

Research Summary:

Wisconsin public-sector workers are *under-compensated* compared to their private-sector counterparts

Across the nation, the fiscal fallout from the Great Recession will make the coming budget year among the worst on record for state governments. Elected officials will weigh painful budget cuts against unpopular increases in revenue. A common theme that has emerged is to scapegoat public-sector workers, targeting them for concessions and painting them as the fortunate beneficiaries of “Cadillac” wages and benefits. A [new report](#) released by the Economic Policy Institute addresses head-on the question of whether public-sector employees in Wisconsin are over-compensated, and concludes instead that they are actually *under-compensated*.ⁱ

Efforts to compare compensation of public- and private-sector workers are plagued by methodological sleight of hand. Such comparisons represent a classic example of comparing “apples to oranges,” without looking at the actual work that public-sector workers undertake, or the education and skills required to do that work. In fact, comparisons that control for education, experience, organizational size, gender, race, ethnicity, citizenship, and disability reveal that in Wisconsin employees of both state and local governments earn less than comparable private-sector employees. The educational level of public employees stands out as the most important difference between public- and private-sector workers, given the much higher levels of education required by occupations in the public sector. Wisconsin public-sector workers are, on average, more highly educated than private-sector workers, with nearly twice as many full-time public-sector workers holding at least a four-year college degree than private-sector workers.

Major findings of the EPI study include:

- On an annual basis, full-time state and local employees and school employees are under-compensated by 8.2% in Wisconsin, in comparison to otherwise similar private-sector workers. When comparisons are made for differences in annual hours worked, the gap remains, albeit at a smaller percentage of 4.8%.
- Wisconsin public-sector workers are more highly educated than private-sector workers; 59% of full-time Wisconsin public-sector workers hold at least a four-year college degree, compared to 30% of full-time private-sector workers.
- Wisconsin state and local governments and school districts pay college-educated workers, on average, 25% less in total compensation than do private employers.
- College-educated public-sector workers earn considerably less than private-sector employees. On the other hand, the roughly 1% of public-sector workers without high school diplomas tend to earn more than their peers in the private sector because the public sector sets a floor on earnings.
- In addition to having higher education levels, Wisconsin state and local government employees, on average, are more experienced.

Other Findings

Teachers

New data also show that public school teachers in Wisconsin are not over-compensated. Public school teachers in Wisconsin earn 17.8% less in weekly wages than their private-sector counterparts. Specifically, over the 2006-10 period, the weekly wages of public school teachers were (in 2010 dollars) \$1,015, while other comparably educated workers (with bachelor's or master's degrees) earned \$1,235 per week. This wage gap is far greater than any possible benefits advantage a public school teacher might have, indicating that total weekly compensation of public school teachers is also less than that of their private-sector counterparts.ⁱⁱ

Pensions

Shortfalls in state and local pension funds have attracted considerable attention in recent months, with critics significantly inflating the size of pension obligations, and many arguing that public-sector pensions need to be scaled back today to avoid fiscal calamity down the road. While there are a handful of states that need to ramp up their contributions to state employee pension funds, Wisconsin's retirement system is on very solid ground, with an actuarial funding ratio (a ratio of the actuarial assets as compared to liabilities) of nearly 100%.ⁱⁱⁱ

Wisconsin's public-sector workers have not caused the \$1.8 billion shortfall the state faces for fiscal year 2012. Attacks on public-sector workers would not only further compromise the tentative economic recovery in Wisconsin, but would place further strains on the programs, services, and public structures that the citizens of Wisconsin depend on to build strong and healthy families and communities.

ⁱ Source: *Are Wisconsin Public Employees Over-compensated?* by Professor Jeffrey Keefe of Rutgers University. This 2011 study uses data collected primarily from the National Compensation Survey, and in accordance with standard survey practice, focuses on year-round, full-time public- and private-sector employees. http://epi.3cdn.net/9e237c56096a8e4904_rkm6b9hn1.pdf

ⁱⁱ Source: Updated analysis of Table B-4, Public school teacher and college graduate weekly wages, by state, from *The Teaching Penalty* by Sylvia A. Allegretto, Sean P. Corcoran, and Lawrence Mishel published in 2008: http://epi.3cdn.net/05447667bb274f359e_zam6br3st.pdf.

ⁱⁱⁱ Source: *The Origins and Severity of the Public Pension Crisis* by Dean Baker (Center for Economic and Policy Research, 2011), Table 2, Funding Levels and Liabilities for Major State Pension Funds, p. 14.