

Future Compensation of the State and Local Workforce



Are compensation and benefit packages ready to address the occupational needs of the next decade?

by Joshua M. Franzel

The U.S. Bureau of Labor Statistics (BLS) projects that by 2016, 124 million people will be employed by the U.S. private sector and that the state and local government workforce will increase to about 21 million. These increases come at a time when the large baby boomer cohort is beginning to retire, and retirement and other separation rates for the state and local government and private sectors are ranging from 2.5 to 3 percent annually. Although the sluggish U.S. economy of 2009 (and possibly beyond) is a wildcard, this article attempts to answer several important questions:

- ◆ How has the state and local government workforce changed in the recent past?
- ◆ What occupations are, or will be, most needed by state and local governments in the next decade?
- ◆ If current trends hold, will compensation and benefit packages offered by state and local governments help or hinder their efforts to address these needs?

Public administrators across the country will need to address these questions if the public is to continue to receive quality service from trained and competent public servants.

U.S. Workforce, 1992–2008

In 1992, 10.5 million people worked for local governments across the country, including those working for cities, counties, public schools, public utilities, public hospitals, and other public entities (Table 1). In 1992–2008, this sector grew by a little over 2 percent a year, to 14.7 million in 2008. During the same period, the state government workforce grew at a rate of about 1 percent annually, employing 5.3 million employees in 2008. In 1992–2008, the private sector (nonfarm) employed 90 million in 1992 and 115 million in 2008, roughly a 1.6 percent annual increase. These private-sector employees fill a range of positions in the construction, manufacturing, transportation, utility, information, financial, business, leisure, and hospitality industries, among others.

ernments have experienced or are likely to experience decreased growth in spending and investment, keeping in mind that economic uncertainty and the recently passed American Recovery and Reinvestment Act of 2009 (Recovery Act) will affect the accuracy of future labor projections. Regardless, the “overall prospects [for state and local government employment] are expected to be favorable.” As of March 2008, the Bureau of Labor Statistics (BLS) at the U.S. Department of Labor projected that employment in state and local government would increase by 8 percent overall in 2006–16 (with a ten-year growth rate of 11 percent for education and 20 percent plus for health care).

While growth in the state and local sectors will be dampened by 2009’s economic conditions (as has been

Table 1. State and Local Government and Private-Sector Employment, 1992–2008

Entity	1992	2000	2008	Annual growth rate (%)
Local government	10,531,000	13,089,000	14,779,000	2.14
State government	4,587,000	4,877,000	5,303,000	0.91
Private sector	90,013,000	110,947,660	115,410,000	1.57

Sources: U.S. Census, *Governing Magazine*, Bureau of Labor Statistics.

In 1992–2007, the Southeast, Southwest, and Rocky Mountain regions of the United States saw private-sector employment increase the most (3 to 4 percent annually). At the same time, the Southwest, Rocky Mountain, and West Coast (plus Alaska, Hawaii, and Nevada) regions experienced the largest state and local government employment increases (about 2 percent annually).

Future Workforce

The sluggish economy of 2009 has seen a drop in housing prices, an increase in delinquencies and foreclosures on mortgage loans, and rising prices for energy and agricultural commodities. One effect on state and local governments is a decrease in income, sales, and property tax revenues. Even with rainy-day funds and strategic increases in taxes and fees, state and local gov-

ernments have experienced or are likely to experience reflected in the mainstream media), jobs will increase in areas where the public sector is key during economic downturns: community, social, health, protective, and information technology (IT) services. Table 2 shows BLS examples of public-sector occupations expected to increase by more than 10 percent in 2006–16.

In 2007 and 2008, the Center for State and Local Government Excellence conducted formal, rolling, open-ended interviews with more than 40 state and local government leaders from all regions of the United States. Interviewees included city and town managers, department directors, and other high-level state and local government officials, who were asked, among other things, about their future workforce needs. The interviews confirmed much of the information in Table 2.

State government executives see stiff competition with other sectors and governments for many of the positions listed in Table 2, such as all health care positions (including mental health specialists, dentists, nurses, physicians, dieticians, nursing home workers, and developmentally disabled specialists), corrections (including juvenile justice), state police, engineers, social workers,

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Table 2. Public-Sector Occupations Expected to Increase by More Than 10 Percent, 2006–16

Accountants	Child care workers
Computer specialists	Bus drivers
Urban/regional planners	Recreational protective service workers
Lawyers	Police, fire, and ambulance dispatchers
Library technicians and assistants	Construction equipment operators
Correctional and police officers	Water and liquid waste treatment plant and system operators
Firefighters	All health care occupations, except dentists, secretaries, and psychiatric technicians
Gaming service workers	
Education administrators	
Teachers and instructors	

heavy equipment operators, tradesmen, IT specialists, auditors, and custodial workers.

Similarly, at the local government level, the executives discussed competition for engineers (and related technical positions), finance and accounting professionals, IT specialists, urban planners, building and development professionals, attorneys, and public safety, general management, and public health professionals.

Compensation Comparisons

Many of these positions ensure that governments carry out their fiduciary responsibilities, monitor public health trends, educate children, and manage public information, among the many state and local government responsibilities. Governments often end up competing with other governments, the private sector, and the nonprofit sector for trained workers, who place great importance on the wages, health care, and retirement benefits offered by their employers. How do the public and private sectors compare on the wages and benefits they use to attract and retain skilled workers?

The following subsections look at positions tracked by BLS and the Census Bureau's Current Population Survey (CPS) that exist in state and local government and private industry: accountants and auditors, physicians and surgeons, nurses, teachers, and computer systems analysts. Their selection was based on their expected increase (Table 2) and the availability of a substantial amount of data for each professional group (for this article, at least eight hundred professionals from across the United States for each category). The CPS has data on salaries, pension, and health care coverage for all these positions, with large sample sizes.

Financial Professionals

The BLS occupational handbook describes the nature of accountant and auditor work as follows:

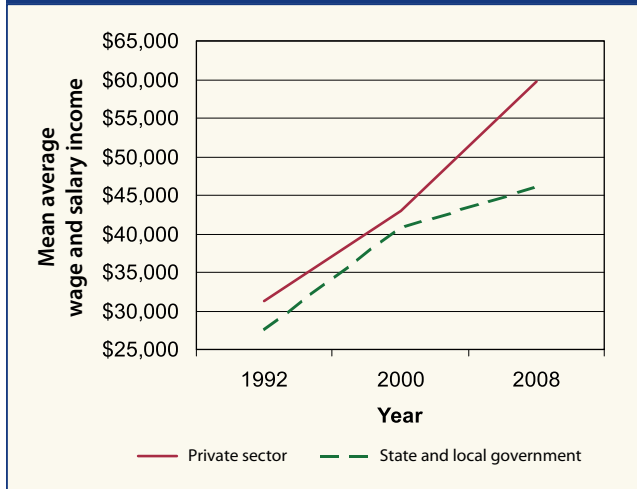
Accountants and auditors help to ensure that the Nation's firms are run efficiently, its public records kept accurately, and its taxes paid properly and on time. They analyze and communicate financial information for various entities such as companies, individual clients, and government. Beyond carrying out the fundamental tasks of the occupation—preparing, analyzing, and verifying financial documents in order to provide information to clients—many accountants also offer budget analysis, financial and investment planning, information technology consulting, and limited legal services.

The CPS has data on more than two thousand accountants and auditors for the years 1992, 2000, and 2008 for the state and local government and private sectors. Salaries for accountants and auditors tracked fairly closely in 1992 and 2000, but they varied in 2008 by a mean average of \$13,000 (Figure 1) and by a median average of \$10,000.

In 1992, 60.3 percent of all private-sector accountants and auditors were covered by a pension plan at work, which included defined benefit (DB) or defined contribution (DC) plans. By 2008, this number had increased slightly to 63 percent. For state and local governments, in 1992, 88.6 percent of accountants and auditors were covered by a pension plan at work, a rate that decreased to 81.8 percent by 2008.

In 1992–2008, about 97 percent of private-sector accountants and auditors were covered by a health care plan that was at least partially paid for by their employer (with minor coverage rate fluctuation). For these same years, similar health care coverage was offered to state

Figure 1. Accountant and Auditor Salaries



Source: Author's calculations using Integrated Public Use Microdata Series, Current Population Survey: Version 2.0.

and local government accountants and auditors at rates approaching 100 percent.

The \$787 billion Recovery Act calls for

“unprecedented levels of transparency and accountability; ... objectives ... have been identified to ensure that:

- The recipients [including states and localities] and uses of all recovery funds are transparent to the public, and that the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Recovery funds are used for authorized purposes and every step is taken to prevent instances of fraud, waste, error, and abuse.”

These provisions, among others, will require additional state and local government accounting and auditing resources at a time when normal state and local budgets are requiring hiring freezes, employee furloughs, or other cost-saving measures.

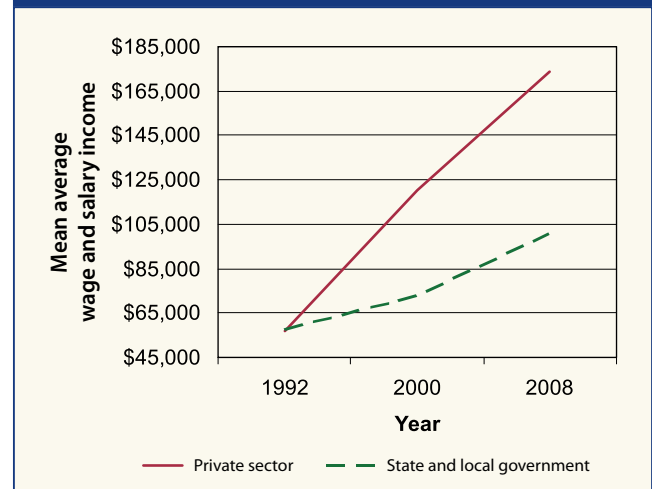
Medical Professionals Physicians and Surgeons

BLS describes the work of physicians and surgeons as follows:

“Physicians and surgeons diagnose illnesses and prescribe and administer treatment for people suffering from injury or disease. Physicians examine patients, obtain medical histories, and order, perform, and interpret diagnostic tests. They counsel patients on diet, hygiene, and preventive health care.”

CPS has data on 835 physicians and surgeons. By 2008, private-sector physicians and surgeons were making a mean average of about \$73,000 more than those working for state and local governments (Figure 2), with a median difference of \$61,500.

Figure 2. Physician and Surgeon Salaries



Source: Author's calculations using Integrated Public Use Microdata Series, Current Population Survey: Version 2.0.

In 1992, about 47 percent of private-sector and state and local government physicians and surgeons were covered by a pension plan at work. By 2008, both sectors had an average coverage rate of about 67 percent. In 1992, 96.5 percent of private-sector doctors were covered by health insurance at least partially paid by their employer, while 94 percent of state and local government doctors were covered that same year. These percentages had not changed by 2008.

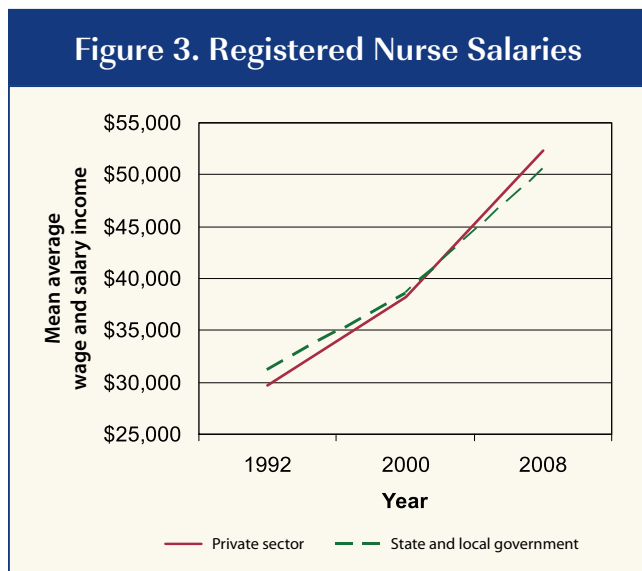
Registered Nurses

BLS describes the work of registered nurses as follows:

“Registered nurses (RNs), regardless of specialty or work setting, treat patients, educate patients and the public about various medical conditions, and provide advice and emotional support to patients' family members. RNs record patients' medical histories and symptoms help perform diagnostic tests and analyze results, operate medical machinery, administer treatment and medications, and help with patient follow-up and rehabilitation.”

Public and private-sector nurses' salaries have been about the same since at least 1992, for the 3,800 nurses for which the CPS has data (Figure 3). Their pension coverage differs, however. In 1992, 58.7 percent of private-sector nurses were covered by a pension of some sort.

During this same year, 82.5 percent of state and local government nurses were covered. By 2008, private-sector nurses' pension compensation had risen by 10 percent, while coverage rates for state and local government nurses remained about the same. In terms of health care coverage, in 1992, about 96 percent of both state and local government and private-sector employers paid for at least a portion of their registered nurses' health care. This rate stayed the same for the private sector in 2008, while coverage increased by about 2 percent for public-sector nurses.



Source: Author's calculations using Integrated Public Use Microdata Series, Current Population Survey: Version 2.0.

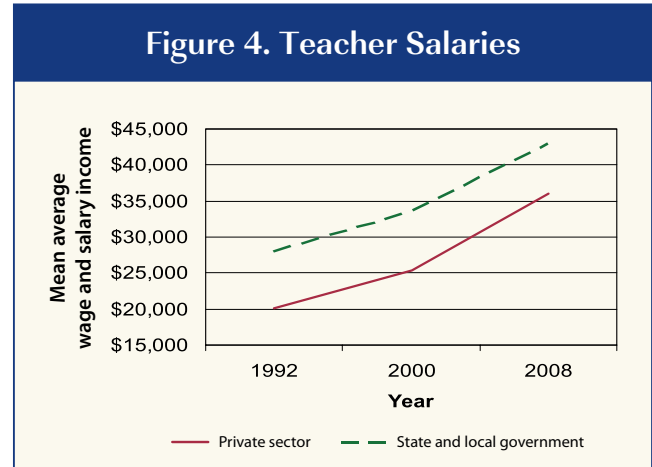
The recession of 2009 is hampering normal public-sector hiring, but in states such as Montana, Colorado, Nebraska, Missouri, Illinois, Wisconsin, Michigan, and New Hampshire at least a third of the full-time public health officials will be eligible to retire by 2012. As of 2008, states like Iowa, Mississippi, and Nevada all reported having trouble recruiting or retaining medical professionals.

Education Professionals

BLS describes the work of teachers as follows:

Teachers act as facilitators or coaches, using classroom presentations or individual instruction to help students learn and apply concepts in subjects such as science, mathematics, or English. They plan, evaluate, and assign lessons; prepare, administer, and grade tests; listen to oral presentations; and maintain classroom discipline. Teachers observe and evaluate a student's performance and potential and increasingly are asked to use new assessment methods.

CPS has data for more than six thousand elementary and secondary school teachers. In 1992–2008, state and local government teachers were paid between \$7,000 and \$8,000 more per year than those in the private sector (Figure 4). Also, in 1992, 56.9 percent of private-sector teachers were covered by some form of a pension, while their public-sector counterparts had a coverage rate of 85.6 percent. By 2008, private-sector coverage increased by about 5 percent, while public-sector coverage decreased by about 5 percent.



Source: Author's calculations using Integrated Public Use Microdata Series, Current Population Survey: Version 2.0.

In 1992, about 97 percent of all private and state and local government teachers had at least some of their health care paid for by their employers. These rates were about the same in 2008.

The fiscal crisis of 2009 is forcing many school districts in the United States to cut budget and personnel levels, while, "Over the past three years, thousands of classes in Los Angeles, New York City, Chicago and other major urban areas opened with substitute teachers who were not qualified or appropriately prepared for their teaching tasks." As of 2008, states such as Kansas, Texas, and California were actively attempting to fill large teacher vacancies. In 2006, principals in the Southeast were most worried about teacher shortages, relative to other regions of the country. The same was true for principals in urban/inner city locations, relative to their counterparts in other locations.

Information Technology Professionals

Of all the positions the CPS tracks for IT professionals (in 1992, 2000, and 2008), one, computer systems analyst, is slated to have very good job growth potential through

2016. Computer programmers and computer operators are both expected to have negative job growth through 2016, due to changes and advances in how information technologies are handled.

BLS describes the work of computer systems analysts as follows:

Computer systems analysts help organizations to use technology effectively and to incorporate rapidly changing technologies into their existing systems. The work of computer systems analysts evolves rapidly, reflecting new areas of specialization and changes in technology. Computer systems analysts solve computer problems and use computer technology to meet the needs of an organization. They may design and develop new computer systems by choosing and configuring hardware and software. They may also devise ways to apply existing systems' resources to additional tasks. Most systems analysts work with specific types of computer systems—for example, business, accounting, or financial systems or scientific and engineering systems—that vary with the kind of organization.

CPS has data on more than 1,500 computer systems analysts. Over the past sixteen years, the private sector has paid computer systems analysts about \$6,000 to \$16,500 more than those in the public sector (Figure 5). In 1992, close to 70 percent of private-sector computer systems analysts were covered by a pension plan at work. That same year, 78 percent of state and local government analysts were covered. By 2008, pension coverage rates had dropped by 4 percent for private-sector analysts and remained the same for their public-sector peers. Also, in 1992–2008, more than 96 percent of all state and local government and private-sector computer

systems analysts were covered, at least partially, by employer-provided health insurance.

As of 2008, states such as Montana and Utah have attempted to emphasize recruiting, retaining, and better positioning skilled IT professionals throughout their state governments. Similarly, Oklahoma, Tennessee, Missouri, South Carolina, California, Virginia, and Oregon all have recently put in place one or more of the following programs to actively recruit and retain IT employees to fill their workforce needs: internship, virtual/online recruiting (in Second Life, LinkedIn, Facebook, etc.), and formal and informal educational, telework, and retiree rehire programs. Given the central role IT plays in state and local government operations, one might expect similar recruitment and retention efforts to continue after the recession of 2009 passes.

Findings

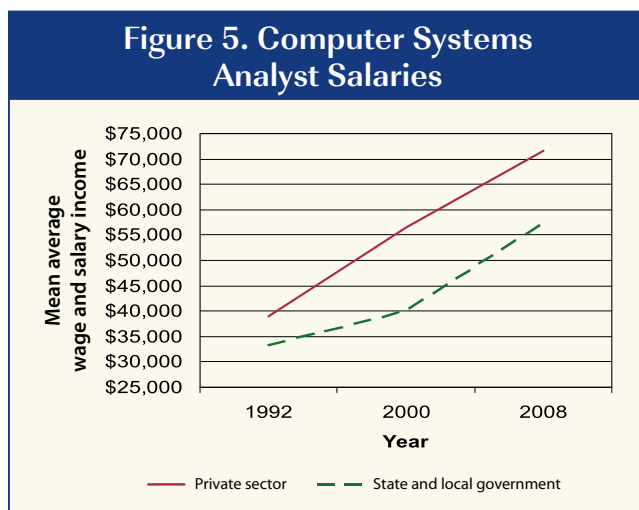
Do current wage and benefit packages offered by state and local governments help or hinder their efforts to recruit and retain skilled individuals in essential positions? Table 2 highlights public-sector occupations expected to increase by more than 10 percent in 2006–16. For some of these positions, state and local governments appear to be on better or equal footing in competition with the private sector, while for others, they are at a disadvantage.

For pay, pension coverage, and health care benefits offered to teachers and registered nurses, state and local governments appear to have an advantage over the private sector in recruiting the next wave of public servants in these fields. Salaries and pension coverage are higher for public-sector teachers than those for private-sector teachers, while health care coverage is about the same for both. Although public- and private-sector nurses have similar salaries and health care coverage, pension coverage is better for public-sector nurses.

For accountants and auditors and computer system analysts, state and local governments appear to be on a level playing field with the private sector. For accountants, although private-sector pay is higher, pension coverage is higher in the public sector, and health care coverage is about equal. Similarly, for computer systems analysts, private-sector salaries may be a draw, but the public sector has higher pension coverage rates and offers equal health care coverage.

State and local governments are at a recruiting and retention disadvantage in regard to physicians and sur-

Figure 5. Computer Systems Analyst Salaries



Source: Author's calculations using Integrated Public Use Microdata Series, Current Population Survey: Version 2.0.

geons. Private-sector doctors have much higher wage compensation (a \$70,000+ pay difference) and are offered pension and health care coverage similar to their peers in the public sector.

Aside from the wage and benefits comparisons above, the recession of 2009 (and possibly beyond) presents at least two additional recruitment and retention advantages for state and local governments: they have relatively stable retirement plans and lower position turnover.

Wage compensation and health care plans can be comparable across the state and local government and private sectors, but variables make it difficult to compare pension benefits. As of 2004, 80 percent of state and local government workers were covered only by a DB plan, while 14 percent were covered only by a DC plan. Almost the reverse is true for the private sector. In 2004, 10 percent of private-sector employees were covered only by a DB plan, and 64 percent were covered only by a DC plan. In 2006, pension plan (all types) assets per worker were \$185,000 in the state and local government sector and \$84,800 in the private sector. In addition, almost all private-sector employees are covered by Social Security; 72 percent of state and local workers can count on this coverage. Also, for DB plans, state and local government employees contribute more of their pay relative to private-sector employees; in 2006, employee contribution rates were 5 percent for state and local plans and 0 percent for private plans.

Polling has shown that workers emphasize the wages, health care, and retirement benefits offered by their employers. Also high on this list is job security. This is another area where the public and private sectors differ greatly. Generally, working for a public-sector entity provides much more job stability than in private-sector firms.

State and local government generally has fewer job openings and lower labor turnover than the private sector. In 2001–08, state and local government job opening rates—the number of openings divided by employment plus job openings—ranged from 1.5 to 2.25 percent, compared with about 2.25 to more than 3 percent in the private sector. Types of workforce separations include layoffs, discharges, quits, retirements, and others. When these separations are measured as a percentage

of the total workforce, the annual rates of quits for the private sector ranged from 21.6 to 26.6 percent of the workforce in 2001–07. State and local governments, on the other hand, had quit rates of 6.6 to 8 percent in the same time frame. Annual rates for layoffs and discharges are much lower in state and local government, ranging from 4.5 to 5.4 percent in 2001–07, compared with 15.4 to 17.3 percent in the private sector.

Conclusion

The next decade will pose many challenges to state and local government leaders. The economy, an aging infrastructure, changing demographics, and other issues increase the need for well-trained, dedicated professionals in the public service. This article attempts to assess the position of state and local governments in the competition for talent with private firms. Certain aspects of the comparison are difficult to evaluate, but for some of the essential jobs, state and local governments appear to be in advantageous competitive positions, while for others, they are not.

One sector does not appear to consistently offer better compensation packages than the other for key positions, but knowing the balance and composition of the packages offered is important, especially to the public sector. Such composition may determine the staffing and effectiveness of the public sector in dealing with the important issues of 2009 and beyond.

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