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A Better Way to Set Public Pay.

Too few local governments are taking advantage of a valuable tool: benchmarking compensation among their public- and private-sector peers.

Fair pay is paramount for public agencies. Pay too little and good employees go elsewhere. Pay too much and budgets and taxpayers suffer, impacting the provision of effective and efficient government services.

Most importantly, the level of salaries paid to public employees also can impact public perception and trust. Whether government employees are compensated more or less generously than their private-sector counterparts with similar responsibilities increasingly is on the minds of the media and citizens alike.

One practice that can have value in navigating fair wages and benefits is benchmarking — collecting data on compensation for comparable jobs in other organizations (public and private) to establish a reasonable market rate. This means paying high-enough salaries so organizations can easily recruit and retain quality staff while not paying more than necessary.

So how are local governments approaching pay and benefits among their competitive peers? Not, unfortunately, through extensive and comprehensive benchmarking.

In a national survey of human-services professionals for large cities and counties, Michael Thom of the University of Southern California's Price School of Public Policy and I found that only slightly more than half the respondents had conducted a benchmarking study within the past decade.

Among those who did conduct a study, less than half report including both the public and private sectors in their evaluations. Instead, the majority evaluated only local governments. Less than 10 percent used their benchmarking results either before or during collective bargaining with their employees. And relatively few examined benefits, focusing only on wages.

In fairness, it can be difficult to obtain comparability data across individuals and jobs, especially when the comparison is with the private sector. Many public-sector jobs have no private-sector equivalent, particularly when it comes to public -safety positions. Further, it can be difficult to compare benefits. Health-insurance costs, for example, vary geographically, and pension plans differ by occupation, jurisdiction and even hire date.

But these limitations are not good reasons not to benchmark. If local governments choose not to benchmark what others are paying for similar occupations, how can they establish proper levels of compensation and monitor competitiveness? Relying simply on existing salary and benefit structures leads to compensation "drift," resulting in governments under- or overpaying some employees or broader classifications of workers relative to their competitive peers. And in collective bargaining, failure to seek information on comparable wages and benefits may also place one or both parties at a disadvantage if one party has done its own benchmarking study while the other has not.

So what's the best approach to benchmarking? While annual studies are not necessary, once every 10 years is not frequent enough. The most advisable frequency is two to five years or whatever period coincides with the jurisdiction's collective-bargaining cycle.

Local governments must establish how benchmarking will be integrated into collective bargaining and how they will respond when it is determined that individuals or groups are either under- or overpaid.

Further, benchmarking studies must incorporate all aspects of public-sector compensation: salaries, retirement benefits, paid and sick leave, and other forms of pay and deferred compensation.

Finally, results from benchmarking studies should be publically disclosed and discussed during public meetings. This is essential for transparency and accountability and establishes the practice as a fair and reasonable approach to compensation.

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