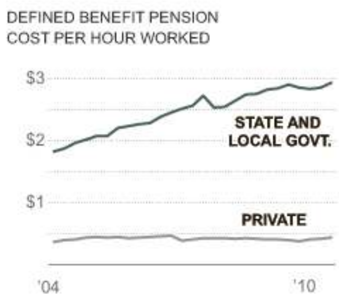


Finally, much of the debate relies on elusive accounting.

Ultimately, the argument turns on things that are difficult to value, especially **retirement benefits**. Most public employees are guaranteed a pension and have access to retirement health insurance – benefits that are disappearing from the private sector. What is this worth?

A lot more than federal surveys show, said Andrew G. Biggs of the American Enterprise Institute, because state and local governments are **putting away far less** than they should to finance their obligations, especially in some heavily unionized states. But Jeffrey H. Keefe, a Rutgers professor who studies the issue for the liberal Economic Policy Institute, disputes this and argues that the cost of defined benefit pensions is overestimated in federal surveys.





Mr. Biggs argues that **public retiree health care** is also underestimated. He says that the value of that is huge and pushes public workers' compensation well above private workers'. Mr. Keefe cites California, where less than 1 percent of state employee retirement spending goes for this purpose. The debate goes on.

By FORD FESSENDEN/THE NEW YORK TIMES | Send Feedback

Sources: Bureau of Labor Statistics; Employee Benefits Research Institute; Bureau of Economic Analysis; National Bureau of Economic Research