



Are Public-sector Workers Underpaid?

With the union war in Wisconsin and the recent compromise over a “government shutdown,” an analysis of public- and private-sector employee compensation is unavoidable.

Rep. Dennis Ross (R-Fla.) said at a congressional hearing last month that federal workers earn a substantial amount more in wages and benefits than private-sector workers. While citing data from the federal Office of Personnel Management, [Ross asserted](#), “Our taxpayers can no longer be asked to foot the bill for these federal employees while watching their own salaries remain flat and their benefits erode.”



The Office of Personnel Management data confess astounding truths, one certainty being the gross disparities in workers’ benefits between private and public workers, as the data show federal employees earning an average of \$27,317 in pension and health benefits in 2010. Statistics from the federal Bureau of Economic Analysis show the average private-sector employee receiving \$10,589 in benefits in 2010, less than half than their federal employee counterparts.

Countless analyses report that public-sector workers as earn significantly more than private-sector workers. One analysis in particular is the Employer Costs for Employee Compensation Survey, released by the Bureau of Labor Statistics, which measures wages, salaries, and benefits for nonfarm private and state and local government workers. The [study’s results](#) are explicit:

Private industry employers spent an average of \$27.75 per hour worked for total employee compensation in December 2010.... Wages and salaries averaged \$19.64 per hour worked and accounted for 70.8 percent of these costs, while benefits averaged \$8.11 and accounted for the remaining 29.2 percent. Total compensation costs for state and local government workers averaged \$40.28 per hour worked in December 2010. Total employer compensation costs for civilian workers, which include private industry and state and local government workers, averaged \$29.72 per hour worked in December 2010.

[One measure](#) accounts for much of the difference: the higher percentage of unionized workers in the public sector. The government workforce is around 40 percent unionized, while the private sector is only eight-percent unionized. This is important to note, because union workers generally receive much better benefits. Last year, employer costs for paid leave benefits — holidays, vacation days, sick leave, and personal leave — averaged \$1.79 per hour worked in the non-unionized workforce. Employer costs for paid leave benefits for unionized workers averaged \$2.77 per hour worked.

[According to the U.S. Census Bureau](#), in 2007 the average salary of a California government employee was \$53,958, while the average private-sector employee made \$40,991 — nearly a 32-percent difference.



Written by [Brian Koenig](#) on April 11, 2011

Supporters of increasing federal worker compensation claim that public-sector workers are generally better educated and have more experience than private sector workers. [One study](#), published by the Center for State & Local Government Excellence and the National Institute on Retirement Security, attempted to “validate” this argument. Economic professors Keith A. Bender and John S. Heywood proclaimed, “The fact that public sector workers receive greater average compensation than private sector workers should be no more surprising than the fact that those with more skills and education earn more.”

Though the study may hold validity in some areas, the issue is not so simple, and whether or not the degree of education and experience among government employees matches such a steep gap in compensation is highly unlikely.

An “apples-to-apples” comparison of public- and private-sector compensation is an obscure analysis, because job duties and expertise vary. Education statistics can also be challenging, as some college degrees require more education than others, and some colleges and universities have more rigorous studies than others. Someone attending a more prestigious university would assumedly make more money than someone attending a less prestigious university, but these statistics are difficult to verify.

Furthermore, elastic budgets and a lack of competition impact productivity in government fields. One area to observe is hours worked in the private sector versus hours worked in the public sector. The [BLS National Compensation Survey shows](#) full-time private-sector employees worked an average of 2,050 hours in 2008, 12 percent more than the 1,825 hours worked by the average public-sector employee. In general, private-sector workers work harder, longer, and smarter.

Mass transit is a good example of low productivity and fiscal mismanagement in the public sector. Governments spend more and more every year on mass transit, yet Americans are using trains and buses much less than they have in past decades. Such irresponsible budgeting defies the principles of free-market enterprise and profit, because market flexibility and efficiency are absent.

In order to maintain high productivity levels, private companies may fire underperforming workers and eliminate positions that are no longer necessary to maintain or increase profitability. But private companies will also reward good performance with promotions and higher wages and salaries. In the private sector, performance corresponds to compensation, and most of the time, as one rises so does the other.

These are the reasons why state governments often outsource operations to the private sector: to conserve their budget or use workers who are more efficient and produce more. [Studies show](#) that city and state governments could slash 20 to 40 percent in costs through contracting to private providers. This is because in the public sector politicians determine budgets rather than competitive market forces. In other words, the private sector is forced to allocate funds efficiently, which often means lower pay and higher productivity.

So the argument that public workers are underpaid is a fallacy. And though many unknown factors exist in the arena of public- vs. private-sector compensation, the conclusion most definitely leans toward the Republicans and tea partiers.



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