

Members of Wisconsin Legislature

January 24, 2011

Dear Senator / Representative:

As Wisconsin faces a significant structural budget deficit, some policy makers have suggested that the benefits and salaries paid to state employees should be reduced to be more comparable to the benefits and salaries paid to private sector workers.

A recent study by the Economic Policy Institute, a non-profit Washington D.C. think tank, demonstrates that when salary and benefits are considered together, state government workers receive a compensation package 7.6% lower than comparable private sector employees. The study, entitled [*Debunking the Myth of the Over-Compensated Public Employee*](#), controlled for factors such as education, experience, hours of work, gender, organizational size, and race.

As expected, the study found that retirement and health insurance benefits comprise a larger share of compensation for public employees than for private sector employees. Wages and bonuses for private sector employees are higher than for government workers.

The public perception that state government workers are overcompensated may result from some under-appreciated factors. While small employers outnumber large private firms, large firms with more than 500 employees employ nearly half of all workers. Government pays high-school educated workers more than comparable private sector employees. For college-educated labor, however, state and local employers pay on average 20% less than private employers in total compensation.

Wisconsin state employees, facing calls to contribute to their pensions and pay more for their health insurance, might want to emphasize that the focus should be on total compensation, not any one benefit. The last 1% of the employee pension contribution was picked up by the state in 1983, when the state faced a serious deficit and made the contribution instead of granting any pay increase. Because the state contribution was not subject to social security taxes, this was beneficial financially to the taxpayers as well as to the employees.

Any change should be negotiated with a comprehensive view of total compensation, which this study shows is somewhat lower than comparable private sector pay and benefits.

A summary of the EPI study is enclosed, and the full report is available on our website <http://www.wiscow/ACE>.

Sincerely,

Bob Jordan
Executive Director