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Gov't workers feel no economic pain

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The recession and the ongoing jobless recovery devastated much of the private-sector work force last year, sending unemployment soaring, but government workers emerged essentially unscathed, according to data released Wednesday by the Labor Department.

Meanwhile, the compensation for state and local government employees continued to easily outdistance the wages and benefits for workers in private business, a separate Labor Department report showed.

Private-industry employers spent an average of \$27.42 per hour worked for total employee compensation in December, while total compensation costs for state and local government workers averaged \$39.60 per hour.

The average government wage and salary per hour of \$26.11 was 35 percent higher than the average wage and salary of \$19.41 per hour in the private sector. But the percentage difference in benefits was much higher. Benefits for state and local workers averaged \$13.49 per hour, nearly 70 percent higher than the \$8 per hour in benefits paid by private businesses.

Paul Booth, executive assistant to the president at the American Federation of State, County and Municipal Employees (AFSCME), attributed the pay difference to a changing government work force that has increased its proportion of higher-skilled workers during the past 15 to 20 years.

"In government payrolls, you no longer have low-wage occupations, such as janitors, whose jobs have been contracted out to the private sector," he said. This trend has effectively increased the average wage of those higher-skilled workers who remain, said Mr. Booth, whose union represents 1.6 million workers.

Small-government advocates see it differently.

Compensation for government workers "is a gigantic problem" that will only get worse in future years, said Chris Edwards, director of tax policy studies at the Cato Institute, which advocates less government and lower taxes.

"The defined-benefit pension plans for state and local workers and their post-retirement health care costs do not include the extent to which those benefits are underfunded or overpromised," Mr. Edwards said.

The cost of today's benefits for government employees (\$13.49 per hour) assumes that these retirement benefits are fully funded. However, Mr. Edwards estimated that the benefits are underfunded by \$3 trillion.

Benefit costs eventually will soar, and taxpayers will be required to pay the difference between available resources and the overpromised benefits as government workers of the baby boom generation, who start to turn 65 next year, begin to retire en masse. Government workers also have the rare privilege of being able to retire at age 55.

With state budgets under extreme stress, the pension problem is worsening because workers are accruing future benefits that are not reflected in current data, Mr. Edwards said.

Meanwhile, private-sector workers who are unemployed or working part time are not paying as much in taxes.

Fifteen states and the District of Columbia reported double-digit unemployment during January, the Labor Department said Wednesday, as the private sector continued to shed jobs.

The recession reportedly ended in July, but the private work force suffered its biggest percentage decline in 2009 for any year since the end of World War II.

After shedding 3.8 million net jobs during 2008, private employers slashed an additional 4.7 million last year. During the same two-year period, the public sector, including the federal government, gained more than 100,000 jobs. The combined work forces of state and local governments added 35,000 jobs during the 2008-09 period.

While private-sector jobs declined in every state except North Dakota over the previous 12 months, public-sector employment increased in 23 states, the Labor Department report

showed. Even in North Dakota, as the private work force gained 300 jobs over the past year, the government sector surged by 1,000 new workers.

In states where government employment declined during the previous 12 months, the drop has been relatively inconsequential, while the decline in private employment has been far more severe. In California, where the state government is still in the grips of a wrenching budget crisis, private employment has plunged 5.5 percent, nearly four times as fast as the 1.5 percent dip in government employment.

Mr. Booth of AFSCME acknowledges that total government payrolls are higher today than they were at the beginning of the recession. During the two years since the recession began, government workers took their economic medicine by accepting furloughs in lieu of layoffs, he said. Workers kept their jobs but received pay for two fewer days per month, he said.

He noted that government payrolls have been shrinking since April. State and local government work forces historically decline after a lag, he said. School district payrolls, for example, are based on property-tax revenues, which generally follow a two-year lag, he said.

Citing projections by Moody's Economy.com and Goldman Sachs, Mr. Booth said state and local government work forces could decline by as many as 900,000 workers during the next fiscal year, which begins July 1.

"Furloughs are likely to yield to RIFs," or reductions in force, he said.

Taxpayers in the private sector fortunate to have jobs were working more days and for less money to finance the vacation and holiday time of state and local workers, according to the compensation report.

For every hour worked in December, state and local government workers earned \$2.99 in paid leave. Private-sector workers earned \$1.86 per hour worked for paid leave, or nearly 40 percent less. Holiday pay for state and local workers was 50 percent higher per hour than it was for workers employed by private businesses.

The biggest difference in compensation was in payments for defined-benefit pension plans, in which employers (a private company or, in the case of government workers, the taxpayer) commit to paying their employees a specific benefit for life beginning at retirement.

State and local workers received an average of \$2.86 for each hour worked for their defined-

benefit pensions. That compares with 38 cents per hour paid for defined-benefit plans for private workers, the vast majority of whom now participate in defined-contribution pension plans.

"Many companies have eliminated their defined-benefit plans, and others have reduced the value of benefits and shifted to providing benefits through 401(k)s and other defined-contribution plans," notes the AFL-CIO Web site. "Defined-contribution plans shift the risk and responsibility to individual workers and typically reduce corporate costs."

In the cases of state and local government workers, the pension costs are principally borne by the taxpayer. The trillions of dollars of underfunded pension liabilities are augmented by increasingly expensive and underfunded health care costs in retirement before and after government workers become eligible for Medicare at age 65, Mr. Edwards of Cato said.

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