

Who Has Better Pay and Benefits—Workers in State Government or Private Industry?

By Mouhcine Guettabi and Matthew Berman

Are state workers better paid than their counterparts in private industry? That question is likely to come up more often, as the state deals with a huge budget shortfall. The answer is generally no, but there are exceptions.

We analyzed the question in two ways, using different data sources for cash wages but the same assumptions about benefit levels.¹ Using two sources helped us better answer the question, and each yielded the same broad conclusion: state workers are not on average paid more.

That's true, whether we consider just wages, or total compensation—wages plus benefits. But there are significant differences in pay and total compensation of public and private workers in individual occupations. We did this research for the Alaska Department of Administration (see back page). Below we summarize our findings, and inside report more details.

ALL RESIDENT WORKERS IN PRIVATE AND STATE AND LOCAL JOBS

Mouhcine Guettabi compared the pay and total compensation of all resident wage and salary employees of state and local governments and private businesses, based mainly on data from the American Community Survey (ACS) for the years 2009-2013. He found:

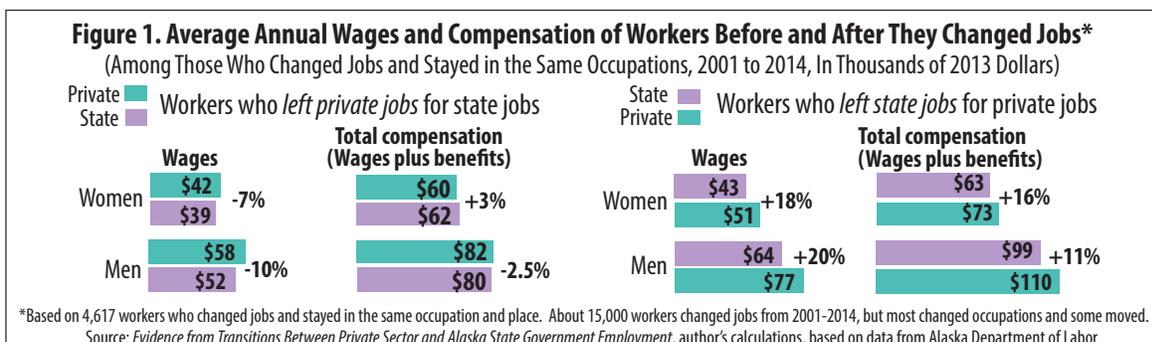
- Government workers earned 8% less on average for all occupations.
- But total compensation (wages plus benefits) was not significantly different on average for all public and private workers, because government benefits were more valuable.
- For occupations in the lower- and mid-ranges of the pay scale, government wages were generally lower—but more valuable benefits made government compensation equal to or higher than private.
- In higher-paying occupations, both government wages and total compensation were considerably less than private pay and compensation.

WORKERS WHO MOVED FROM STATE TO PRIVATE JOBS—OR VICE-VERSA

Matthew Berman looked at pay and total compensation of the residents who actually moved from state to private jobs—or vice-versa—from 2001 through 2014. He used data from employment records of the Alaska Department of Labor and Permanent Fund dividend applications.

This summary reports just his findings about those who changed jobs but stayed in the same occupations and same communities.² He found:

- Women earned less than men in all occupations, before and after they changed jobs, and whether they changed from state to private jobs or from private to state jobs (Figure 1 and Figure 8, back page).
- Workers who moved from private to state jobs saw smaller paychecks—on average 7% lower for women and 10% for men.
- But the higher value of state benefits mostly erased the wage differences. On average, women moving from private to state jobs saw a gain of about 3% in total compensation and men a loss of 2.5%.
- Workers moving from state to private jobs improved their total compensation, even though their benefits were less valuable—because they gained so much in wages. Women on average gained 18% in wages and men 20%. Total compensation increased 16% for women and 11% for men.
- The overall pattern of workers seeing higher wages and total compensation when they moved from state to private jobs was true for most individual occupations. Notable exceptions were health-care support and protective-service jobs, where state wages and compensation were higher for those who had moved from private to state jobs.



WHY TWO METHODS OF ANALYSIS?

Using two data sources to compare public and private compensation gave us more information than just a single source would have.

The U.S. Census Bureau's American Community Survey, used for one part of the study, gave us information on the race and education levels of public and private employees—and as we discuss below, those characteristics are known to affect pay. But census data can't tell us how some other characteristics—like skill levels—might affect pay.

Employment records and Permanent Fund dividend applications, used for another part of the study, don't include information about race or education. But they allow us to follow the same person from job to job. That makes comparisons straightforward, because we know that workers bring the same characteristics to the new job as they did to the old job.

COMPENSATION OF RESIDENT WAGE AND SALARY EMPLOYEES OF PRIVATE INDUSTRY AND STATE AND LOCAL GOVERNMENTS, 2009-2013

Mouhcine Guettabi's analysis is based mainly on data from the U.S. Census Bureau's American Community Survey (average 2009 - 2013). It compares the pay and total compensation (wages plus benefits) of resident wage and salary workers employed by state and local governments and private businesses. It does not include non-resident workers, employees of the federal government or non-profits, or the self-employed.

In 2014, there were about 26,700 state government employees and 37,800 local government employees, for a total of 64,500. Figure 2 shows that on average from 2009-2013, state and local government workers made up about 22% of workers in the American Community Survey.

CHARACTERISTICS OF WORKERS

To compare public/private compensation, the analysis controls for characteristics known to affect pay: gender, race, education, and experience. Figure 3 shows how those influenced pay of all resident Alaska wage and salary workers (including those with jobs in government and in private industry) during the period 2009-2013.

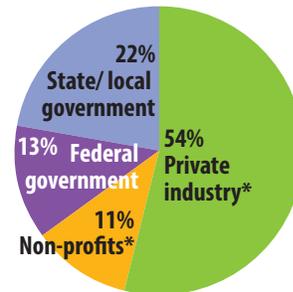
- Women earned on average 41% less than men.
- Workers from minorities earned less than white workers—Black workers 28% less, Alaska Natives 36% less, and workers of other races 22% less.
- Compared with workers who didn't finish high school, Alaskans with high-school degrees earned 48% more, those with at least some college 67% more, those with four-year degrees 95% more, and those with post-graduate degrees 117% more.
- Older workers earned on average 14% more than those with less experience.

Figure 4 shows how characteristics differed among public and private workers during the analysis period.

- State and local government workers were on average five years older than those in private industry—44 years old, compared with 39.
- Women made up a considerably larger share of public workers—55%, compared with 43% among private workers.

- Local government workers were more diverse than private or state workers—about 39% were of races other than white, compared with around 30% among private and state workers.
- State government workers were on average better educated. More than half held at least four-year degrees, compared with about 41% among local government workers and 21% among private workers.

Figure 2. Composition of Workers in ACS Survey (2009-2013)



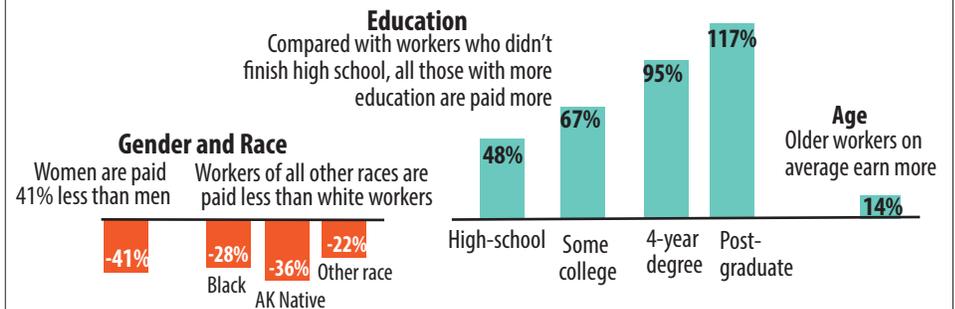
*Includes wage and salary workers and self-employed

Which Workers Are Included in the Analysis?

- State and local government workers
- Private wage and salary workers

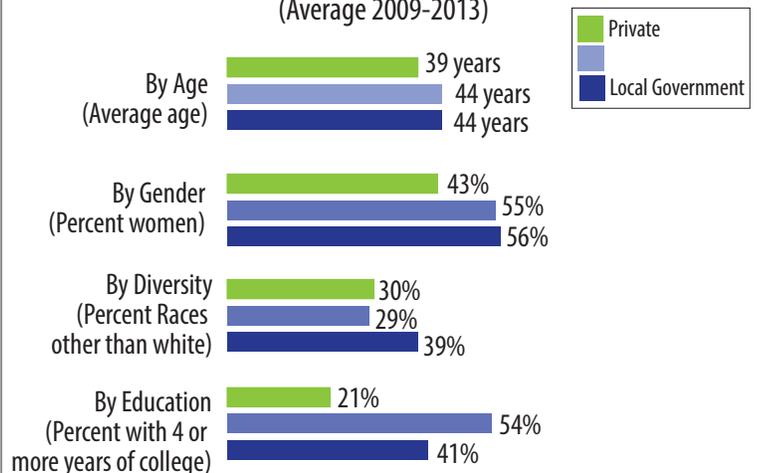
Source: *A Wage and Compensation Analysis of Alaska's Public Sector Employees*, author's calculations, with data from American Community Survey, 2009-2013

Figure 3. How Do Specific Characteristics of Alaska Workers Affect Their Pay? (All Alaska Resident Wage and Salary Workers)



Source: *A Wage and Compensation Analysis of Alaska's Public Sector Employees*, author's calculations, data from American Community Survey, 2009-13

Figure 4. Characteristics of Resident Workers in Private Firms and State And Local Governments in Alaska (Average 2009-2013)



Source: *A Wage and Compensation Analysis of Alaska's Public Sector Employees*, author's calculations, with data from American Community Survey, 2009-2013

HOW DID PUBLIC AND PRIVATE PAY COMPARE?

Figure 5 shows how pay and total compensation—adjusted for characteristics of workers—compared among state and local government workers and private workers overall, and among workers in specific occupations, in the period 2009-2013.

- Government workers on average earned 8% less than private workers. But because government benefits were more valuable, there was no significant difference in total compensation (wages plus benefits) among government and private workers overall.
- For a number of occupation in the lower- and mid-ranges of the pay scale, government wages were lower than or about the same as in private industry. But government benefits were typically more valuable, so total compensation for those occupations was equal to or more than in private industry.
- Health-care support jobs didn't fit that general pattern: both wages and total compensation were significantly higher among government workers.
- In higher-paying occupations—for example, physical and social sciences and management—both wages and total compensation were considerably lower among government workers.

Figure 5. How Does Pay of State and Local Government Workers Compare With Pay in Private Industry?

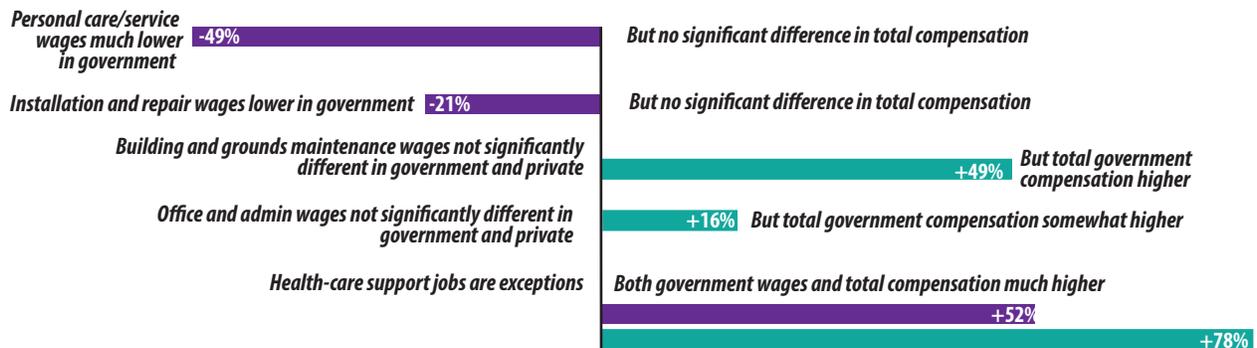
(All resident wage and salary workers in private industry and state and local government, average 2009-2013)

On average for all occupations, government workers earn 8% less. But the higher average value of government benefits means there is no significant difference in total compensation.

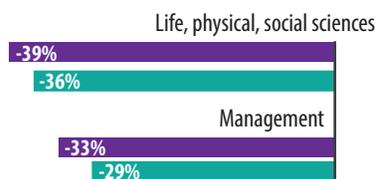
Wages
Total compensation (wages plus benefits)

-8% No significant difference in total compensation

In many lower- and mid-pay occupations, government wages are lower, but the higher value of benefits makes government compensation equal to or higher than private.



In higher-paying occupations, both government pay and total compensation are considerably less than private pay and compensation.



Source: A Wage and Compensation Analysis of Alaska's Public Sector Employees, author's calculations, with data from American Community Survey, 2009-2013

COMPENSATION OF WORKERS WHO CHANGED FROM PRIVATE TO STATE JOBS—AND VICE-VERSA, 2001-2014

In his analysis, Matthew Berman compared compensation for workers who actually changed from state to private jobs—or private to state jobs—from 2001 through 2014. Unlike the analysis we just described, this assessment doesn't need to be adjusted for characteristics of workers: it's based on data for specific Alaskans who changed jobs, and compares what they were paid before and after their job changes.

The assessment uses data—with confidential information about individual Alaskans removed—that the Alaska Department of Labor provided, from its own employment records and from Permanent Fund dividend applications.

WHO CHANGED JOBS?

About 15,000 Alaskans changed either from private to state jobs or state to private jobs from 2001 to 2014. Many of those workers changed occupations when they changed jobs, and some moved to different places. About 4,600 changed jobs and stayed in the same occupations and places, and figures 6 and 7 profile those workers.

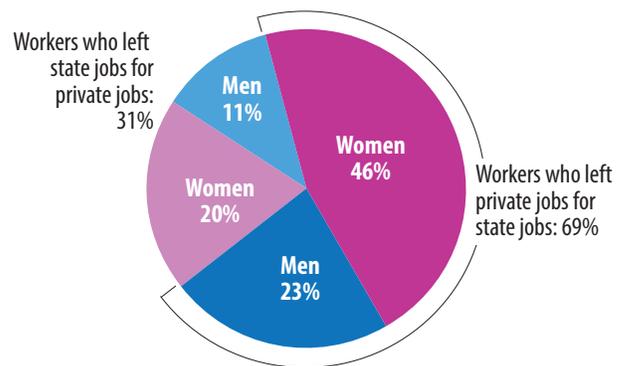
- Workers were much more likely to move from private to state jobs, accounting for about two-thirds of those who changed jobs.
- Women were far more likely than men to change jobs—whether they moved from private to state jobs or state to private. Women made up 66% of all those who changed jobs.

Figure 7 shows details about the occupations of these workers.

- Office and administrative support jobs were by far the most common occupations among women who changed jobs—whether from private to state or vice-versa. More than half the women who moved from state to private jobs, and nearly two-thirds of those who moved from private to state jobs, were in office and administrative support.
- Jobs related to health care—practitioners, technicians, or support—were the next most common occupations among women who changed jobs, in either direction. They accounted for 16% of women who left state jobs and 12% who moved to state jobs.
- More than one-quarter of men shifting from state to private jobs, or private to state, were in construction, repair, installation, or transport occupations.
- Men in higher-paying occupations—including management, architecture and engineering, and legal—were more likely to move from state to private jobs.
- Occupations in the lower- and mid-ranges of the pay scale—including administrative support and protective services—were more likely to draw men from private to state jobs.

Figure 6. Who Changed Jobs, 2001-2014?

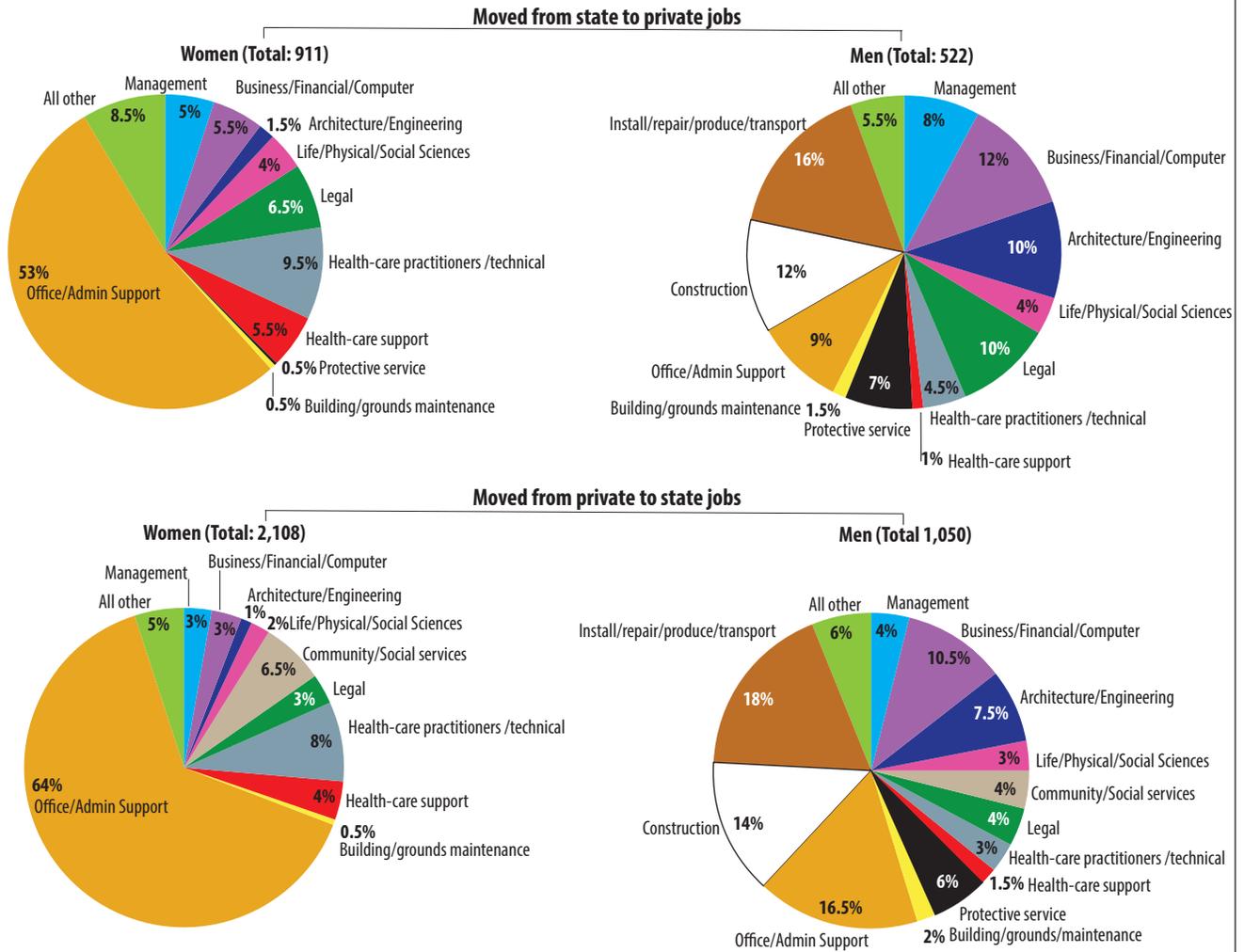
(Among Those Who Changed Jobs and Stayed in Same Occupation and Place*)



*Based on 4,617 workers who changed jobs and stayed in the same occupation and place. About 15,000 workers changed jobs from 2001-2014, but most changed occupations and some moved.

Source: *Evidence from Transitions Between Private Sector and Alaska State Government Employment*, author's calculations, based on data from Alaska Department of Labor and Permanent Fund dividend applications

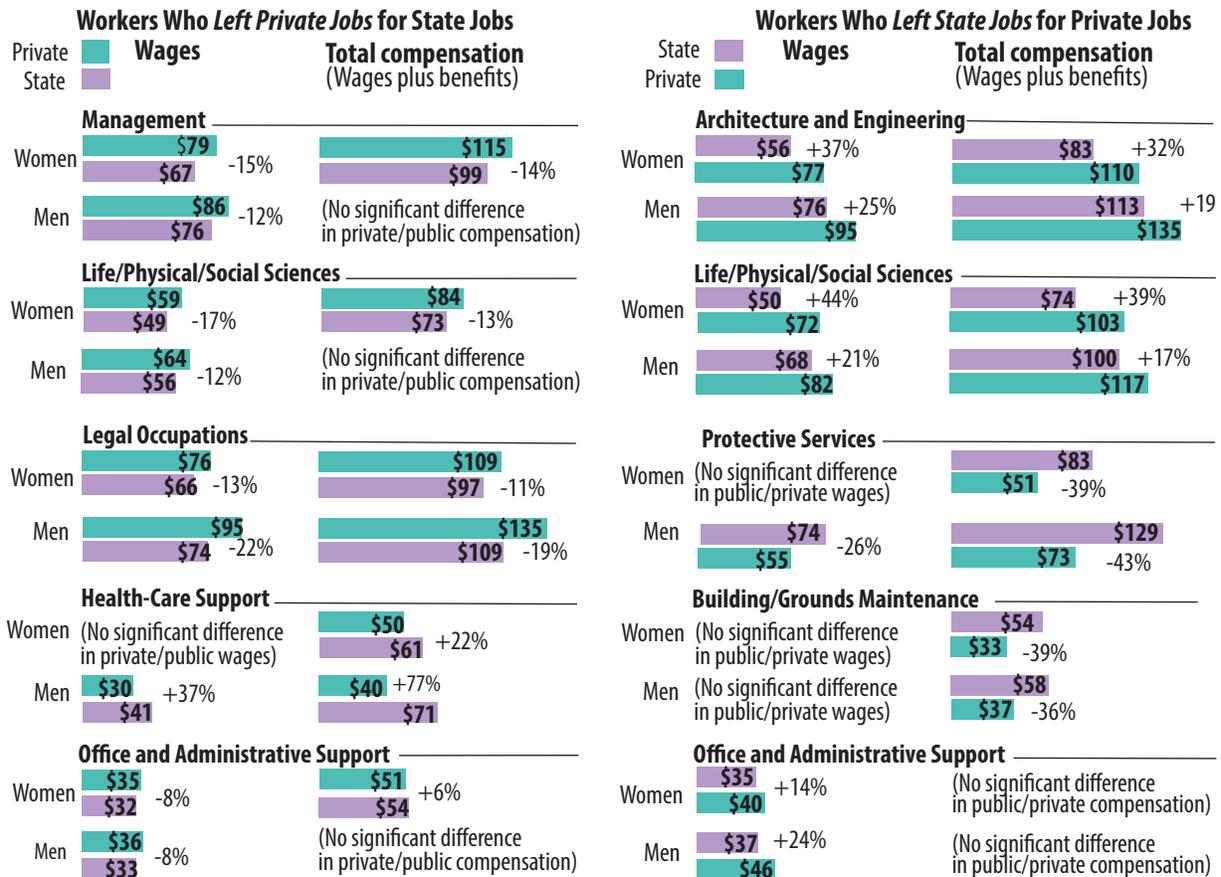
Figure 7. Occupations of Workers Who Changed Jobs, 2001 - 2014
 (Among Workers Who Changed Jobs and Stayed in the Same Occupation and Place*)



*Based on 4,617 workers who changed jobs and stayed in the same occupation and place, excluding those where the number of transitions was fewer than 4, to avoid disclosing confidential information. Overall, about 15,000 workers changed jobs from 2001-2014, but most changed occupations and some moved.

Source: Evidence from Transitions Between Private Sector and Alaska State Government Employment, author's calculations, based on data from Alaska Department of Labor

Figure 8. Average Annual Wages and Compensation of Workers Before and After Job Changes, Selected Occupations*
(Among Those Who Changed Jobs and Stayed in the Same Occupations, 2001 to 2014, In Thousands of 2013 Dollars)



*Based on 4,617 workers who changed jobs and stayed in the same occupation and place. About 15,000 workers changed jobs from 2001-2014, but most changed occupations and some moved.
Source: Evidence from Transitions Between Private Sector and Alaska State Government Employment, author's calculations, based on data from Alaska Department of Labor

PAY AND COMPENSATION IN INDIVIDUAL OCCUPATIONS

Figure 1 (front page) shows average changes in pay and compensation for workers who moved from public to private jobs—or private to public—in the analysis period. Figure 8 shows changes in some occupations.

- In any given occupation, women who changed jobs earned less than men in the same occupation, before and after they changed jobs. That includes office and administrative support jobs, where a big share of the women who changed jobs were concentrated—although the gap was smaller than in other occupations.
- The overall pattern of lower pay for workers (men and women) moving to state jobs—and higher pay for those moving to private jobs—held for most individual occupations. Exceptions are health-care support jobs, where those moving to state jobs were better compensated, and protective services, where those moving to private jobs lost pay and had reduced total compensation.

ENDNOTES

1. We used national average benefit levels for private and public employees in each occupation, because figures specifically for Alaska's private sector aren't available.
2. Figures reported here are based on just the 4,617 workers who changed jobs and stayed in the same occupation and same place. Roughly 15,000 workers changed jobs—from private to state or vice-versa—from 2001 through 2014. Many of those changed occupations, and some moved to different places. The full study (see adjacent box) includes information on changes in pay and compensation for those workers.

ABOUT THE STUDY

The study summarized here, *Overpaid or Underpaid? Public Employee Compensation in the State of Alaska*, was prepared for the Alaska Department of Administration. It is in two sections: I. A Wage and Compensation Analysis of Alaska's Public Sector Workers, by Mouhcine Guettabi, and II. Evidence from Transitions Between Private Sector and Alaska State Government Employment, by Matthew Berman. The study is available on ISER's website, www.iser.uaa.alaska.edu.

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