

RI Public and Private Sector Compensation Comparison

Low-Pay Private Sector Having to Support High Government Compensation

By Justin Katz, Research Director

Executive Summary

State and local government workers enjoy significantly higher compensation levels than their private sector counterparts, according to data compiled for Rhode Island as part of a national study conducted by economists William Even, of Miami University, and David Macpherson, of Trinity University.

Even and Macpherson apply the most complete controls for such variables as education, experience, and broad job category and the most accurate accounting of benefits to date. They find that state and local government workers across the country receive a “premium” above their private-sector neighbors, but Rhode Island amplifies the difference:

- **Rhode Island:** 26.5% higher total compensation
- **New England:** 18.8% higher total compensation
- **United States:** 14.9% higher total compensation

Furthermore, a preliminary review of the effects of Rhode Island’s pension reform suggests that the changes to their retirement benefits did not appreciably reduce government workers’ advantage, only reducing the premium for government work to 26.24%.

Looking at base pay alone shows that job security and better benefits in government do not correspond with lower salaries, at least in Rhode Island and New England, where state and local workers receive:

- **Rhode Island:** 10.4% higher base pay
- **New England:** 2.8% higher base pay
- **United States:** 1.5% *lower* base pay

Averaging all jobs at every level, total public-sector pay and benefits in Rhode Island are competitive with Massachusetts and Connecticut, but private-sector workers earn nearly 25% less than their peers across state borders. Consequently, comparing averages within Rhode Island yields the following results:

- **Total compensation:** 20% higher for government workers
- **Pay (base salary):** 4% higher for government workers
- **Benefits:** 58% higher for government workers
- **Hours worked:** 5% less for government workers
- **Value of paid time off:** 5% higher for government workers

Compared with the New England region, Rhode Island’s government employees are unique in having a higher average base salary than the private sector as well as a higher value for paid time off. They also enjoy a total compensation premium well above the regional average, even as they work the fewest total hours.

If there is to be any hope of keeping current compensation levels and benefit promises to government workers, the state must experience an immediate boom in the private-sector economy. Without rapid economic growth and a boost to their prosperity, taxpayers’ tolerance and capacity to pay for government beyond their means will continue to wane.

Full report at: www.rifreedom.org/2012/11/ri-public-and-private-sector-compensation-comparison