



City of Long Beach
Working Together to Serve

Memorandum

~~**R-15**~~
UB-19

Date: March 22, 2011
To: Honorable Mayor and City Council
From: Councilmember DeLong, Chair, Budget Oversight Committee
Subject: **STREET SWEEPING OPERATIONS**

The Budget Oversight Committee, at its meeting held Wednesday, March 9, 2011, considered communications relative to the above subject.

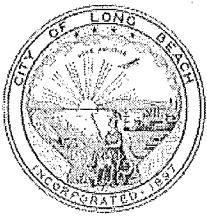
It is the recommendation of the Budget Oversight Committee to the City Council to request City staff to determine the benefits that may be realized by Long Beach residents as a result of contracting out the City's Street Sweeping Operations.

Respectfully submitted,

BUDGET OVERSIGHT COMMITTEE

Councilmember, Gary DeLong, Chair

Attachment(s)



City of Long Beach

Working Together to Serve

Memorandum
3rd Council District

Date: March 9, 2011

To: Members of the Budget Oversight Committee

From: Gary DeLong, Chair, Budget Oversight Committee *GD*

Subject: **Street Sweeping Optimization**

As the City of Long Beach will be grappling with projected budget deficits over the next several years, it is appropriate to evaluate all City programs in an effort to determine if services can be provided to residents and businesses in a more cost effective and efficient manner.

The City of Long Beach currently conducts its own Street Sweeping within the Environmental Services Bureau (ESB). Street sweeping is conducted once a week, on two alternate days for opposite sides of the street, and is important for the cleanliness and health of the City. The City sweeps approximately 154,000 miles of streets and removes approximately 10,500 tons of debris each year that would otherwise enter the City's storm drain system.

The street sweeping program is a necessary operation and ESB has continually received approximately a satisfaction rate of approximately 75% from surveyed respondents. For FY 11, expenditures are \$3.05 million and revenues are \$3.27 million. Street sweeping is self-sustaining and revenue generating due to mutually dependent parking enforcement operations. The street sweeping program requires 22 full-time employees.

Over the last few years, other cities have reviewed their street sweeping functions and realized significant reductions in cost by contracting out this service. The City of Newport Beach has implemented a 10-year agreement with a phased in approach where every few months more roadway sections are added to the contract, and has experienced both cost savings and positive community feedback. The City of Glendora outsourced their sweeping operations in 2006, and has experienced fewer complaints and more satisfaction with the private sweepers while experiencing significant cost reductions. The City of Pomona bid out their services in 2009 for a 3 year contract, with a 2 year renewal option.

Neighboring Cities have also experienced similar results. The City of Lakewood uses a contracted sweeping service, and the sweepers are powered by a green fleet of Compressed Natural Gas (CNG) vehicles. The CNG fueling facility is operated by the contractor and is a co-op between Lakewood, Bellflower and Bellflower USD. Paramount has been using a private sweeper since the mid nineties and has received positive benefits. The cities of Downey and Carson also use a contractor and have observed positive results.

Additionally, as reported in a recent edition of USA Today, California public sector employees are paid significantly more than their private sector peers. This is due to California public sector employee compensation increasing 28% above the inflation rate from 2000 to 2009.

Long Beach should review the actions taken by neighboring Cities in the region and determine if changes would be beneficial to our community. The goals are as follows: Reduce costs, maintain or improve customer responsiveness and satisfaction, accountability and transparency, and implement a 100% green fleet.

Recommended Action: Request the Budget Oversight Committee recommend that the City Council direct City staff to determine the benefits that may be realized by Long Beach residents as a result of contracting out the City's Street Sweeping operations.

Fw: LB Council Budget Oversight Committee - Proposed Study of Street Sweeping

Larry Herrera

to:

Gloria Harper

03/09/2011 10:06 AM

Show Details

G

For the file. Thanks.

Larry Herrera, City Clerk
City of Long Beach
333 West Ocean Boulevard
Long Beach, CA 90802
Office: 562-570-6489
Fax: 562-570-6789
Cell: 562-607-3366

From: Council District3
Sent: 03/09/2011 09:35 AM PST
To: Joe Weinstein <jweins123@hotmail.com>
Cc: cityclerk@longbeach.gov
Subject: Re: LB Council Budget Oversight Committee - Proposed Study of Street Sweeping

Dear Mr. Weinstein,

Thank you for your letter regarding Street Sweeping. I will make sure that Councilmember DeLong receives your comments in preparation for the Budget Oversight Committee meeting.

If you have any other questions or concerns, please contact our office. Thank you.

Sincerely,
Joseph D. Toney
Office of Councilmember Gary DeLong
3rd District
City of Long Beach
(562) 570-6300
(562) 570-6186
www.LongBeach.Gov/District3



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From: Joe Weinstein <jweins123@hotmail.com>
To: <district3@longbeach.gov>, <district2@longbeach.gov>, <district4@longbeach.gov>
Date: 03/08/2011 09:52 PM
Subject: LB Council Budget Oversight Committee - Proposed Study of Street Sweeping

March 2011

To: Members, Budget Oversight Committee, Long Beach City Council

Dear Committee Members

You are considering asking for a comparative study between two scenarios for Long Beach's street-sweeping program. One scenario would continue the program in-house, the other would contract it out.

For fact-minded common-sense-minded taxpayers NEITHER scenario makes sense.

No time-wasting money-wasting study is needed.

Existing available facts make it clear that all but a small fraction of the street sweeping program (the unscheduled fraction that cleans up accident sites) is worse than useless, and can and should simply be CANNED!

To aid your decision, please note the following list of 8 street-sweeping myths that are touted constantly in and from City Hall. And please go on to read the 8 simple facts which contradict all these myths - simple facts based on common sense and on data from actual FY 2009 sweeping found in the FY 2011 Budget.

It's time for Long Beach budgeting and budget review to get past the myths, stop ducking behind irrelevant studies, and act on the facts.

Respectfully,
Joseph M. Weinstein (Joseph M. Weinstein, Ph.D.)
1000 Linden Ave.
Long Beach CA 90807

DOCUMENTED FACTS AND COMMON SENSE CONTRADICT EIGHT TOUTED MYTHS ABOUT LONG BEACH STREET SWEEPING

Myth 1 - Sweeping is needed for healthy and safe streets
WRONG - see Fact 1

Myth 2 - Sweeping is an important complement to regular trash collection
WRONG - see Fact 2

Myth 3 - Sweeping is an efficient complement to regular trash collection
WRONG - see Fact 3

Myth 4 - Sweeping has positive environmental and civic benefit
WRONG - see Fact 4

Myth 5 - Sweeping is needed in order to enforce lucrative parking bans
WRONG - see Fact 5

Myth 6 - Sweeping costs are negligible
WRONG - see Fact 6

Myth 7 - Sweeping in fact pays for itself and even makes money
WRONG - see Fact 7

Myth 8 - Sweeping is a success because most people seem 'satisfied' with it
WRONG - see Fact 8

Common sense and documented facts together refute each of these myths. Annual data used below are for actual FY 2009, as given in or readily calculated from numbers presented in the city's FY 2011 Budget (Fall 2010) for the Environmental Services Bureau (ESB) of the Public Works Department.

FACT 1 - Scheduled weekly sweeping does about NIL for healthy and safe streets

No one has cited ANY kind of pathogen or safety hazard that can be allowed to sit in the gutter for up to six days but then gets dangerous if not swept up on the seventh day!!

What actually keeps our streets and gutters and even drains clean enough to be safe are the good sense, attention and intervention of responsible residents and property owners. This continuous everyday effort, tailored to the seasons and their impacts, cannot rely on - indeed is scarcely aided by - a few minutes per block of rain-or-shine sweeping on one day of the week.

Of the entire street-sweeping program what is truly useful is not the routine gutter-sweeping but rather the unscheduled accident site cleanups. Everything else, including the removal of usual amounts of potentially and even actually drain-clogging trash, should be in principle - as it is anyhow almost always in fact - the routine responsibility of neighborhood property owners and residents.

FACT 2 - Sweeping does NOT pick up significant trash

The total city-wide annual trash pickup - 10,500 tons - amounts to under 1.3 pounds per week per 50-foot property frontage. By comparison, regular collection from trash bins removes 18.5 times as much debris - 194,100 tons annually. (In addition, regular collection from recycling bins annually removes another 26,700 tons of disposables.)

FACT 3 - Sweeping is highly INEFFICIENT

In cost per-ton of debris removed, weekly sweeping can be compared with weekly pickup from trash bins. For bin pickup, the budget data give a direct cost-per-ton figure: \$40. For sweeping, neither total sweeping cost nor per-ton cost is given, but a per-curb-mile cost is given, as well as total curb miles swept. When these data are combined, the resulting cost-per-ton is \$401.

In other words, each extra pound of debris adds 10 TIMES as much to collection cost if littered in the gutter rather than deposited in the nearest trash bin.

FACT 4 - Sweeping has NEGATIVE environmental and civic (and fiscal) impact

City Hall verbiage greenwashes the sweeping program as an 'environmental service'. In actual fact the sweeping serves to CONTRADICT the message of responsible citizenship and responsible environmental conduct promoted by Litter Free Long Beach. Sweeping sends the message: litter a gutter, and the city (or its contractors) will pick up after you - gratis.

In effect the sweeping SUBSIDIZES BAD BEHAVIOR (gutter littering). Worse (considering Fact 3) the subsidy of each instance of bad behavior costs the city 10 TIMES as much as to support the corresponding feasible good behavior (use of a nearby trash bin).

FACT 5 - Actual sweeping is NOT needed in order to enforce parking bans

The city uses POTENTIAL sweeping as an excuse for weekly four-hour parking bans which - when enforced - can be lucrative (to the city, not to drivers). Use of that excuse and enforcement of the ban does NOT require the city to undertake costly ACTUAL sweeping - any more than the all-hours parking ban at fire hydrants, to permit POTENTIAL use of the hydrants, requires the city to ACTUALLY run a fire truck every four hours to every hydrant.

FACT 6 - Sweeping is COSTLY, and even has dubiously hidden costs

For street sweeping in FY09, the recorded expenditure (in the FY 2011 Budget) was \$2.6 million from the General Fund. Normally, one would expect that a program's stated expenditure would cover all costs of the program's function - in this case sweeping - plus program overhead (fixed costs).

For this program the contrary seems true. The \$2.6 million does not cover even just the calculated costs of sweeping, let alone any program overhead. Sweeping alone (10,500 tons at \$401 per ton) cost just over \$4.2 million. Evidently FY 2009 sweeping costs were also quietly covered by \$1.6 million from other funds not mentioned in the FY 2011 Budget discussion on sweeping.

The FY 2010 Budget gave a partial if disturbing clue on this situation. In that Budget, a brief sentence (in the 'Results Narrative' for sweeping) hints obliquely that in FY 2010, as in FY 2009, sweeping would continue to use \$1 million of funds which in fact the budget allocates to bin pickup, not to sweeping. For this budgetary obfuscation (or - less politely - falsification), the brief rumbo-jumbo justification given was that a study had shown that between sweeping and bin-pickup there is a 'nexus' (Latin impressively legal-sounding word meaning simply 'connection').

ACT 7 - Sweeping does NOT pay for itself

Sweeping in fact COSTS money - as we have seen. What DOES pay (the city) is parking bans and their enforcement. Some folks claim that the actual sweeping - as versus simply enforcing the weekly 4-hour parking bans - in fact helps make money for the city. Such a claim uses an old phony-baloney accounting trick, where a source of expense is brazenly bundled with source of income, and then is misrepresented as being that source or as being required for the income.

According to an old story, a wily drunkard habitually pulled that trick. Every payday he would head to the nearest tavern, drink away most of his pay, bring home the remnant, and then brag to his wife that his drinking binges actually made money - after all, every time he went drinking he brought home extra money!

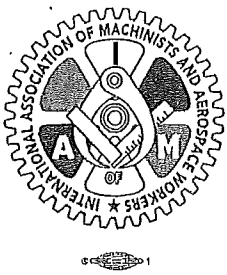
ACT 8 - A 'satisfactory' sweeping program does NOT make the program a real success

SB claims to measure the 'success' of the sweeping program by the high fraction (75%) of respondents to one survey who were 'satisfied' with the existing program.

The measure is uninformative, as the survey apparently noted no alternative to current sweeping (and parking) that would be considered if respondents weren't 'satisfied'.

The measure is anyhow irrelevant. For the city budget what should count as 'success' is not how 'satisfactory' an existing program may seem in isolation, but whether its benefits are impressive when the program is COMPARED with ALTERNATIVE ways to spend some or all the same funds. For instance, Public Works expends 22 full-time-equivalent staff (FTE) on sweeping but devotes only 55 FTE to the city's entire (and woefully inadequate) street-pavements and street-trees maintenance program, including timely replacement of the now many super-mature street trees. An adequate program likely could readily absorb and far more productively aid property values and life quality by using the entire 22 FTE now expended on sweeping.

END: DOCUMENTED FACTS AND COMMON SENSE
 CONTRADICT EIGHT TOUTED MYTHS ABOUT LONG BEACH STREET SWEEPING
 Joe Weinstein, 8 March 2011)
 Thanks for your read and heed.



IAMAW DISTRICT LODGE 947

535 W. Willow St. • Long Beach, CA 90806 • (562) 427-8900 • Fax (562) 427-1122

March 9, 2011

Budget Oversight Committee
City of Long Beach
333 W. Ocean Boulevard
Long Beach, CA 90802

RE: Street Sweeping Optimization

The Machinists Union challenges various statements in Chair Gary DeLong's memorandum to support Street Sweeping Optimization. As the employee representative, we support true optimization of City Services that yield increased service to the citizens, especially considering 71%, or 16 of the employees potentially impacted are Long Beach residents!

Chair DeLong's brief report outlining the general functions of street sweeping completely omits the additional services provided by the Environmental Services Bureau during and after major events like the Long Beach Grand Prix, various parades and festivals. The Bureau is also available during and after emergencies where a contractor would not be.

Chair DeLong's presumptive proposal is limited to contracting out a service where the money they bring in is \$.22 million more than they cost. The union will demand that if staff is directed to only explore contracting out this service, the cost of the study should be included in the cost of contracting out. We will also request fixed cost information and request corresponding reductions in pay or elimination of management positions which currently have oversight – a step consistently missed by the management in Long Beach. With regard to the 75% customer satisfaction rating, the union would explore the reasons behind the 25% dissatisfaction rating and seek to deliver a better product to the residents.

Many of the cities listed as using contracted street sweeping services are contract cities that contract out most of their services. The union fully supports converting the fleet to a green fleet, especially utilizing Compressed Natural Gas to keep services in-house. The union also supports an expansion of contracted-in service such as we do with Animal Care and Control.

Chair DeLong sites USA Today as his source for public sector employees being paid more than their private sector peers, and that public sector pay has risen 28% above the inflation rate. That is not the case in Long Beach, and this level of local control would be lost if you were to privatize this service. Long Beach consistently ranks last or close to last in terms of wages. Please review the following chart of actual pay increases versus the Bureau of Labor Statistic's history of inflation by year:

/

MOU Pay Increases vs. BLS Inflation
(MOUs on file with Human Resources – see attached for BLS)

04/01/00	3%	Inflation:	3.4
01/01/01	2%		
07/01/01	1%		2.8
07/01/02	0%		1.6
10/01/03	3% (2% for Non-career)		2.3
10/01/04	0% -1% to pay PERS		2.7
10/01/05	0%		3.4
03/04/06	3% -1% to pay PERS		3.2
01/01/07	2%		
07/01/07	3% -1% to pay Medical		2.8
04/01/08	2%		
10/01/08	3% -1% to pay Medical		3.8
10/01/09	0% -1% to pay Medical (deferral negotiated)		-1.4
22% - 5% = 17% - 25.6% inflation = -8.6%			

It is time to stop demonizing your constituents, the residents of Long Beach who also happen to be City employees. Recognize that this is a marketable service to surrounding cities and begin exploring the process of contracting in rather than contracting out. Your constituents make a livable wage as City employees with benefits for which they now share the cost, and they provide services beyond that which a contractor would provide.

This Committee should instead explore a complete restructuring of management as rank and file employees represented by the IAM have been reduced by roughly 1000, whether contracted out or eliminated out right, but management ranks have grown and garner higher and higher salaries. Rather than targeting services that are being delivered with revenue to spare, this Committee should consider the delivery of benefits – a service where the costs have increased exponentially while benefits have been cut. Utilizing a multi-employer trust fund would also shift the multi-million dollar GASB45 obligation from the City to a Trust.

Sincerely,

Janet Schabow, BR
IAMAW DL947

2-17-2011

U.S. Department Of Labor
Bureau of Labor Statistics
Washington, D.C. 20212

Consumer Price Index

All Urban Consumers - (CPI-U)

U.S. city average

All items

1982=84=100

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Annual Avg.	Percent Dec- Dec	change Avg- Avg
1913	9.8	9.8	9.8	9.8	9.7	9.8	9.9	9.9	10.0	10.0	10.1	10.0	9.9		
1914	10.0	9.9	9.9	9.8	9.9	9.9	10.0	10.2	10.2	10.1	10.2	10.1	10.0	1.0	1.0
1915	10.1	10.0	9.9	10.0	10.1	10.1	10.1	10.1	10.1	10.2	10.3	10.3	10.1	2.0	1.0
1916	10.4	10.4	10.5	10.6	10.7	10.8	10.8	10.9	11.1	11.3	11.5	11.6	10.9	12.6	7.9
1917	11.7	12.0	12.0	12.6	12.8	13.0	12.8	13.0	13.3	13.5	13.5	13.7	12.8	18.1	17.4
1918	14.0	14.1	14.0	14.2	14.5	14.7	15.1	15.4	15.7	16.0	16.3	16.5	15.1	20.4	18.0
1919	16.5	16.2	16.4	16.4	16.9	16.9	17.4	17.7	17.8	18.1	18.5	18.9	17.3	14.5	14.6
1920	19.3	19.5	19.7	20.3	20.6	20.9	20.8	20.3	20.0	19.9	19.8	19.4	20.0	2.6	15.6
1921	19.0	18.4	18.3	18.1	17.7	17.6	17.7	17.7	17.5	17.5	17.4	17.3	17.9	-10.8	-10.5
1922	16.9	16.9	16.7	16.7	16.7	16.7	16.8	16.6	16.6	16.7	16.8	16.9	16.8	-2.3	-6.1
1923	16.8	16.8	16.8	16.9	16.9	17.0	17.2	17.1	17.2	17.3	17.3	17.3	17.1	2.4	1.8
1924	17.3	17.2	17.1	17.0	17.0	17.0	17.1	17.0	17.1	17.2	17.2	17.3	17.1	0.0	0.0
1925	17.3	17.2	17.3	17.2	17.3	17.5	17.7	17.7	17.7	17.7	18.0	17.9	17.5	3.5	2.3
1926	17.9	17.9	17.8	17.9	17.8	17.7	17.5	17.4	17.5	17.6	17.7	17.7	17.7	-1.1	1.1
1927	17.5	17.4	17.3	17.3	17.4	17.6	17.3	17.2	17.3	17.4	17.3	17.3	17.4	-2.3	-1.7
1928	17.3	17.1	17.1	17.1	17.2	17.1	17.1	17.1	17.3	17.2	17.2	17.1	17.1	-1.2	-1.7
1929	17.1	17.1	17.0	16.9	17.0	17.1	17.3	17.3	17.3	17.3	17.3	17.2	17.1	0.6	0.0
1930	17.1	17.0	16.9	17.0	16.9	16.8	16.6	16.5	16.6	16.5	16.4	16.1	16.7	-6.4	-2.3
1931	15.9	15.7	15.6	15.5	15.3	15.1	15.1	15.1	15.0	14.9	14.7	14.6	15.2	-9.3	-9.0
1932	14.3	14.1	14.0	13.9	13.7	13.6	13.6	13.5	13.4	13.3	13.2	13.1	13.7	-10.3	-9.9
1933	12.9	12.7	12.6	12.6	12.6	12.7	13.1	13.2	13.2	13.2	13.2	13.2	13.0	0.8	-5.1
1934	13.2	13.3	13.3	13.3	13.3	13.4	13.4	13.4	13.6	13.5	13.5	13.4	13.4	1.5	3.1
1935	13.6	13.7	13.7	13.8	13.8	13.7	13.7	13.7	13.7	13.7	13.8	13.8	13.7	3.0	2.2
1936	13.8	13.8	13.7	13.7	13.7	13.8	13.9	14.0	14.0	14.0	14.0	14.0	13.9	1.4	1.5
1937	14.1	14.1	14.2	14.3	14.4	14.4	14.5	14.5	14.6	14.6	14.5	14.4	14.4	2.9	3.6
1938	14.2	14.1	14.1	14.2	14.1	14.1	14.1	14.1	14.1	14.0	14.0	14.0	14.1	-2.8	-2.1
1939	14.0	13.9	13.9	13.8	13.8	13.8	13.8	13.8	14.1	14.0	14.0	14.0	13.9	0.0	-1.4
1940	13.9	14.0	14.0	14.0	14.0	14.1	14.0	14.0	14.0	14.0	14.0	14.1	14.0	0.7	0.7
1941	14.1	14.1	14.2	14.3	14.4	14.7	14.7	14.9	15.1	15.3	15.4	15.5	14.7	9.9	5.0
1942	15.7	15.8	16.0	16.1	16.3	16.3	16.4	16.5	16.5	16.7	16.8	16.9	16.3	9.0	10.9
1943	16.9	16.9	17.2	17.4	17.5	17.5	17.4	17.3	17.4	17.4	17.4	17.4	17.3	3.0	6.1
1944	17.4	17.4	17.4	17.5	17.5	17.6	17.7	17.7	17.7	17.7	17.7	17.8	17.6	2.3	1.7
1945	17.8	17.8	17.8	17.8	17.9	18.1	18.1	18.1	18.1	18.1	18.1	18.2	18.0	2.2	2.3
1946	18.2	18.1	18.3	18.4	18.5	18.7	19.8	20.2	20.4	20.8	21.3	21.5	19.5	18.1	8.3
1947	21.5	21.5	21.9	21.9	21.9	22.0	22.2	22.5	23.0	23.0	23.1	23.4	22.3	8.8	14.4
1948	23.7	23.5	23.4	23.8	23.9	24.1	24.4	24.5	24.5	24.4	24.2	24.1	24.1	3.0	8.1
1949	24.0	23.8	23.8	23.9	23.8	23.9	23.7	23.8	23.9	23.7	23.8	23.6	23.8	-2.1	-1.2
1950	23.5	23.5	23.6	23.6	23.7	23.8	24.1	24.3	24.4	24.6	24.7	25.0	24.1	5.9	1.3
1951	25.4	25.7	25.8	25.8	25.9	25.9	25.9	25.9	26.1	26.2	26.4	26.5	26.0	6.0	7.9
1952	26.5	26.3	26.3	26.4	26.4	26.5	26.7	26.7	26.7	26.7	26.7	26.7	26.5	0.8	1.9
1953	26.6	26.5	26.6	26.6	26.7	26.8	26.8	26.9	26.9	27.0	26.9	26.9	26.7	0.7	0.8
1954	26.9	26.9	26.9	26.8	26.9	26.9	26.9	26.9	26.8	26.8	26.8	26.7	26.9	-0.7	0.7
1955	26.7	26.7	26.7	26.7	26.7	26.7	26.8	26.8	26.9	26.9	26.9	26.8	26.8	0.4	-0.4
1956	26.8	26.8	26.8	26.9	27.0	27.2	27.4	27.3	27.4	27.5	27.5	27.6	27.2	3.0	1.5
1957	27.6	27.7	27.8	27.9	28.0	28.1	28.3	28.3	28.3	28.3	28.4	28.4	28.1	2.9	3.3
1958	28.6	28.6	28.8	28.9	28.9	28.9	29.0	28.9	28.9	28.9	29.0	28.9	28.9	1.8	2.8
1959	29.0	28.9	28.9	29.0	29.0	29.1	29.2	29.2	29.3	29.4	29.4	29.4	29.1	1.7	-0.7
1960	29.3	29.4	29.4	29.5	29.5	29.6	29.6	29.6	29.6	29.8	29.8	29.8	29.6	1.4	1.7
1961	29.8	29.8	29.8	29.8	29.8	29.8	30.0	29.9	30.0	30.0	30.0	30.0	29.9	0.7	1.0
1962	30.0	30.1	30.1	30.2	30.2	30.2	30.3	30.3	30.4	30.4	30.4	30.4	30.2	1.3	1.0
1963	30.4	30.4	30.5	30.5	30.5	30.6	30.7	30.7	30.7	30.8	30.8	30.9	30.6	1.6	1.3
1964	30.9	30.9	30.9	30.9	30.9	31.0	31.1	31.0	31.1	31.1	31.2	31.2	31.0	1.0	1.3
1965	31.2	31.2	31.3	31.4	31.4	31.6	31.6	31.6	31.6	31.7	31.7	31.8	31.5	1.9	1.6
1966	31.8	32.0	32.1	32.3	32.3	32.4	32.5	32.7	32.7	32.9	32.9	32.9	32.4	3.5	2.9
1967	32.9	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.9	33.4	3.0	3.1
1968	34.1	34.2	34.3	34.4	34.5	34.7	34.9	35.0	35.1	35.3	35.4	35.5	34.8	4.7	4.2
1969	35.6	35.8	36.1	36.3	36.4	36.6	36.8	37.0	37.1	37.3	37.5	37.7	36.7	6.2	5.5
1970	37.8	38.0	38.2	38.5	38.6	38.8	39.0	39.0	39.2	39.4	39.6	39.8	38.8	5.6	5.7
1971	39.8	39.9	40.0	40.1	40.3	40.6	40.7	40.8	40.8	40.9	40.9	41.1	40.5	3.3	4.4
1972	41.1	41.3	41.4	41.5	41.6	41.7	41.9	42.0	42.1	42.3	42.4	42.5	41.8	3.4	3.2
1973	42.6	42.9	43.3	43.6	43.9	44.2	44.3	45.1	45.2	45.6	45.9	46.2	44.4	8.7	6.2
1974	46.6	47.2	47.8	48.0	48.6	49.0	49.4	50.0	50.6	51.1	51.5	51.9	49.3	12.3	11.0
1975	52.1	52.5	52.7	52.9	53.2	53.6	54.2	54.3	54.6	54.9	55.3	55.5	53.8	6.9	9.1
1976	55.6	55.8	55.9	56.1	56.5	56.8	57.1	57.4	57.6	57.9	58.0	58.2	56.9	4.9	5.8
1977	58.5	59.1	59.5	60.0	60.3	60.7	61.0	61.2	61.4	61.6	61.9	62.1	60.6	6.7	6.5
1978	62.5	62.9	63.4	63.9	64.5	65.2	65.7	66.0	66.5	67.1	67.4	67.7	65.2	9.0	7.6
1979	68.3	69.1	69.8	70.6	71.5	72.3	73.1	73.8	74.6	75.2	75.9	76.7	72.6	13.3	11.3
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3	82.4	12.5	13.5

1981	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.0	90.9	8.9	10.3
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6	96.5	3.8	6.2
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3	99.6	3.8	3.2
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3	103.9	3.9	4.3
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	107.6	3.8	3.6
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	109.6	1.1	1.9
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	113.6	4.4	3.6
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	118.3	4.4	4.1
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	124.0	4.6	4.8
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	130.7	6.1	5.4
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	136.2	3.1	4.2
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	140.3	2.9	3.0
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	2.7	3.0
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	148.2	2.7	2.6
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	2.5	2.8
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	3.3	3.0
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	1.7	2.3
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	1.6	1.6
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	2.7	2.2
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	3.4	3.4
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	1.6	2.8
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	2.4	1.6
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	184.0	1.9	2.3
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	3.3	2.7
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	3.4	3.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	2.5	3.2
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	4.1	2.8
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	0.1	3.8
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	215.969	216.177	216.330	215.949	214.537	2.7	-0.4
2010	216.687	216.741	217.631	218.009	218.178	217.965	218.011	218.312	218.439	218.711	218.803	219.179	218.056	1.5	1.6
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HANDLING HARD TIMES



Understanding and coping with the economic slowdown by Mary Ann Milbourn

Study: Calif.'s public workers not overpaid

October 19th, 2010, 1:00 am · 143 Comments · posted by Mary Ann Milbourn

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California's state and local government workers are paid less than the private sector, but when benefits are included, they make about the same compensation, according to a new study out of UC-Berkeley.



The study, by Cal's Institute for

Research on Labor and Employment, did not compare specific jobs because there are often no private counterparts to public sector jobs like law enforcement and firefighting. Researchers, however, adjusted for such things as education and experience — important distinctions because the government workforce is more educated and older than the private sector, which could skew their compensation higher. For instance 55% of government workers have a four-year degree compared to 35% of private employees. The study found that state and local government employees are paid about 7% less overall than private workers. Public health and pension benefits, however, are more generous. Government benefits account for about 35.7% of total compensation compared to 30% in the private sector.

Researchers did not compare the relative age of retirement in public versus private jobs or total potential retirement and health benefit payouts over the life of the employee. It simply computed current pay and benefits. (Click on chart to enlarge.)

Size of employers also made a major difference. Small businesses with less than 100 workers, which make up the majority of employers in California, offered much less in the way of retirement compensation than the state and private employers with more than 100 workers.

Workers at the lowest education and pay levels tended to do better in the public sector. For instance, the study found that total compensation for those who didn't have a high school diploma was 24% higher for a government job than a private sector job.

Those with the highest educational attainment — doctors, attorneys, professional employees — earned less than the private sector. A person with a master's degree got 28% less in total compensation for a government job compared to private employment.

The study's conclusion:

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Read the full report [HERE](#).

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The Truth about Public Employees in California: They are Neither Overpaid nor Overcompensated

Sylvia A. Allegretto and Jeffrey Keefe*

Introduction

Recently, there has been a great deal of debate and consternation over the compensation of public-sector employees across the U.S. It has been asserted that state and local government employees are overpaid compared to workers in the private sector. In California government workers have been vilified as scandals and anecdotes pass as confirming evidence of exorbitant pay. This research is especially important given the outrage over the pay of municipal officials in Bell, California. The outrage over what happened in Bell is reasonable and just. Many of the players immediately resigned and on September 21, 2010 eight city officials were arrested.¹ Those arrested include the former city manager of Bell, Robert Rizzo, who was making nearly \$800,000 a year. Rizzo was charged with 53 counts. It is alleged that Rizzo, without approval from the City Council, actually wrote the conditions of his own contract—the case keeps growing in terms of scope and involved officials. It is clear by the arrests and scores of allegations that the situation in Bell was not in line with usual procedures.

While anecdotes that stem from public-sector corruption capture much attention, it is a data-driven analysis of public-sector pay and compensation that is needed to answer the question: How do the pay and benefits of public sector workers compare to those in the private sector? This is a legitimate question that should not be answered anecdotally. The research in this paper investigates empirically whether California public employees are overpaid at the expense of California taxpayers.

The results from this analysis indicate that California public employees, both state and local, are not overpaid. The wages received by California public employees are about 7% lower, on average, than wages

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We thank Adam Dunn and Laurel Lucia for helpful comments.

Thus, the difference in workforce characteristics and benefit allocations between the public and private sectors is why a regression-adjusted analysis is employed in this research. The regression framework allows a comparison of similar workers controlling for factors which influence compensation levels. A standard wage equation produced a surprising result: full-time state and local employees are under-paid by about 7% compared to their private sector counterparts. However, a re-estimated regression equation of total compensation (which includes wages and benefits) demonstrates that there is *no* significant difference in total compensation between full-time state and local employees and private-sector employees.

The Challenge of Analyzing Public Employee Compensation

To answer whether California public employees are overpaid two simple but related questions need to be asked: compared to whom? And compared to what? The standard of comparison for public employees is usually similar private sector workers, with respect to education, experience, and hours of work.

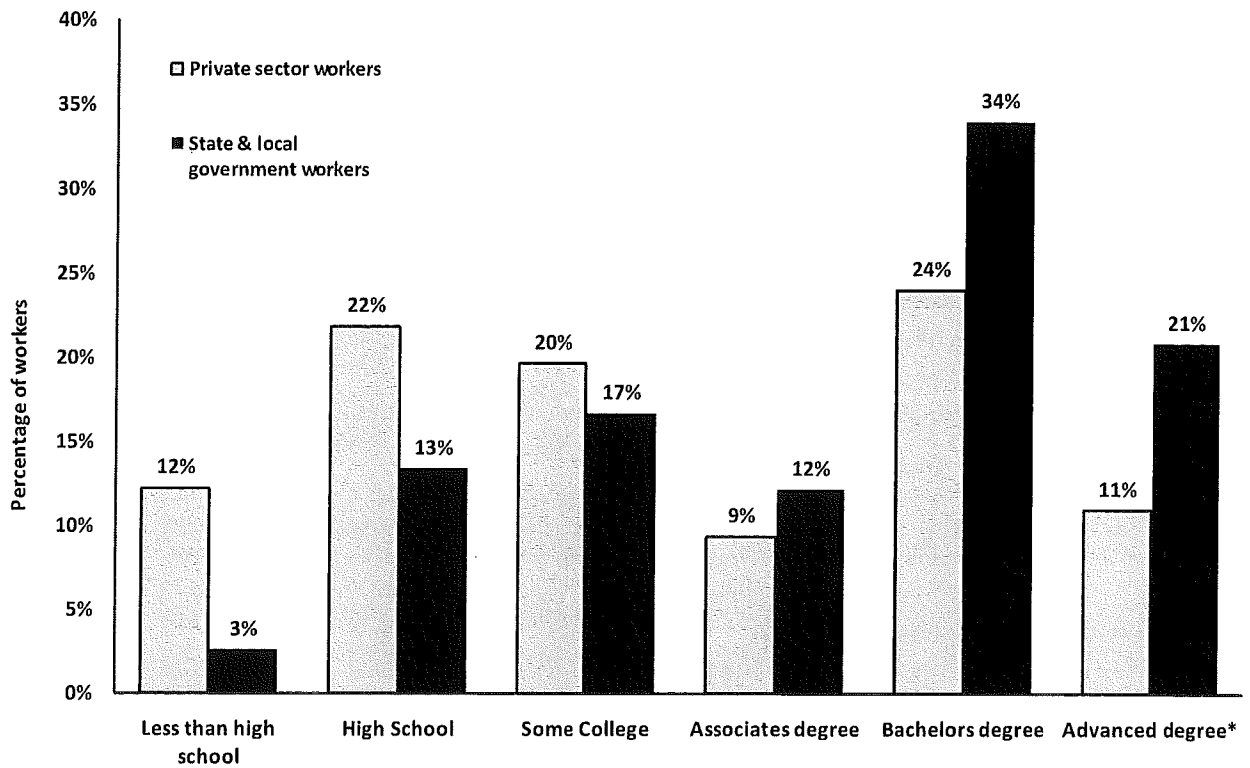
Ideally, we would compare workers performing similar work in the public sector with the private sector, but this is not always possible. There are too many critical occupations in the public sector, for example, police, fire, and corrections, without appropriate private sector analogs. Even private and public teaching is significantly different. Public schools accept all students, while private schools are sometimes highly selective and may exclude or remove poor performers and special needs or disruptive students. Consequently, comparing workers of similar “human capital” or fundamental personal characteristics and labor market skills is considered the best alternative. Analyses based on comparisons of personal characteristics capture most of the important and salient attributes in comparable work studies.

Prior research reveals that education level is the single most important earnings predictor for all workers. Education helps create work-relevant skills. People invest heavily in their own and their children’s education by buying homes in communities with good schools and by paying or taking on debt to attend schools, colleges, and universities. Empirically, education is followed by experience in advancing earnings. People learn by doing and by working in a variety of job tasks as they advance through occupational levels. Most occupations reward experience and on-the-job learning as they are associated with more competent and productive performance.

Other factors widely found to affect compensation include gender, race, ethnicity and disability. However, productivity-related human capital differences (e.g., training and education) are inter-mingled with labor market disadvantages stemming from historical patterns of discrimination. We account for all of these factors in our study. When analyzing hours of work most studies exclude part-time workers for a number of reasons: their hours of work vary, they earn considerably less than comparable full-time workers, they are more weakly attached to the labor force, and they often lack benefit coverage. This study follows standard practice by focusing on full-time public and private sector employees, who represent over 80% of the state’s labor force, and by controlling for hours worked per year.

It is well known that an employer’s organizational size greatly influences employee earnings. We are fortunate to be able to account for the size of the firm where each sampled full-time worker was employed. This control variable is made possible by the Integrated Public Use Microdata Series of the March Current

Chart 1 Educational attainment of California workers in the private sector versus those in state and local government



Source: Current Population Survey, IPUMS 2009. *Includes Professional, Masters and Doctorate degrees.

Chart 1 illustrates the dissimilar distributions of education for workers in the private and public sectors. Approximately 55% of California public employees hold a Bachelors or advanced degree compared to 35% of private-sector workers. Table 1 shows the educational distribution for the total private sector and by firm size in the first four columns and for the public sector in column 5. The *returns to education*, which is the average increase in earnings associated with incremental increases in educational attainment, are reported in the last column of Table 1. The percentages for each level of education are in comparison to workers who have not completed high school.² For example, a high school graduate, all else being equal, earns on average 39% more than a worker without a high school diploma. The education premium jumps to 57% on average if the worker attended some college or 70% if the worker holds an Associates degree. Completing college with a Bachelors degree yields a 98% premium and a professional degree (law or medicine) increases average earnings by 178% compared to an individual without a high school diploma. A Masters degree yields an average 128% pay premium and a Doctorate produces a 159% return.

Table 2 Annual earnings and total compensation comparisons by level of education for workers in California

Education level	Private sector	Public sector	Difference: public-private	Public sector premium/penalty
Annual wage earnings				
Less than high school	\$25,964	\$29,640	\$3,677	14%
High school	\$39,642	\$38,903	-\$739	-2%
Some college	\$45,609	\$47,717	\$2,107	5%
Associates degree	\$53,376	\$53,617	\$241	0%
Bachelors degree	\$72,313	\$62,337	-\$9,976	-14%
Professional degree	\$185,465	\$163,949	-\$21,515	-12%
Masters degree	\$107,017	\$71,527	-\$35,490	-33%
Doctorate degree	\$124,851	\$108,897	-\$15,954	-13%
Total compensation				
Less than high school	\$33,607	\$41,725	\$8,118	24%
High school	\$50,563	\$54,269	\$3,706	7%
Some college	\$57,229	\$66,094	\$8,865	15%
Associates degree	\$66,695	\$73,622	\$6,927	10%
Bachelors degree	\$88,852	\$84,040	-\$4,812	-5%
Professional degree	\$228,913	\$217,343	-\$11,570	-5%
Masters degree	\$131,040	\$94,753	-\$36,288	-28%
Doctorate degree	\$153,980	\$144,470	-\$9,511	-6%

Source: Current Population Survey: IPUMS 2009.

For example, a full-time worker without a high school education earns on average 14% more when employed by state and local government (\$29,640) compared to the private sector (\$25,964). When the comparison is total compensation (including benefits), the public sector premium jumps to 24% for workers without a high school diploma (\$41,725) compared to similarly educated private sector employees (\$33,607).

Just considering wages, high school graduates approach earnings equivalency between private and public sector with public sector workers earning wages 2% less than their private sector counterparts. Nonetheless, when we examine total compensation, high school graduates earn \$3,706 (7%) more annually in the public sector.

However, the wages and total compensation received by public sector workers at higher levels of education are less than comparable workers in the private sector. The relatively better benefits received by educated public sector workers are not enough to compensate for the pay difference. For example, government workers with a Bachelors degree earn on average 14% less than similarly educated workers in the private sector. When considering total compensation, these public-sector workers still receive 5% less.

Table 3 The distribution of employer costs of compensation for private employers by firm size and for state and local government

Employer Costs	Private sector employers				State and local government
	All	1 to 99 employees	100 to 499 employees	500 or more employees	
Total compensation	100%	100%	100%	100%	100%
Wages and salaries	70.0%	72.8%	69.6%	66.5%	64.3%
Total benefits (itemized below)	30.0%	27.2%	30.4%	33.5%	35.7%
<i>Paid leave (Vacation, holiday, sick)</i>	7.4%	6.2%	7.3%	9.2%	8.6%
<i>Supplemental pay (bonus, overtime)</i>	2.8%	2.3%	2.9%	3.5%	1.1%
<i>Insurance (health, life, disability)</i>	7.7%	7.0%	8.2%	8.2%	11.8%
<i>Retirement benefits</i>	3.6%	2.5%	3.4%	5.6%	8.2%
<i>Legally required</i>	8.5%	9.3%	8.7%	7.0%	6.0%

Source: BLS ECEC December 2009 data. Unpublished compensation data for the Pacific Census division.

On the other hand, public employees receive considerably more of their compensation from employer-provided insurance. Insurance accounts for 7.7% of private sector compensation but 11.8% of state and local government employee costs. Retirement benefits also account for a substantially greater share of public employee compensation, 8.2% compared to 3.6% in the private sector. As with most benefits, the differences between private and public employees' compensation costs shrink for larger private-sector firms.

Legally required benefits account for a greater share of the small employers' compensation, as organizational size increases these benefits costs decrease in relative importance. In local and state government employment, legally required benefits represent a substantially smaller share of benefit costs for several reasons. First, a nontrivial number of public employees do not participate in social security, which partially explains their higher pension costs.³ These employees are not eligible for Social Security benefit payments at retirement unless they chose to work in another job elsewhere which is covered by Social Security. Second, state and local governments do not participate in the federal unemployment system. Lastly, since state and local governments offer more stable employment they pay lower rates into the state unemployment insurance trust fund, because unemployment insurance contribution rates are partially experience rated.⁴

In summary, state and local government workers receive more of their compensation in employer-provided benefits. Specifically, public employers contribute relatively more toward employee health insurance and retirement benefits costs. Public employee benefit costs, however, are relatively lower for supple-

What is the relative pay and total compensation of public sector workers compared to those in the private sector? The CPS data on earning with the ECEC data on benefits allow us to answer these questions. The ECEC data are employed to calculate total employer compensation costs for each employee in the sample.⁵ Each observation has an earnings and total compensation measure. Table 5 reports the results of a standard earnings equation on four measures: annual and hourly earnings; and annual and hourly total compensation.

Table 5 Regression adjusted wage and compensation premium for public sector workers in California

	Earnings		Total compensation	
	Annual	Hourly	Annual	Hourly
State & local government	-7.77% ***	-6.36% **	0.89%	2.29%
State government	-7.55% *	-8.92% *	1.07%	-0.28%
Local government	-7.86% ***	-5.38% *	0.01%	3.28%

Control variables: hours of work, education, experience, organizational size, gender, race, and disability.

Significance levels: probability estimate 0 is * >.05, ** >.01, and *** >.0001

The estimates represent the earnings and total compensation premium of California state and local government workers relative to private sector workers. Columns 1 and 2 provide estimates for employee wages. The annual wages of state and local California public employees are 7.77% less than comparable private sector workers (earning results are all statistically significant). The estimates in rows 2 and 3 separate out state and local workers. State workers earn 7.55% less than workers in the private sector and local government workers earn 7.86% less. The results in column 2 compare hourly wages. Overall, the hourly wages of California's state and local employees are 6.36% less than employees in the private sector. Separately, the hourly wage gap is 8.92% for state and 5.38% for local government workers in California.

Now that it has been established that public sector workers are *not* overpaid what happens when benefits are considered? Results on total compensation, annual and hourly, show that the more generous benefits received by public sector workers is just enough to make up for the significant negative wage gap—these results are reported in columns 3 and 4. Importantly, the point estimates are very small and none of the estimates are statistically different from zero. *There is no measurable difference in total compensation between public and private sector workers.*

The results presented here provide strong evidence that California public employees are not over-compensated when compared to similar private sector workers.

market alternatives to government employment. Additionally it is well known that taxpayers do not want to pay higher taxes. Taxpayers exert considerable pressure on elected representatives to resist increases in compensation, which creates a formidable incentive and opportunity to hold government pay below market rates. Unionization represents a viable legal response to employer labor market power. The pattern of California public employee unionization is consistent with broader global patterns of unionization. For example, a study of 27 developed countries found a pattern of public employee unionization consistent with that of California (Blanchflower 2006). The study reports that union density is negatively correlated with education in the private sector and positively correlated in the public sector—just as we observe in California. Possibly, a more important question for policy makers, rather than why highly educated public employees are unionized, is why relatively less educated and low-paid private sector employees are inadequately represented by unions.

The Great Recession continues to leave a great deal of economic pain and scarring in its wake. But, the vilification of government workers is sorely misplaced and has left the real culprits of this devastating downturn off the hook. Compensation received by public sector employees is neither the cause—nor can it be the solution—to the state’s financial problems. Only an economic recovery can begin to plug the hole in the state’s budget. Unfortunately, the current budget balancing efforts in California are anti-simulative and further act to depress demand in an economy already operating way below capacity. Budget cuts have helped to keep California’s unemployment rate well into the double-digits for over a year and a half—and there is no end in sight. Thousands of California public employees have lost their jobs and many more have forgone pay through forced furloughs and their families have experience considerable pain and disruption. All the workers who have lost their jobs or took cuts in pay or benefits were made to do so not because of their work performance, or because their services were no longer needed, nor because they were overpaid. They were simply casualties among a list of millions of hard working innocent victims of a financial system run amuck. Public sector workers help our communities to thrive and provide services that make it worthwhile to live in them—it is wrong to blame them for the fallout from the greatest economic downturn since the Great Depression.

Troske, Kenneth. 1999. Evidence on the Employer Size-Wage Premium from Worker-Establishment Matched Data. *The Review of Economics and Statistics*, February 1999, 81(1): 15–26.

U.S. Department of Labor, U.S. Bureau of Labor Statistics, (U.S. DOL). 2010. Employer Costs for Employee Compensation, December 2009 with unpublished detailed compensation data for the Pacific Census division. (Alaska, California, Hawaii, Oregon, Washington).

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This study uses these ECEC sample estimates to calculate relative benefit costs for each private and public employee in the California sample. The calculation was done by calculating the relative benefit mark-up for each private sector employee based on the size of the organization that employed the worker and their occupation. The mark-ups are reported in Table A1. State and local government employees' wages were similarly marked up using a benefit weight calculated using the ECEC data. It is assumed that when employees share information about their earnings they do not distinguish paid time off from time worked in salary data. Therefore paid time off is not included in the mark-up. CPS wages also include supplemental pay.

The mark-up used in this study for benefits does not include paid leave or supplemental benefits. The average mark-up for state and local government employees was 0.3519. The average mark-up for workers in small, median and large private sector firms was 0.2310, 0.2535, and 0.2624, respectively. IPUMS CPS sample for California from 2009 was used for the estimates shown and the sample size was 4835.

Endnotes

¹ There have been eight arrests in Bell over the pay scandal: <http://abcnews.go.com/US/bell-calif-city-leaders-arrested-salary-scandal/story?id=11691192>.

² A standard earnings equation using CPS data for full-time workers in California was estimated to produce the estimates of the returns to education.

³ The Social Security Act of 1935 excluded state and local workers from mandatory coverage. Legislation in the 1950s allowed states to elect voluntary coverage for their employees (Munnell and Soto 2007).

⁴ The less an employer's former employees use unemployment the lower the rates and vice versa.

⁵ The data appendix provides details on the merged data set and the methods used to create it.

⁶ See Keefe 2010b page 3.