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Who's Paid More? Experts Can Disagree

By **MICHAEL LUO** and **MICHAEL COOPER**

The question of whether state workers are overpaid has been much studied over the years and remains contentious.

Detailed analyses have come down on either side, but many have originated from groups with obvious political leanings.

The [Economic Policy Institute](#), a nonprofit research organization partly supported by labor unions, recently published [a series of studies](#) arguing that public employees in several states, including Wisconsin and New Jersey, are “undercompensated” when compared with similar private sector workers, even after taking into account the more valuable benefits earned by state and local workers.

Chris Edwards, the director of tax policy studies at the [Cato Institute](#), a libertarian research organization, [concluded that state and local workers are paid better](#) than their private sector peers, particularly when benefits are included.

Meanwhile, the [Citizens Budget Commission](#), a business-backed group that analyzes the budgets in New York State and New York City, [found in a report](#) focused on salaries alone that while managerial and technical positions are still better paid in the private sector in New York, “most service and blue collar occupations have higher wages in the public sector.”

In the end, a great deal depends on the assumptions that researchers make while trying to do proper comparisons between private sector and public workers.

A recent study, for example, by Keith A. Bender and John S. Heywood, economics professors at the University of Wisconsin-Milwaukee, for the Center for State and Local Government Excellence and the National Institute on Retirement Security, [found](#) that state workers earn 11 percent less than their private sector counterparts, even including benefits, after other factors like education and age are accounted for.

But the economists also controlled for unionization, meaning they used statistical methods to remove it as a factor in their comparisons. That significantly affected their findings, as noted in a

[critique](#) by Andrew Biggs of the [American Enterprise Institute](#) for Public Policy Research.

In the academic literature, some researchers focusing on salaries have found a small premium for state and local workers. But others, especially in more recent studies, have turned up wage penalties for them when education, experience and other factors are considered.

Gregory B. Lewis, a professor of public management and policy at Georgia State University, examined in a 2009 [paper](#) wage differentials with the private sector for state and local workers across the country.

His study, which did not include benefits, found tremendous variations among states. But in the vast majority of places, his study found, state and local workers' wages trailed that of the private sector once other factors like education, work experience, race and gender were held constant.

Similarly, George J. Borjas, a professor of economics and social policy at Harvard, [concluded](#) in a 2002 study that state workers suffered a "significant wage disadvantage" compared with the private sector after adjusting for a variety of factors.