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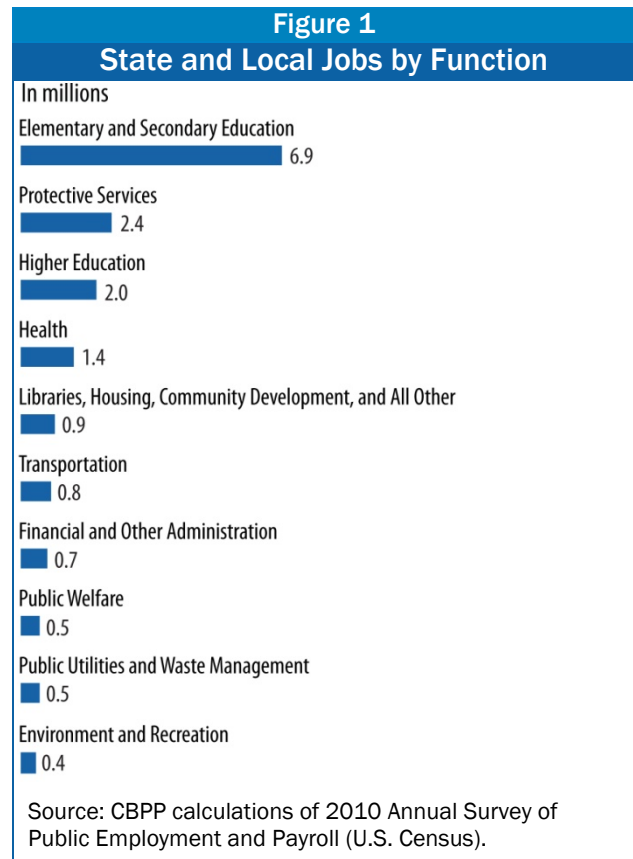
SOME BASIC FACTS ON STATE AND LOCAL GOVERNMENT WORKERS

By Elizabeth McNichol

This brief report presents some basic facts about state and local employees: the jobs they perform, how many there are, how their pay compares with pay in the private sector, and how much states and localities — mainly school districts, cities, and counties — spend on pay and benefits.

Who Are Public Employees?

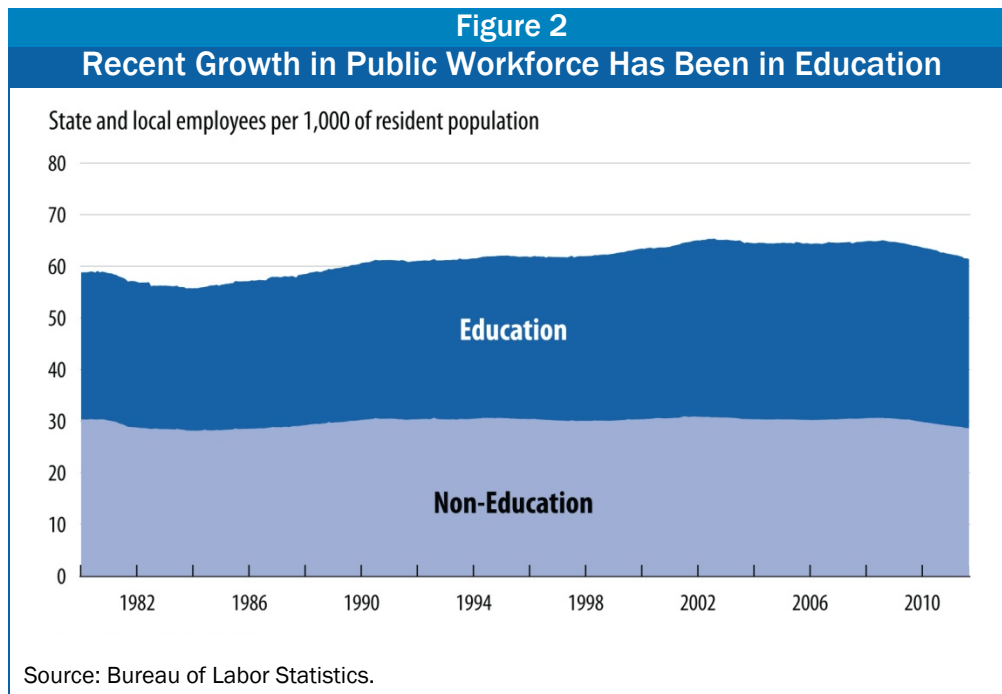
By far the largest share of state and local government workers are the nearly 7 million teachers, aides, and support staff working in the nation's elementary, middle, and high schools (see Figure 1). Other prominent categories of state and local employment are protective services (including police officers, fire fighters, and correctional officers), higher education, health care (including nurses and other workers at public hospitals and clinics), and transportation (including road maintenance workers and bus drivers).



How Has the Number of Public Employees Changed Over Time?

Over the last 30 years, the number of state and local workers has grown modestly relative to the overall population, from about 59 per 1,000 in 1980 to 61 per 1,000 in 2011 (see Figure 2). All of that growth has been in education workers and reflects demographic changes and policy initiatives, such as efforts to reduce class sizes and better help children with special needs. Over the same

period the number of *non*-education workers has declined relative to the overall population. Since August 2008, the total number of state and local government employees has declined by 646,000.



How Do Their Pay and Benefits Compare to Those of Private-Sector Workers?

Studies find that public workers are paid 4 to 11 percent less than private-sector workers with similar education, job tenure, and other characteristics.¹ This wage disadvantage is greatest for higher-wage public workers. The typical middle-wage worker earns about 4 percent less in the public sector than the private sector.² Low-wage state and local workers, by contrast, receive a small wage premium. (See Figure 3.)

While the average pay for all public employees exceeds that of all private workers, this reflects the fact that public-sector jobs are much more likely to require higher education; teaching positions require a college or master's degree, for example. State and local employees are twice as likely as private-sector workers to have a college or advanced degree.³

¹ Alicia Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Laura Quinby, *Comparing Compensation: State-Local Versus Public Sector Workers*, Center for Retirement Research at Boston College, September 2011, http://crr.bc.edu/images/stories/Briefs/slp_20_508.pdf. See also Keith A. Bender and John S. Heywood, *Out of Balance? Comparing Public and Private Sector Compensation over 20 Years*, Center for State & Local Government Excellence (CSLGE), National Institute on Retirement Security, April 2010, <http://www.slge.org/vertical/Sites/%7BA260E1DF-5AEE-459D-84C4-876EFE1E4032%7D/uploads/%7B03E820E8-F0F9-472F-98E2-F0AE1166D116%7D.PDF>; and John Schmitt, "The Wage Penalty for State and Local Government Employees," Center for Economic and Policy Research (CEPR), March, 2010, <http://www.cepr.net/documents/publications/wage-penalty-2010-05.pdf>.

² Schmitt, pages 8-9. In addition, the Economic Policy Institute www.epi.org has prepared a series of analyses that focus on individual states.

³ See analysis of Current Population Survey data in Bender and Heywood, page 7.

Public-sector workers also earn less than their private-sector counterparts when one counts both their wages and benefits such as pensions and health insurance. Benefits are typically more generous and secure for public employees than for most private-sector workers, but factoring in the value of these benefits does not eliminate the gap between state and local employees and their counterparts in comparable private-sector jobs.⁴

The Center for Retirement Research at Boston College, widely recognized as an authoritative source on retirement income issues, recently found that total compensation for public-sector workers — *including the value of benefits* — is 4 percent less than that of comparable private-sector workers.⁵

How Much Do States and Localities Spend on Their Employees?

Because providing services is the primary business of states as well as school districts, cities, counties, and other local governments, labor costs — i.e., wages and benefits — make up a significant share of their annual spending.

- **Wages and salaries.** Wages and salaries make up about one-third of state and local governments' general spending, on average, according to Census Bureau data. States spend a considerably smaller share (about 15 percent) than local governments (41 percent).
- **Total compensation.** Spending on benefits such as health insurance and retirement is not reported to the Census but can be estimated using data from the Bureau of Labor Statistics. Adding these costs brings the total costs of compensation for state and local workers to about 44 percent of state and local spending. Some 20 percent of state spending is for employee compensation, compared to about 55 percent of local government spending.⁶

⁴ Bender and Haywood, pages 14-15.

⁵ Munnell *et al.*

⁶ Total compensation figures were estimated by applying a multiplier for state and local workers based on the BLS Employer Cost survey to the wage data from the Census Government Finances data. All data are for 2008.

