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APPLES to APPLES: A REFRESHER

The Realities of Public-Sector vs. Private-Sector Compensation

Public employees are a significant share of the Iowa workforce. Of the nearly 1.6 million nonfarm, or payroll, jobs in Iowa, **about 1 in 7 jobs — 238,500 — are in state and local government.** These workers are important to the state economy. They pay taxes to support local schools and state and local services, and they buy goods and pay for services in their communities, which supports the local, regional and state economy.

About half of those public-sector workers — **over 119,000 public employees throughout the state of Iowa — are served by about 1,200 certified collective bargaining units.**¹ Those include:

- 34,400 state employees
- 11,595 county employees
- 11,562 city employees
- 56,402 local school employees
- 2,948 area education agency employees
- 2,114 community college employees

A widely cited [Iowa Policy Project report](#) from 2011 examined the issue of how to appropriately and responsibly compare compensation for public- and private-sector employees. The introduction to the report could have been written this week, but was written six years ago:

In recent months, public employees have become a political target. Lawmakers, candidates and pundits alike have claimed that the wages and benefits public employees earn exceed the norms of the private sector. These assertions neglect the significant differences between the two workforces — and neglect the differences in education, work experience and occupation between a public-school teacher and a teen-ager working for the minimum wage at a fast-food restaurant. They also avoid a significant public policy issue: Do we want to drive all employees' wages and benefits down? Is that best for economic opportunity in either the public or private sector, or the state economy?

An assessment of wages and compensation in the public sector requires that we differentiate between levels of education, experience and occupation. More than half of the public-sector workers in Iowa have at least a four-year college degree or more; just a quarter of Iowa's private-sector workforce has the same. When average earnings are compared by education level, private-sector workers generally fare better than their public-sector peers.

— Apples to Apples: Private-Sector and Public-Sector Compensation in Iowa, February 2011²

In contrast other studies purporting to provide such an analysis — and confirming political arguments that had become common against public employees — have serious holes that undermine their reliability.

A case in point: a contracted study of state employee compensation released in October 2012 by the Iowa Department of Management, under the current administration of Governor Terry Branstad. IPP's Peter Fisher has noted³ critical flaws in that study, including:

- Comparisons of averages in pay, rather than a median, for state government and private employees overstate the public employees' standing in the market.
- Little detail to identify what positions are being compared.
- Insufficient information about what states were being compared with Iowa.
- No detail to illustrate whether a position with a given job title in Iowa corresponds adequately to a private-sector position for a valid comparison.

As Fisher stated in that commentary, "The devil is in the details here, and the results depend crucially on how they selected private-market analogues to public sector jobs. What private-sector job is comparable to a corrections officer, a special agent, a state trooper, an income maintenance worker, or a child support recovery officer?"

That question is fundamental to the principal finding of the IPP analysis in 2011: Public employees of comparable education and skills are in general paid less than their counterparts in the private sector, though they do better on fringe benefits — not enough, however, to close the overall gap in compensation.

That report found that Iowa lagged behind neighboring states in compensation of public-sector workers. It also found that, on average, public-sector workers have higher educational attainment than their public-sector peers, and that the average job tenure is twice as long in the public sector as in the private sector. "A simple comparison of wages and benefits between the two sectors is not informative. The differences in occupation, educational attainment, and work experience and a teen-age fast-food employees are overlooked. It is, as the cliché goes, comparing apples to oranges." To compare apples to apples on wages and benefits, the IPP paper used data from the Census Bureau and Bureau of Labor Statistics to put such discussions to a factual test.

*In short, we found that even when often more-generous health benefits packages are considered, total compensation for public-sector (state and local government) employees in Iowa is less than that for private-sector employees who have similar education.*⁴

¹ Data provided by Iowa Public Employment Relations Board, January 26, 2017. Numbers are based on the number of employees provided by employers when they submit collective bargaining agreements and the employee unions/associations when filing with PERB for impasse services.

² "Apples to Apples: Private-Sector and Public-Sector Compensation in Iowa," Iowa Policy Project, February 2011. <http://www.iowapolicyproject.org/2011docs/110222-pubpvtpay.pdf>

³ "Problems with new state pay study," Peter Fisher, Iowa Policy Project, IowaPolicyPoints.org blog post, Oct. 30, 2012. <https://iowapolicypoints.org/2012/10/30/ipp-notes-problems-with-new-state-pay-study/>

⁴ Ibid.

The Iowa Policy Project

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