

Are Wisconsin Public Employees Over-Compensated?

The Economic Policy Institute just released a report (2/10/2011) which found that public sector workers in Wisconsin earn lower compensation (wages and benefits combined) than comparable private sector workers.

The study was undertaken by Jeffrey Keefe, an economist at Rutgers University. His findings are subject to peer review and they confirm two earlier studies that reached similar findings.

Key findings include the following:

- When all state and local workers are examined, **public workers earn 8% less than private sector counterparts annually, or about 5% less when controlled for hourly earnings.**
- Public sector wages for more highly educated workers are below private sector wages. Data show that public sector disparities increase for those with more education or professional degrees.
- Public workers with a bachelor's degree, for example, receive about 28% less compensation than comparable private sector workers. When benefits are included, the difference in compensation narrows to 25%.
- Public sector workers are more highly educated than private sector workers, with 59% holding a four-year college degree compared to just 30% of full time workers in the private sector.
- Public sector unionization helped improve benefits as a counterbalance to lower wages for public workers.
- Public sector workers receive a higher percent of compensation in the form of health care and pension benefits, but private sector employees tend to get more supplemental pay and vacation.
- Public sector unionization helps low skilled, non-college educated employees earn higher pay than those in the private sector—but these constitute a minority of public sector workers.
- Simple head-to-head comparisons of average public sector pay to private sector pay are ill-informed because they do not control for levels of education.

Additional information on the size of Wisconsin government

[Note—this information is from a separate Census Bureau report]

A common critique of taxation is that it supports large government. Wisconsin does have many units of local government, but overall the state actually employs fewer public sector workers than other states nationally. According to the Census Bureau, the number of state and local employees per 1,000 residents in Wisconsin is actually *4 percent below the national average, ranking Wisconsin 38th in the nation*. Only twelve states, in other words, employ fewer public employees than Wisconsin.

On just state employees alone, Wisconsin ranks 43rd nationally, employing 13th percent fewer workers than the national average.

Accordingly, state and local spending for public employees (the cost of public employment), is 9 percent below average, with Wisconsin ranking 30th nationally.

Census Bureau data show that Wisconsin has a relatively small public sector, ranking in the bottom 25 percent nationally. Or, put another way, 75 percent of states employ more public sector workers than Wisconsin.

Conclusion

State revenue shortfalls, the result of unemployment and economic downturn, appear to be the primary driver of Wisconsin's budget deficit. Public sector workers in Wisconsin constitute a small share of the state's population compared to other states, and compensation for public sector workers here is below levels found in the private sector.

These facts suggest that cutting salaries and benefits of public sector workers will do little to solve the deficit issue.

Here's a link to the study: <http://www.epi.org/publications/entry/6759/>