



EBRI News

1100 13th St. NW • Suite 878 • Washington, DC 20005
(202) 659-0670 • www.ebri.org • Fax: (202) 775-6312

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CONTACTS:

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Ken McDonnell, EBRI, (202) 775-6367, mdonnell@ebri.org
John MacDonald, EBRI, (202) 775-6349, macdonald@ebri.org

New Research from EBRI:

Compensation Costs 51 Percent Higher for State-Local Employers Than for Employers in Private Sector, Study Reports

Composition of Two Work Forces Has Major Impact on Pay and Benefits

WASHINGTON—Total compensation costs for workers were 51.4 percent higher among state and local government employers than among private-sector employers in September 2007, a reflection of the different composition of the two work forces, according to a study published today by the nonpartisan Employee Benefit Research Institute (EBRI).

Total compensation costs consist of two major categories: wages and salaries, and employee benefits. For both of these categories, state and local government employers' costs were higher than those of private-sector employers: 42.6 percent higher for wages and salaries, and 72.8 percent higher for employee benefits, the study said, based on the latest available data.

As of September 2007, the total compensation costs among state and local government employers were \$39.50 per hour worked, compared with \$26.09 among private-sector employers. The study is published in the June *EBRI Notes*, available at www.ebri.org.

Major reasons for the differences in total compensation costs 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.

The study provides this breakdown of total compensation per hour worked (September 2007):

State and local governments:

- Wages and salaries: \$26.26
- Benefits: \$13.24

Private sector:

- Wages and salaries: \$18.42*
- Benefits: \$7.66*

The two most important voluntary benefit programs an employer provides are health insurance and a retirement and savings plan. According to the study, a great disparity exists between the cost of these two benefits for state and local government employers and for private-sector employers.

In September 2007, the average cost per employee per hour worked for health insurance benefits for state and local government employers was \$4.35, compared with \$1.85 for private-sector employers—a difference of 135 percent.

The disparity was even larger for retirement and savings plans. These cost state and local government employers \$3.04 per hour worked in September 2007, compared with \$0.92 for private-sector employers—a difference of 230 percent.

One of the primary reasons for the difference in benefit costs is that state and local government workers are more likely than their private-sector counterparts to participate in employee benefit programs, the study reported. For example, health insurance participation rates among all employees in state and local governments (72 percent in September 2007) were significantly higher than rates among all employees in the private sector (52 percent in March 2007).

The disparity in participation levels was even larger for retirement and savings plans. In September 2007, 86 percent of all employees in state and local governments participated in some type of retirement and savings plan, compared with 51 percent of all employees in the private sector in March 2007.

EBRI is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. www.ebri.org

* These two numbers do not add up to \$26.09 (the private-sector employer total) due to rounding.

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