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Falling behind? State and Local Government Employee Compensation Since the Great Recession.

New research by Byron Lutz and David Ratner of the Federal Reserve Board and Louise Sheiner of the Hutchins Center on compensation of state and local government employees goes beyond wages to put a dollar value on the benefits that standard compensation metrics mismeasure or leave out entirely: defined benefit pensions, retiree health care, and job security. They find that compensation of state and local workers has fallen substantially relative to comparable private sector workers since the Great Recession.

Among the key findings in the paper are the following.

- While state and local workers received approximately 13% higher total compensation than private sector workers with similar observable characteristics in 2011, this differential had declined to negative 3% by 2023.
- The decline reflects several factors: Public sector wages have fallen steeply relative to private sector wages since the Great Recession, public sector pension and retiree health care benefits have declined as a share of compensation, and the historically greater job stability in government employment has eroded.
- Relative public sector compensation has declined much more for workers with at least a college degree—falling from roughly parity with comparable private sector workers in 2011 to about 13% below by 2023—than for those without college degrees.
- This decline in relative pay among college-educated workers is confined to those lacking union representation.
- The decline in relative public compensation has occurred in each of the 50 states.

Continue reading.

The Brookings Institution

by Byron Lutz, David Ratner, and Louise Sheiner

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