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New Research From EBRI:

State/Local Government Pay & Benefits Much Higher Than in Private Sector, But Jobs, Skills Differ

WASHINGTON—Pay and benefits costs for state and local government workers were 46 percent higher last year than for private-sector employees, according to a new study by the nonpartisan Employee Benefit Research Institute (EBRI)—but the nature of the jobs and skills also differ sharply.

The cost of state and local government workers’ pay was 40 percent higher than for private-sector workers, and was 60 percent higher for benefits, such as health care and retirement. These and other data are published in the April EBRI Notes, “Benefit Cost Comparisons Between State and Local Governments and Private-Sector Employers,” available on the Internet at www.ebri.org

One key reason for the difference in total compensation costs—including wages, salaries, and employee benefits—is the composition of the respective work forces. A large portion of state and local government workers are concentrated in occupations such as teachers, police, and firefighters, which require higher levels of education or involve greater physical risk or training and tend to be more highly paid, the study said. By comparison, the largest percentages of private-sector workers are in sales and office occupations, which require less education, are more sedentary, and therefore tend to be paid less.

“Because of good retirement and health programs, governments have been able to attract a more stable work force,” noted Dallas Salisbury, president and CEO of EBRI, “and have retained skilled workers more easily than many private employers, particularly small employers that do not provide retirement and health benefits.”

Another factor contributing to the difference is benefit participation. Full-time state and local government employees participate in both health insurance and retirement programs at far higher rates than their counterparts in the private sector, the study noted.

Overall, the study found that total compensation costs for state and local government employees were $34.72 per hour worked, compared with $23.76 for private-sector workers. Also, the study contained these additional findings:

- More than half (54 percent) of all state and local government employees worked in the education sector, with relatively high levels of worker education, unionization rates, and compensation costs. In September 2004, total compensation costs for the education sector were $37.40 per hour worked. Teachers had the highest total compensation costs among state and local government employees: $47.35 per hour worked.
- By contrast, the largest concentration of private-sector workers was in services, trade, transportation, and utilities. In October 2004, services accounted for 47 percent of all private-sector workers, and trade, transportation, and utilities accounted for 23 percent. Total compensation costs for these two groups were $20.05 per hour worked for trade, transportation and utilities and a range of $10.64 to $27.17 per hour worked for services.

((MORE))
State and local government workers are more highly unionized than private-sector employees and thus more likely to receive higher pay. Last year, 37 percent of state and local workers were members of a union, compared with 8 percent of private-sector employees.

The study also found a “great cost disparity” in health and retirement benefits offered by state and local government employers, compared with those offered by private-sector employers.

For example, in September 2004, the average cost per public-sector employee per hour worked was $3.49 for health insurance, compared to $1.56 per hour worked for private-sector workers. The disparity was even higher for retirement and savings plans: These cost state and local government employers $2.23 per hour worked in September 2004, compared with 85 cents per hour worked for private-sector employees.

Among full-time state and local government employees, 86 percent participated in health insurance coverage in 1998, compared with 66 percent of private-sector workers in 2003. Also, virtually all (98 percent) full-time state and local government workers participated in some retirement and savings plan in 1998, compared with 60 percent of full-time employees in the private sector in 2004 (for many full-time public-sector workers, participation in a defined benefit pension plan is mandatory, as is an employee contribution to the plan).

The EBRI study was based on figures from the Bureau of Labor Statistics and the 2004 Current Population Survey by the U.S. Census Bureau.

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