



# Fast Facts from EBRI

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FFE #89, July 2, 2008

## Benefits Costs: State and Local Governments vs. Private Sector

WASHINGTON—How much do employers spend on benefits for their workers? What are the most costly voluntary benefits? Is there a difference in benefits spending between state and local government employers and private-sector employers?

The answers to these questions can be found in the June 2008 *EBRI Notes*, available at [www.ebri.org/pdf/EBRI\\_Notes\\_06-2008.pdf](http://www.ebri.org/pdf/EBRI_Notes_06-2008.pdf). In short, there is a major difference in compensation, reflecting the basic differences between public-sector and private-sector jobs and work forces.

**Benefits spending:** In September 2007, private-sector employers spent \$7.66 per hour worked on benefits for their workers, compared with \$13.24 for state and local government employers.

**Most important voluntary benefits:** The two most important voluntary benefits employers provide are health insurance and a retirement savings plan. In September 2007, the average cost per employee per hour worked for health insurance for state and local government workers was \$4.35, compared with \$1.85 for private-sector employers. Retirement and savings plans cost state and local government employers \$3.04 per hour worked in September 2007, compared with \$0.92 for private-sector employers.

**Reasons for differences:** Major reasons for the differences in total compensation costs (wages, salaries, and benefits) between state and local government employers and private-sector employers are the different composition of their respective work forces and the different nature of public- vs. private-sector work. State and local government jobs include education and public safety functions (teachers, police, and firefighters), which involve high levels of education, training, physical fitness, or risk and largely do not exist in the private sector. Unionization rates also are higher in the public sector than in the private sector.

**Breakdown:** Here is a breakdown of *major* benefits costs by economic sector. In both cases, the figures cited are per employee per hour worked.

	Major Employer Costs for Employee Benefit Programs	
	State/Local Governments	Private-Sector Employers
Total	\$13.24	\$7.66
Health	\$4.35	\$1.85
Retirement, savings	\$3.04	\$0.92
Paid leave	\$3.07	\$1.76
Legally required benefits*	\$2.29	\$2.21

\* Legally required benefits include Social Security, Medicare, federal unemployment insurance, state unemployment insurance, and workers' compensation.

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