

# Seeking Alpha $\alpha$

## The Trouble with State and Local Spending

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Table 1. Average Compensation, 2009  
Dollars per Hour Worked

	A. State and Local	B. Private Sector	Ratio A / B
Total compensation	\$39.66	\$27.42	1.45
Wages and salaries	26.01	19.39	1.34
Benefits	13.65	8.02	1.70
Paid leave	3.27	1.85	1.77
Supplemental pay	0.34	0.83	0.41
Health insurance	4.34	1.99	2.18
Defined-benefit pension	2.85	0.41	6.95
Defined-contribution pension	0.31	0.53	0.58
Other benefits	2.53	2.40	1.05

Source: U.S. Bureau of Labor Statistics. Data for June.

There's been a lot of hand-wringing and angst over the deteriorating finances of many of our state and local governments.

Commonly discussed solutions include budget cuts, tax increases or another "stimulus" package giving federal aid to states. What's missing is more discussion of *why* state and local budgets are in trouble.

The recession has caused tax revenues to drop, of course, but spending and state and local payrolls just keep going up. The chart that follows shows how government employment is much more stable (and ever-rising) than private sector employment. The chart above, which comes from the [Cato Institute](#), shows that state and local compensation policies are another major source of out-of-control spending; state and local employees on average make about 45% more than their private sector counterparts. Job security and fabulous pay and benefits, courtesy of taxpayers. (*Click to enlarge*)

