

# The Maine View

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## The State Government 'Gravy Train' An Analysis of Private versus State Government Compensation

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As part of an ongoing series on government compensation levels, this report examines the compensation differential between the Maine private sector and Maine state government. The major finding of this report is that a large disparity exists between their respective levels.[1] Additionally, the analysis found that the disparity between the Maine's private sector and state government is significantly greater than that of local government.

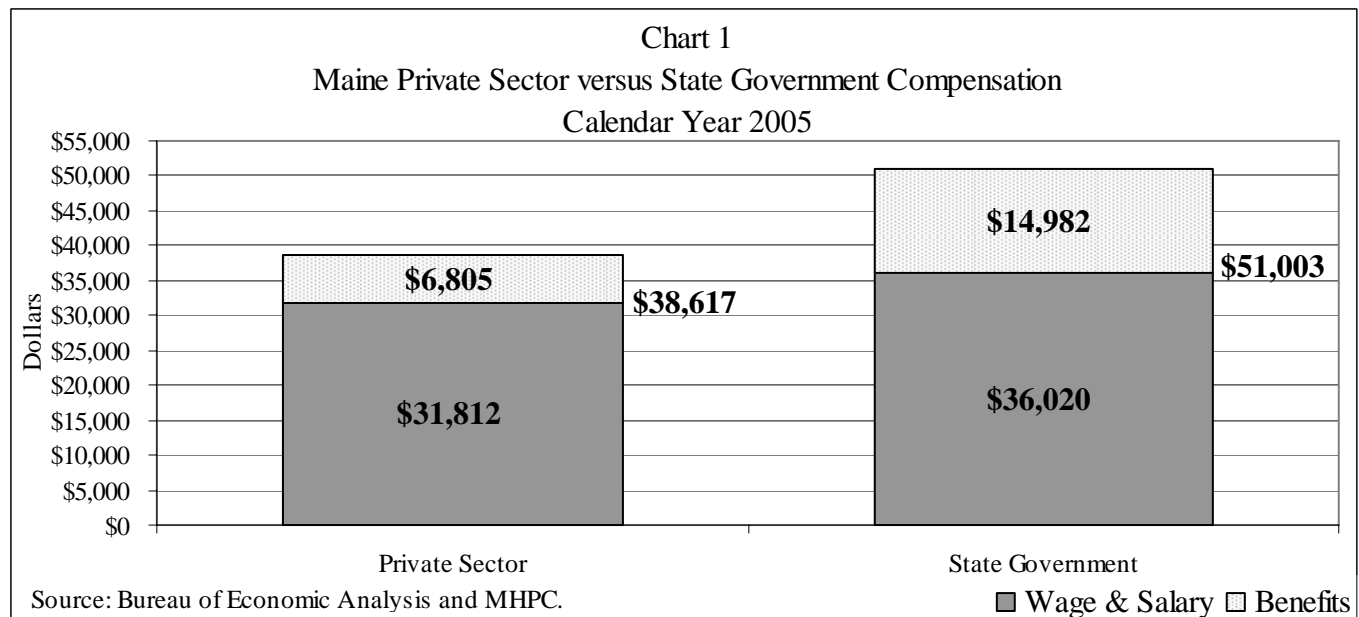
Government employment was once considered a "public service." In public service, individuals were paid at a lower rate than for comparable work in the private sector. In return, government workers were rewarded with rich fringe benefits and job security. Unfortunately, the notion that these government jobs are to be performed at a lower level of compensation than private sector jobs has evaporated.

Employment compensation is comprised of two components. The first part is the wage or salary paid to the employee for services rendered. The second part is benefits—commonly health insurance, retirement, etc.—which are paid in addition to a wage or salary.

Chart 1 shows that individuals holding Maine state government employment on average receive 32.1 percent higher overall compensation than private sector employees—\$51,003 versus \$38,617. Maine has the 4<sup>th</sup> highest compensation ratio in the country. Conversely, New Hampshire was 49<sup>th</sup> and Massachusetts was 46<sup>th</sup>, respectively at -7 percent and -3.6 percent.

Benefits are the largest driver of the compensation gap with an average benefits package that is 120.2 percent higher (\$14,982 versus \$6,805) for state government employees versus those in the private sector. Maine was the 5<sup>th</sup> highest benefits ratio in the country. Conversely, New Hampshire was 34<sup>th</sup> and Massachusetts was 50<sup>th</sup>, respectively at 41.3 percent and -2.3 percent.

Correcting this imbalance would mean significant tax savings to Maine taxpayers. If the ratio of private to state government compensation had been reduced to the national average (to 5 percent from 32.1 percent) in 2005, Maine taxpayers could have saved up to \$274,688,769. Policymakers should use this report as the basis to correct this severe imbalance.



### Introduction

According to the Bureau of Economic Analysis (BEA), in 2005, Maine's state government employed 26,248 people (full and part time), or over 3.7 percent of the state labor force. In the aggregate, they were paid \$1,338,718,000 in total compensation (wages and salaries plus benefits).

Expressed as a percentage, state government compensation exceeds the private sector by 32.1 percent. This large disparity in compensation levels is disturbing since the taxes paid by the private sector support these relatively well-paid government positions.

### Compensation Comparison over Time

Chart 2 and Table 1 show the percent of state government compensation above/below the private sector from 1979 to 2005. Nationally, in 2005, state government compensation was 5 percent higher than the private sector. This ratio is up significantly from 1979 when compensation was 2.7 percent lower.

For Maine, in 2005, state government compensation was 32.1 percent higher than the private sector. This ratio is up 484 percent from 1979 when compensation was 5.5 percent higher.

### Wages and Salaries Comparison over Time

Chart 3 and Table 2 show the percent of state government wages and salary above/below the private sector from 1979 to 2005. Nationally, in 2005, state government wages and salaries were 3.9 percent lower than the private sector. This ratio was roughly the same as it was in 1979 when wages and salaries were 3.8 percent lower.

For Maine, in 2005, state government wages and salaries were 13.2 percent higher than the private sector. This ratio is 78 percent higher than it was in 1979 when wages and salaries were 7.4 percent higher.

### Benefits Comparison over Time

Chart 4 and Table 3 show the percent of state government benefits above/below the private sector from 1979 to 2005. Nationally, in 2005, state government benefits were 46.7 percent higher than the private sector. This ratio is 1,406 percent from 1979 when state government benefits were 3.1 percent higher.

For Maine, in 2005, state governments benefits were 120.2 percent higher than the private sector. This ratio is also up significantly from 1979 when benefits were 4.1 percent below the private sector.

### Compensation Ranking

Table 4 shows the percent of state government compensation above/below the private sector by state and rank for selected calendar years. In 1980, Maine's state government compensa-

Table 1  
Compensation per Job  
Calendar Years 1979 to 2005

Calendar Year	State Government Compensation as a Percent of Private Sector			
	National Average Ratio	Maine		
		Ratio	State Government Compensation	Private Compensation
1979	-2.7%	5.5%	\$13,001	\$12,324
1980	-4.7%	2.5%	\$14,063	\$13,722
1981	-4.7%	-0.6%	\$14,798	\$14,894
1982	-3.0%	4.8%	\$16,770	\$16,007
1983	-2.3%	3.9%	\$17,552	\$16,897
1984	0.9%	7.0%	\$19,066	\$17,815
1985	3.5%	12.1%	\$20,642	\$18,422
1986	4.5%	12.8%	\$21,943	\$19,457
1987	5.0%	13.6%	\$23,268	\$20,483
1988	4.9%	16.4%	\$25,059	\$21,537
1989	6.6%	19.1%	\$26,831	\$22,530
1990	7.8%	21.1%	\$28,593	\$23,603
1991	8.2%	26.7%	\$30,834	\$24,335
1992	4.7%	23.6%	\$31,493	\$25,483
1993	5.2%	16.1%	\$30,254	\$26,067
1994	6.4%	17.8%	\$31,171	\$26,455
1995	6.3%	25.2%	\$33,954	\$27,116
1996	6.5%	23.9%	\$34,529	\$27,861
1997	5.7%	23.8%	\$35,825	\$28,932
1998	2.3%	22.2%	\$36,705	\$30,047
1999	0.9%	20.0%	\$37,476	\$31,225
2000	-0.9%	21.0%	\$38,939	\$32,186
2001	0.6%	23.4%	\$41,314	\$33,491
2002	2.6%	25.8%	\$43,845	\$34,862
2003	6.9%	25.7%	\$45,646	\$36,309
2004	4.5%	27.7%	\$48,062	\$37,623
2005	5.0%	32.1%	\$51,003	\$38,617

Source: Bureau of Economic Analysis and MHPC.

Table 2 Wages and Salaries per Job Calendar Years 1979 to 2005				
Calendar Year	State Government Wages and Salaries as a Percent of Private Sector			
	National Average Ratio	Maine		
		Ratio	State Government Compensation	Private Compensation
1979	-3.8%	7.4%	\$11,064	\$10,303
1980	-6.3%	3.8%	\$11,879	\$11,441
1981	-6.8%	-0.8%	\$12,244	\$12,345
1982	-5.3%	3.7%	\$13,689	\$13,204
1983	-5.2%	2.0%	\$14,143	\$13,866
1984	-2.6%	5.7%	\$15,402	\$14,571
1985	-1.1%	9.4%	\$16,539	\$15,122
1986	0.1%	9.0%	\$17,463	\$16,016
1987	0.6%	9.0%	\$18,467	\$16,936
1988	0.5%	10.9%	\$19,779	\$17,837
1989	2.6%	14.0%	\$21,225	\$18,619
1990	3.3%	15.2%	\$22,480	\$19,511
1991	4.0%	20.2%	\$24,091	\$20,039
1992	0.0%	14.0%	\$23,874	\$20,939
1993	0.4%	7.2%	\$22,823	\$21,286
1994	1.4%	10.9%	\$24,021	\$21,670
1995	1.1%	17.8%	\$26,312	\$22,340
1996	-0.1%	15.4%	\$26,697	\$23,127
1997	-1.2%	14.7%	\$27,787	\$24,228
1998	-3.5%	10.8%	\$28,037	\$25,293
1999	-4.6%	9.6%	\$28,848	\$26,313
2000	-6.0%	11.4%	\$30,169	\$27,078
2001	-3.9%	11.1%	\$31,270	\$28,136
2002	-1.4%	14.4%	\$33,103	\$28,948
2003	-1.8%	13.4%	\$33,982	\$29,963
2004	-3.6%	10.7%	\$34,444	\$31,119
2005	-3.9%	13.2%	\$36,020	\$31,812

Source: Bureau of Economic Analysis and MHPC.

Table 3 Benefits per Job Calendar Years 1979 to 2005				
Calendar Year	State Government Benefits as a Percent of Private Sector			
	National Average Ratio	Maine		
		Ratio	State Government Compensation	Private Compensation
1979	3.1%	-4.1%	\$1,938	\$2,021
1980	3.8%	-4.2%	\$2,184	\$2,281
1981	6.8%	0.3%	\$2,555	\$2,548
1982	8.9%	9.9%	\$3,080	\$2,804
1983	13.0%	12.4%	\$3,408	\$3,031
1984	19.0%	13.0%	\$3,664	\$3,243
1985	27.4%	24.3%	\$4,102	\$3,300
1986	27.9%	30.2%	\$4,479	\$3,441
1987	28.4%	35.3%	\$4,800	\$3,547
1988	28.8%	42.7%	\$5,279	\$3,700
1989	28.5%	43.3%	\$5,606	\$3,911
1990	31.8%	49.4%	\$6,113	\$4,092
1991	29.4%	57.0%	\$6,743	\$4,296
1992	28.3%	67.7%	\$7,619	\$4,544
1993	28.0%	55.4%	\$7,432	\$4,781
1994	30.4%	49.4%	\$7,150	\$4,785
1995	33.0%	60.0%	\$7,642	\$4,776
1996	41.8%	65.5%	\$7,832	\$4,734
1997	44.2%	70.9%	\$8,038	\$4,704
1998	35.2%	82.3%	\$8,667	\$4,754
1999	32.6%	75.6%	\$8,628	\$4,912
2000	27.6%	71.7%	\$8,771	\$5,108
2001	25.2%	87.6%	\$10,044	\$5,355
2002	22.1%	81.6%	\$10,742	\$5,914
2003	48.3%	83.8%	\$11,664	\$6,347
2004	42.8%	109.4%	\$13,619	\$6,504
2005	46.7%	120.2%	\$14,982	\$6,805

Source: Bureau of Economic Analysis and MHPC.

Chart 2  
 Percent of State Government **Compensation** per Job Above/Below Private Sector  
 Compensation per Job  
 Calendar Years 1979 to 2005

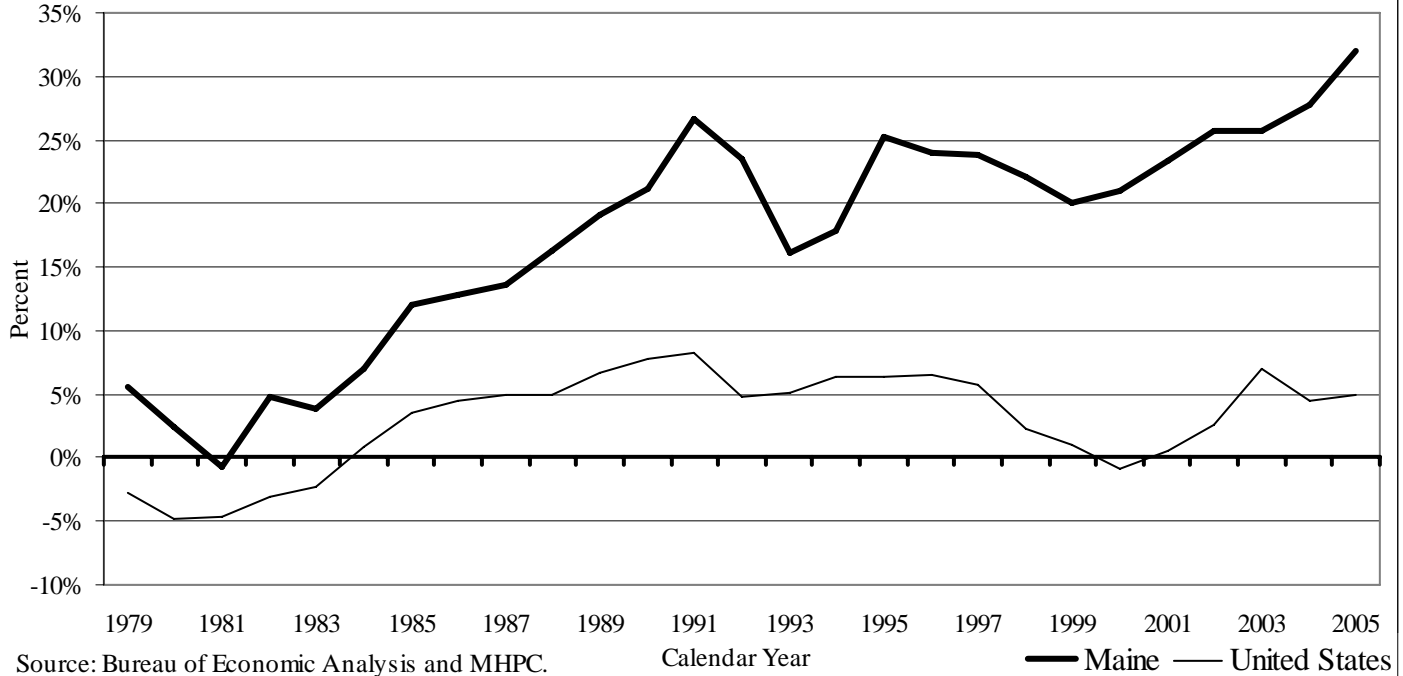


Chart 3  
 Percent of State Government **Wages and Salaries** per Job Above/Below Private Sector  
 Wages and Salaries per Job  
 Calendar Years 1979 to 2005

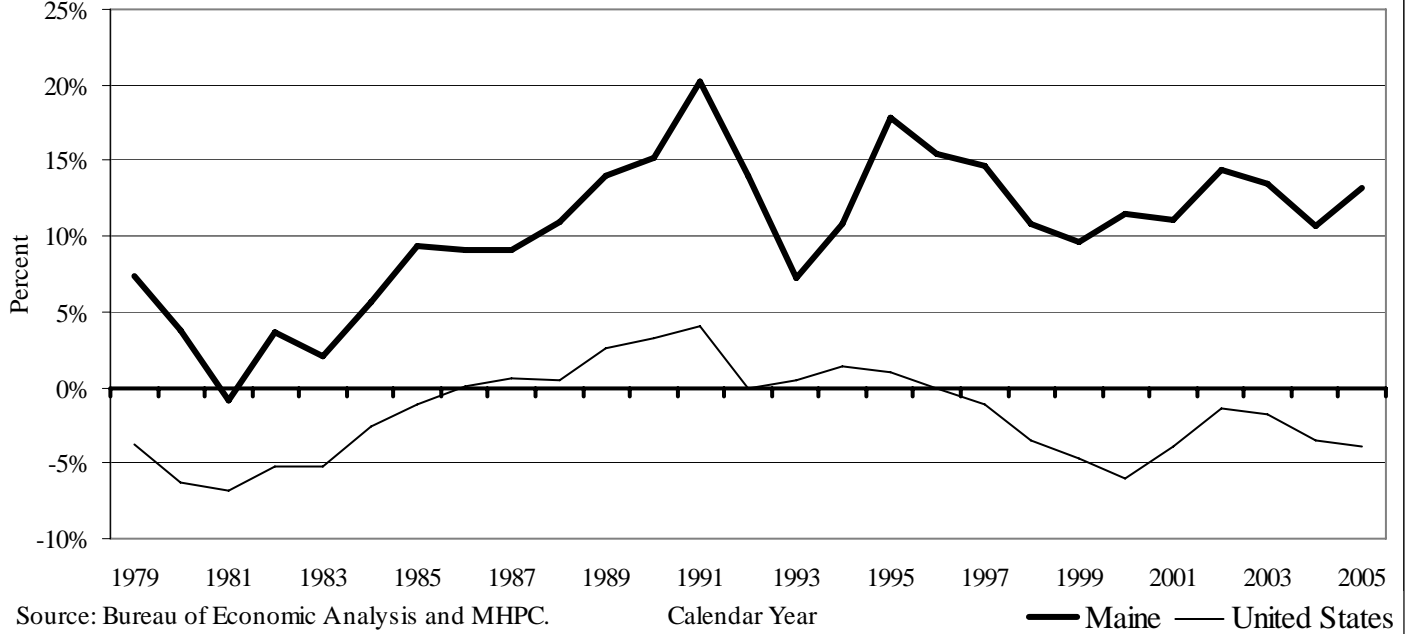
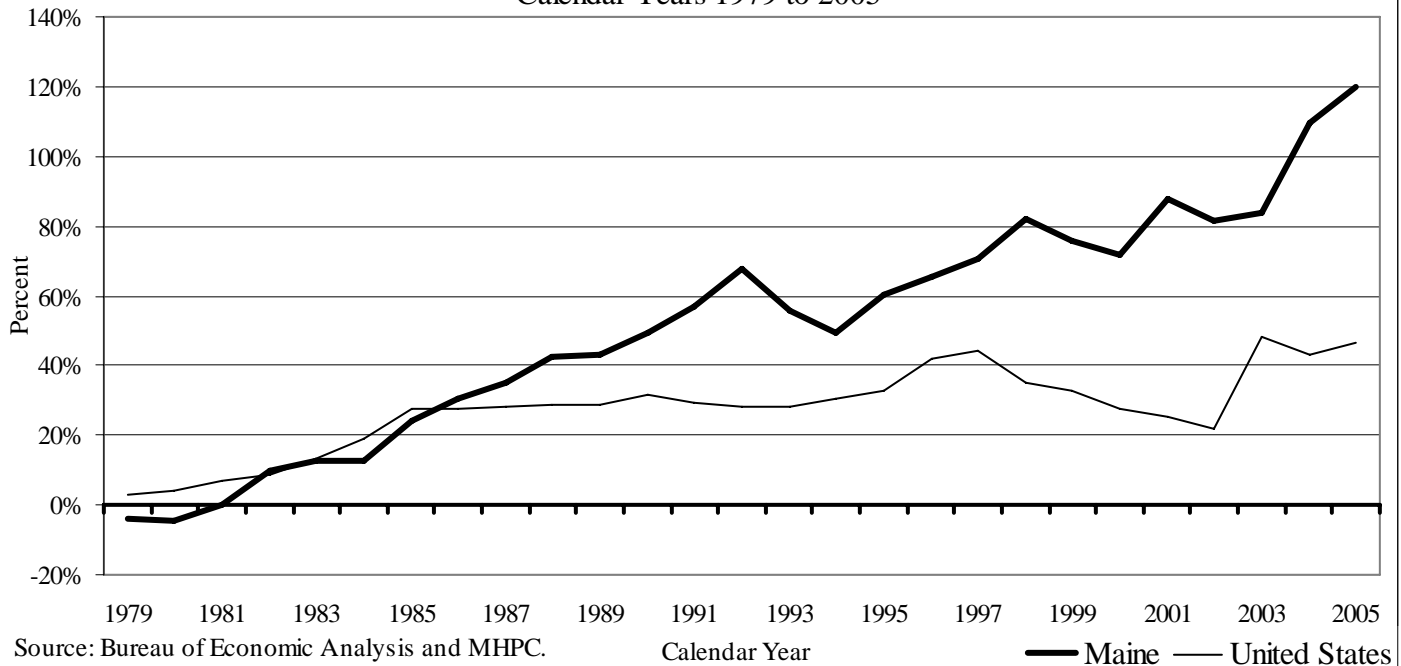


Chart 4  
Percent of State Government **Benefits** per Job Above/Below Private Sector Benefits per Job  
Calendar Years 1979 to 2005



tion was 2.5 percent higher than the private sector ranking as the 11<sup>th</sup> highest in the country. Maine's ranking has steadily risen and by 2005 had a ratio of 32.1 percent ranking as the 4<sup>th</sup> highest in the country.

### Wages and Salaries Ranking

Table 5 shows the percent of state government wages and salaries above/below the private sector by state and rank for selected calendar years. In 1980, Maine's state government wages and salaries were 3.8 percent higher than the private sector ranking as the 8<sup>th</sup> highest in the country. By 2005, Maine's ratio has risen to a ratio of 13.2 percent higher, ranking as the 6<sup>th</sup> highest in the country.

### Benefits Ranking

Table 6 shows the percent of state government benefits above/below the private sector by state and rank for selected calendar years. In 1980, Maine's state government benefits were 4.2 percent lower than the private sector ranking as the 22<sup>nd</sup> highest in the country. By 2005, Maine's ranking rose to the 5<sup>th</sup> highest in the country with a ratio of 120.2 percent above the private sector ranking.

### Lower Private to State Government Compensation Ratios Equals Lower Taxes

Chart 5 shows how much state and local spending could have potentially been reduced if private to state government compensation ratio was equal to the national average in each year between calendar year 1979 to 2005. The cumulative savings, in 2005 dollars, could have been up to \$3.4 billion to Maine taxpayers.[2]

In 2005, if the ratio of private to state government compensation had been reduced to the national average (from 32.1 percent to 5 percent) the savings to Maine taxpayers would have been up to \$274,688,769.

### Conclusion

In Maine, state government sector jobs, on average, are compensated at a significantly greater rate than private sector positions. Private employers are subject to market forces which dictate how much they can afford to pay employees, while state governments are only limited by how much revenue they can raise through taxation and borrowing. Perhaps, this difference explains the compensation disparity.

Policymakers should be aware that the compensation disparity exists not only because of high compensation levels to state employees, but also because Maine's private sector is under economic duress. Recent analysis by The Maine Heritage Policy Center has discovered that Maine's private sector has yet to

Table 4  
Percent of State **Compensation** Above/Below Private Sector Compensation by State and Rank  
Selected Calendar Years

State	1980	Rank	1990	Rank	2000	Rank	2005	Rank
United States	-4.7%	--	7.8%	--	-0.9%	--	5.0%	--
Alabama	2.1%	13	12.5%	18	15.6%	10	12.5%	23
Alaska	13.2%	3	24.1%	5	17.9%	8	22.7%	10
Arizona	-6.4%	29	7.1%	30	-6.2%	44	-0.1%	41
Arkansas	-6.1%	27	11.3%	22	12.5%	16	13.5%	20
California	21.5%	1	20.5%	8	-1.4%	35	14.7%	17
Colorado	-8.8%	31	2.8%	39	-8.1%	46	-1.3%	44
<b>Connecticut</b>	<b>0.8%</b>	<b>17</b>	<b>8.1%</b>	<b>27</b>	<b>-2.1%</b>	<b>36</b>	<b>7.2%</b>	<b>31</b>
Delaware	-10.9%	35	-0.5%	43	-7.9%	45	-0.1%	40
Florida	1.1%	14	13.9%	15	12.5%	15	15.3%	16
Georgia	0.9%	16	15.0%	14	-4.9%	43	-5.4%	47
Hawaii	14.0%	2	5.4%	35	0.3%	34	7.6%	30
Idaho	-6.8%	30	7.2%	29	4.8%	21	11.4%	25
Illinois	-12.0%	38	-1.2%	44	1.7%	32	12.8%	22
Indiana	-19.9%	48	0.1%	42	-4.7%	42	19.5%	13
Iowa	1.0%	15	28.8%	3	28.8%	2	26.3%	7
Kansas	-15.9%	44	-4.1%	49	-4.1%	40	30.5%	6
Kentucky	-13.3%	42	5.4%	34	4.7%	22	6.0%	33
Louisiana	-16.0%	45	-3.6%	47	1.4%	33	16.8%	14
<b>Maine</b>	<b>2.5%</b>	<b>11</b>	<b>21.1%</b>	<b>7</b>	<b>21.0%</b>	<b>4</b>	<b>32.1%</b>	<b>4</b>
Maryland	-4.4%	24	15.0%	12	9.4%	18	10.2%	27
<b>Massachusetts</b>	<b>-5.4%</b>	<b>26</b>	<b>2.9%</b>	<b>38</b>	<b>-13.0%</b>	<b>49</b>	<b>-3.6%</b>	<b>46</b>
Michigan	-12.9%	39	3.9%	36	-3.0%	38	6.0%	34
Minnesota	-0.1%	18	11.1%	23	4.1%	25	9.2%	28
Mississippi	-0.9%	19	11.9%	21	14.4%	11	13.6%	19
Missouri	-13.1%	40	-1.5%	46	-9.5%	48	-10.0%	50
Montana	-9.3%	33	2.0%	40	19.5%	6	25.0%	8
Nebraska	-14.1%	43	24.1%	4	17.5%	9	20.4%	12
Nevada	-2.6%	20	22.2%	6	32.3%	1	24.3%	9
<b>New Hampshire</b>	<b>-11.9%</b>	<b>37</b>	<b>-1.2%</b>	<b>45</b>	<b>-19.3%</b>	<b>50</b>	<b>-7.0%</b>	<b>49</b>
New Jersey	-6.2%	28	9.5%	25	3.9%	27	5.5%	35
New Mexico	5.1%	8	18.1%	10	23.7%	3	41.0%	1
New York	10.3%	5	13.5%	16	1.9%	30	-0.9%	43
North Carolina	11.2%	4	29.9%	2	3.9%	26	-0.7%	42
North Dakota	-13.2%	41	6.0%	33	5.3%	20	6.3%	32
Ohio	-22.6%	49	3.2%	37	-2.4%	37	4.1%	36
Oklahoma	-16.5%	47	6.3%	31	8.9%	19	7.8%	29
Oregon	-4.4%	23	8.7%	26	3.4%	28	32.6%	3
Pennsylvania	4.4%	10	33.8%	1	4.6%	23	1.3%	39
<b>Rhode Island</b>	<b>-3.0%</b>	<b>21</b>	<b>16.9%</b>	<b>11</b>	<b>14.0%</b>	<b>13</b>	<b>31.2%</b>	<b>5</b>
South Carolina	6.5%	7	12.2%	20	13.7%	14	14.0%	18
South Dakota	2.2%	12	12.3%	19	18.2%	7	21.6%	11
Tennessee	5.0%	9	15.0%	13	2.4%	29	2.4%	37
Texas	-16.3%	46	-3.7%	48	-4.6%	41	1.6%	38
Utah	-10.9%	36	1.8%	41	1.7%	31	12.9%	21
<b>Vermont</b>	<b>6.7%</b>	<b>6</b>	<b>19.6%</b>	<b>9</b>	<b>20.3%</b>	<b>5</b>	<b>37.3%</b>	<b>2</b>
Virginia	-4.0%	22	7.9%	28	-3.4%	39	-6.2%	48
Washington	-10.1%	34	6.2%	32	-8.7%	47	-2.5%	45
West Virginia	-32.4%	50	-6.0%	50	14.3%	12	16.2%	15
Wisconsin	-4.8%	25	11.1%	24	11.1%	17	12.2%	24
Wyoming	-9.1%	32	13.2%	17	4.4%	24	10.9%	26
District of Columbia	--	--	--	--	--	--	--	--

Source: Bureau of Economic Analysis and MHPC.

Table 5

## Percent of State Wages and Salaries Above/Below Private Sector Wages and Salaries by State and Rank Selected Calendar Years

State	1980	Rank	1990	Rank	2000	Rank	2005	Rank
United States	-6.3%	--	3.3%	--	-6.0%	--	-3.9%	--
Alabama	2.0%	11	11.8%	12	9.6%	10	4.7%	16
Alaska	19.2%	1	26.8%	1	20.4%	3	20.7%	3
Arizona	-10.2%	36	4.9%	22	-10.4%	40	-6.0%	39
Arkansas	-7.3%	28	6.5%	19	4.4%	14	0.5%	27
California	16.8%	2	18.7%	4	0.5%	21	6.8%	11
Colorado	-7.0%	27	-1.2%	39	-11.8%	42	-5.6%	37
<i>Connecticut</i>	<b>-6.6%</b>	<b>26</b>	<b>0.3%</b>	<b>37</b>	<b>-7.4%</b>	<b>37</b>	<b>0.5%</b>	<b>26</b>
Delaware	-18.1%	46	-7.4%	48	-12.2%	43	-7.8%	40
Florida	-3.7%	21	1.5%	35	-0.3%	25	3.4%	19
Georgia	-0.7%	15	6.5%	20	-13.4%	46	-15.2%	48
Hawaii	15.2%	3	9.3%	15	3.3%	17	4.3%	17
Idaho	-6.2%	25	2.8%	28	-2.2%	28	-1.2%	30
Illinois	-11.4%	39	-0.9%	38	-4.2%	33	0.8%	25
Indiana	-20.9%	48	-5.4%	46	-13.5%	47	-12.8%	46
Iowa	-2.2%	17	24.5%	2	22.2%	1	16.8%	4
Kansas	-14.8%	44	-6.0%	47	-9.4%	39	-9.3%	45
Kentucky	-9.8%	35	2.6%	29	0.7%	20	1.7%	24
Louisiana	-11.0%	38	-4.0%	43	-3.0%	31	6.1%	12
<i>Maine</i>	<b>3.8%</b>	<b>8</b>	<b>15.2%</b>	<b>7</b>	<b>11.4%</b>	<b>7</b>	<b>13.2%</b>	<b>6</b>
Maryland	-9.3%	34	9.0%	16	3.0%	18	2.6%	21
<i>Massachusetts</i>	<b>-4.8%</b>	<b>22</b>	<b>2.1%</b>	<b>31</b>	<b>-14.8%</b>	<b>48</b>	<b>-3.9%</b>	<b>32</b>
Michigan	-11.8%	42	1.7%	32	-7.5%	38	2.0%	23
Minnesota	1.5%	12	9.3%	14	-1.2%	26	3.1%	20
Mississippi	-3.0%	18	3.4%	26	3.8%	16	0.3%	29
Missouri	-13.1%	43	-8.1%	49	-18.2%	49	-20.4%	50
Montana	-7.6%	29	-1.3%	40	12.2%	6	7.3%	10
Nebraska	-11.7%	41	22.6%	3	11.3%	8	10.9%	8
Nevada	0.3%	13	14.0%	10	20.0%	4	15.7%	5
<i>New Hampshire</i>	<b>-9.0%</b>	<b>33</b>	<b>-5.0%</b>	<b>45</b>	<b>-23.8%</b>	<b>50</b>	<b>-17.1%</b>	<b>49</b>
New Jersey	-3.5%	19	7.6%	17	1.7%	19	5.0%	14
New Mexico	8.7%	4	17.0%	5	20.7%	2	28.3%	1
New York	-1.9%	16	11.6%	13	-2.8%	30	-5.2%	35
North Carolina	5.3%	7	16.3%	6	-1.2%	27	-5.2%	36
North Dakota	-10.7%	37	1.7%	34	-2.6%	29	-4.8%	34
Ohio	-21.8%	49	-1.4%	41	-4.0%	32	-4.4%	33
Oklahoma	-18.9%	47	0.7%	36	0.3%	22	-3.8%	31
Oregon	-3.6%	20	3.1%	27	-5.5%	35	-9.0%	44
Pennsylvania	2.8%	10	12.5%	11	0.0%	23	-8.1%	41
<i>Rhode Island</i>	<b>0.1%</b>	<b>14</b>	<b>14.6%</b>	<b>9</b>	<b>9.4%</b>	<b>11</b>	<b>10.9%</b>	<b>7</b>
South Carolina	8.0%	5	5.6%	21	5.5%	13	4.8%	15
South Dakota	3.5%	9	6.8%	18	10.3%	9	9.4%	9
Tennessee	-7.8%	30	1.7%	33	-7.3%	36	-8.2%	42
Texas	-16.5%	45	-4.8%	44	-13.0%	45	-8.9%	43
Utah	-11.5%	40	-3.8%	42	-5.0%	34	0.5%	28
<i>Vermont</i>	<b>6.1%</b>	<b>6</b>	<b>14.8%</b>	<b>8</b>	<b>14.2%</b>	<b>5</b>	<b>26.7%</b>	<b>2</b>
Virginia	-5.1%	23	2.3%	30	-11.3%	41	-15.1%	47
Washington	-8.2%	32	3.5%	25	-12.5%	44	-5.7%	38
West Virginia	-28.8%	50	-9.1%	50	5.6%	12	5.2%	13
Wisconsin	-5.7%	24	3.7%	24	3.9%	15	2.2%	22
Wyoming	-8.0%	31	4.0%	23	-0.1%	24	4.3%	18
District of Columbia	--	--	--	--	--	--	--	--

Source: Bureau of Economic Analysis and MHPC.

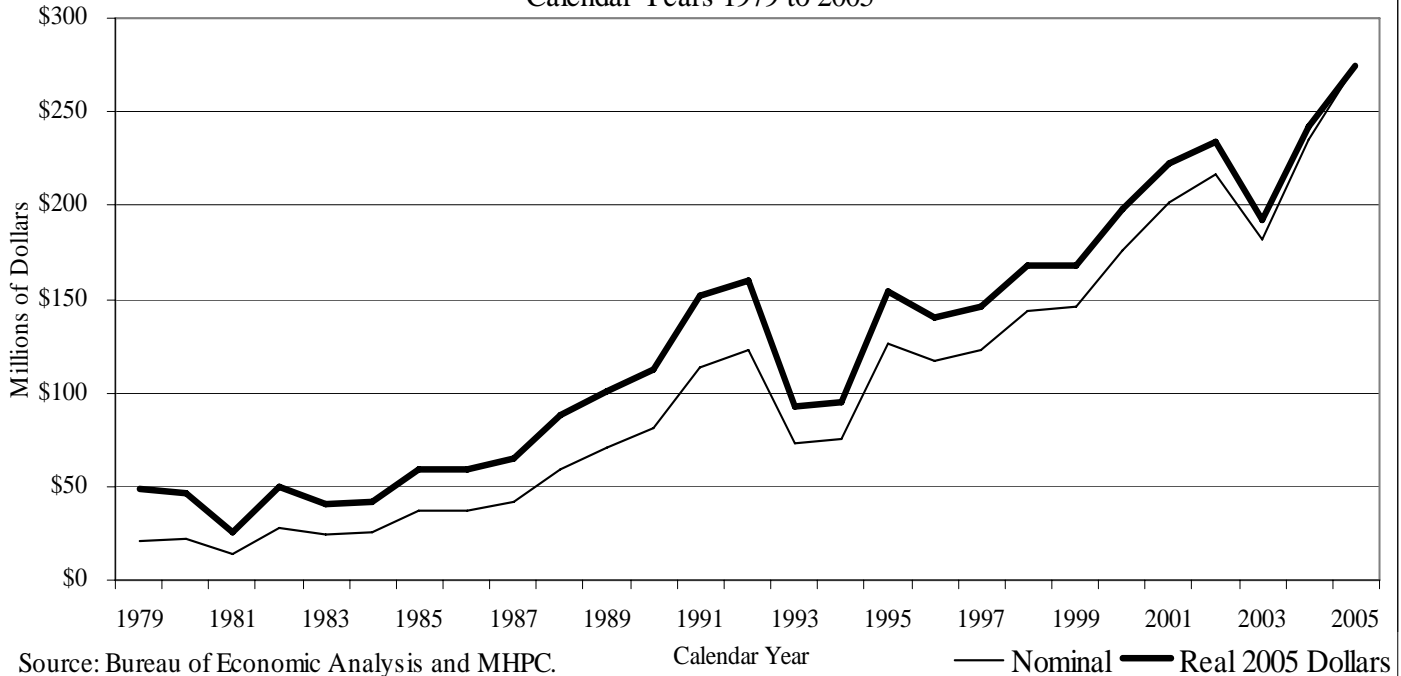
Table 6  
Percent of State **Benefits** Above/Below Private Sector Benefits by State and Rank  
Selected Calendar Years

State	1980	Rank	1990	Rank	2000	Rank	2005	Rank
United States	3.8%	--	31.8%	--	27.6%	--	46.7%	--
Alabama	2.6%	16	16.5%	41	49.5%	16	48.1%	29
Alaska	-15.2%	33	12.2%	43	5.8%	47	31.1%	40
Arizona	15.4%	10	19.2%	38	18.9%	40	29.7%	41
Arkansas	0.5%	18	36.2%	19	56.9%	10	72.1%	12
California	47.1%	3	29.9%	25	-12.3%	49	50.2%	27
Colorado	-19.9%	41	24.9%	31	14.0%	43	19.4%	47
<b>Connecticut</b>	<b>40.2%</b>	<b>5</b>	<b>49.1%</b>	<b>13</b>	<b>28.5%</b>	<b>35</b>	<b>38.5%</b>	<b>35</b>
Delaware	25.2%	7	35.3%	21	15.8%	42	36.9%	39
Florida	30.7%	6	83.6%	4	87.9%	2	75.5%	10
Georgia	10.2%	14	63.1%	7	45.7%	20	41.8%	33
Hawaii	7.4%	15	-15.3%	50	-17.1%	50	23.9%	43
Idaho	-9.9%	28	28.7%	28	42.2%	24	70.5%	14
Illinois	-15.1%	32	-3.1%	49	35.4%	29	67.9%	17
Indiana	-14.8%	30	29.4%	26	42.4%	23	157.6%	3
Iowa	18.1%	9	51.1%	9	64.6%	5	68.7%	16
Kansas	-21.9%	43	5.6%	46	24.7%	38	207.4%	2
Kentucky	-30.9%	48	19.9%	35	25.9%	37	24.8%	42
Louisiana	-43.5%	49	-1.8%	48	26.3%	36	67.2%	18
<b>Maine</b>	<b>-4.2%</b>	<b>22</b>	<b>49.4%</b>	<b>11</b>	<b>71.7%</b>	<b>4</b>	<b>120.2%</b>	<b>5</b>
Maryland	24.2%	8	50.2%	10	47.9%	19	48.5%	28
<b>Massachusetts</b>	<b>-8.3%</b>	<b>25</b>	<b>7.3%</b>	<b>45</b>	<b>-2.6%</b>	<b>48</b>	<b>-2.3%</b>	<b>50</b>
Michigan	-17.7%	36	14.7%	42	19.1%	39	22.8%	44
Minnesota	-8.7%	27	21.2%	34	34.0%	30	37.5%	38
Mississippi	10.8%	12	57.0%	8	73.6%	3	74.1%	11
Missouri	-12.6%	29	34.7%	22	39.1%	27	37.7%	37
Montana	-18.5%	37	17.7%	40	58.4%	8	106.4%	6
Nebraska	-28.1%	46	32.6%	24	52.3%	14	64.3%	19
Nevada	-20.0%	42	66.6%	5	104.2%	1	69.0%	15
<b>New Hampshire</b>	<b>-28.6%</b>	<b>47</b>	<b>19.5%</b>	<b>37</b>	<b>6.5%</b>	<b>45</b>	<b>41.3%</b>	<b>34</b>
New Jersey	-19.6%	40	19.2%	39	15.9%	41	8.2%	49
New Mexico	-14.9%	31	24.3%	33	41.5%	25	105.7%	7
New York	78.9%	1	24.6%	32	30.4%	32	21.2%	45
North Carolina	46.6%	4	106.1%	2	33.1%	31	20.1%	46
North Dakota	-28.0%	45	29.0%	27	48.2%	18	58.8%	22
Ohio	-27.4%	44	27.2%	30	6.3%	46	42.7%	32
Oklahoma	-2.5%	21	36.6%	18	57.7%	9	61.2%	20
Oregon	-8.5%	26	36.0%	20	49.9%	15	220.3%	1
Pennsylvania	12.4%	11	140.6%	1	29.3%	34	44.5%	30
<b>Rhode Island</b>	<b>-18.7%</b>	<b>38</b>	<b>28.0%</b>	<b>29</b>	<b>38.8%</b>	<b>28</b>	<b>125.6%</b>	<b>4</b>
South Carolina	-2.5%	20	48.2%	14	59.1%	7	56.1%	23
South Dakota	-5.5%	23	43.2%	16	63.7%	6	81.7%	9
Tennessee	78.4%	2	87.7%	3	56.3%	11	51.0%	26
Texas	-15.5%	34	2.4%	47	44.7%	22	51.6%	25
Utah	-7.4%	24	32.7%	23	41.4%	26	71.7%	13
<b>Vermont</b>	<b>10.4%</b>	<b>13</b>	<b>45.7%</b>	<b>15</b>	<b>54.0%</b>	<b>12</b>	<b>86.1%</b>	<b>8</b>
Virginia	2.4%	17	40.4%	17	44.9%	21	38.1%	36
Washington	-19.5%	39	19.8%	36	11.5%	44	11.7%	48
West Virginia	-48.9%	50	8.7%	44	53.3%	13	59.8%	21
Wisconsin	0.1%	19	49.2%	12	49.3%	17	55.1%	24
Wyoming	-15.9%	35	64.2%	6	30.0%	33	43.2%	31
District of Columbia	--	--	--	--	--	--	--	--

Source: Bureau of Economic Analysis and MHPC.



Chart 5  
State Compensation Savings if Maine Private/Public Compensation Ratio Equalled the  
National Average  
Calendar Years 1979 to 2005



recover from the 2001 recession.[3]

In addition to reducing the compensation gap, policymakers must also pursue pro-growth economic policies—such as lower regulations, spending reductions, lower taxes, and secure property rights—that will promote economic development and allow private employers to better compensate their employees.

### Notes and Sources

- [1] The first report in the series compared the “private sector” to the entire “public sector” which include state and local government. The full report can be found here: [http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20-%202005,%20Issue%20No.%20-%20prop%20\(final\).pdf](http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20-%202005,%20Issue%20No.%20-%20prop%20(final).pdf)
- [2] This analysis assumes that state governments would capture 100 percent of the cost savings due to the lower ratio of private to public compensation. This assumption may not hold where there is significant cost-sharing with the federal government such as Medicaid spending.
- [3] J. Scott Moody, “*Maine Personal Income: An Analysis of the Private and Public Sector Components*,” Vol. 4, Issue No. 11, December 19, 2006. The full report can be found here: [http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20-%202004,%20Issue%20No.%20-%2011%20\(final\).pdf](http://www.maineconomy.org/Portals/0/The%20Maine%20View%20-%20Vol.%20-%202004,%20Issue%20No.%20-%2011%20(final).pdf).
- [4] “State Personal Income Methodology,” U.S. Department of Commerce, Bureau of Economic Analysis. The full report can be found here: [http://www.bea.gov/regional/pdf/spi2005/Complete\\_Methodology.pdf](http://www.bea.gov/regional/pdf/spi2005/Complete_Methodology.pdf)

### Methodology and Definitions

The data used in this report is from the Bureau of Economic Analysis's Regional Economic Accounts. <http://www.bea.gov/regional/index.htm#state>

All calculations were performed by the authors. The data excludes farm and proprietorship income as well as dividends, interest and rents, and personal current transfer receipts. The data was adjusted for inflation using the "Personal Consumption Expenditures" deflator.

According to the BEA, "wages and salaries" are defined as: ". . . The monetary remuneration of employees, including the salaries of corporate officers, commissions, tips, bonuses, exercised stock options, severance pay, and distributions from nonqualified deferred compensation plans, and an imputation for pay-in-kind, such as meals furnished to the employees of restaurants." [4]

"Supplements," or benefits, are defined as: ". . . Employer contributions for employee pensions and insurance funds and employer contributions for social insurance."

"Employer contributions for employee pensions and insurance funds," are defined as: ". . . employer contributions to (1) private employee pension and welfare funds, (2) privately administered worker's compensation plans, (3) government employee health and life insurance plans, and (4) government retirement plans."

"Employer contributions for government social insurance" are defined as: ". . . employer payments under the following government social insurance programs: (1) Old-age, survivors', and disability insurance (OASDI) and hospital insurance (HI); (2) unemployment insurance; (3) railroad retirement; (4) pension benefit guaranty; (5) military medical insurance; (6) veteran's life insurance; (6) Federal workers' compensation; (7) state-administered worker's compensation; and (8) state-administered temporary disability insurance."

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