



The Pay Gap: Managing Iowa's Finances

By Laura P. Keith

In the midst of debate concerning state economic growth initiatives, such as the Iowa Values Fund, a poignant question arises: Will cutting taxes or increasing government spending help Iowa's economy grow? In the recent budget crises— Iowa's government's inability to balance its books and use of rainy-day funds to come out even — one party prefers to start slashing spending, while another party has “slash anxiety,” claiming everything from job loss to education standards will fall off the charts, despite a recent surge forward in the economy. [1](#)

At their core, people on both sides of the issue desire the best for Iowa. Both want economic growth; both want more opportunity for Iowans. The two views, however, base their thinking on two very different philosophies and thus will continue indefinitely to hinder progress in forming any type of responsible public policy. In fact, responsible public policy can be made by starting at home: how does Iowa's government manage its own finances?

The current debate on jobs centers on the best way to bring jobs into the state that pay well and to increase wages for jobs that are already located in Iowa. Before figuring out how to form policies for Iowa that promote growth for Iowa's economy by aiding everyone from manufacturers to farmers to educators, wages in Iowa are worth looking at. Once again, it is time to update the figures on the status of Iowa's private- and government-sector pay gap.

According to the chart on page two, using numbers provided by the United States Department of Labor, it is easy to see that the pay gaps between the government- and private-sector workers in Iowa in 2002 and 2003 are significant, compared to the slight difference on the national level. Though the number of those employed has decreased, wages have increased for both sectors. [2](#) This trend still leaves Iowa in the lead of similar states for using Iowa tax dollars to pay government workers on average more than the going market rate other Iowa employers follow.

Compared to similar states, the difference between private and government pay for Iowa is clearly larger. Most notable is that while our private pay is average compared to similar states, Iowa leads with the highest wages for government employees. What is the explanation? Claims have been made that education levels, differing pay structures, and even outsourcing has made the difference. [3](#) However, that simply explains the “why” of the problem and not the “how” for solving it.

A Publication of:

Public Interest Institute at Iowa Wesleyan College

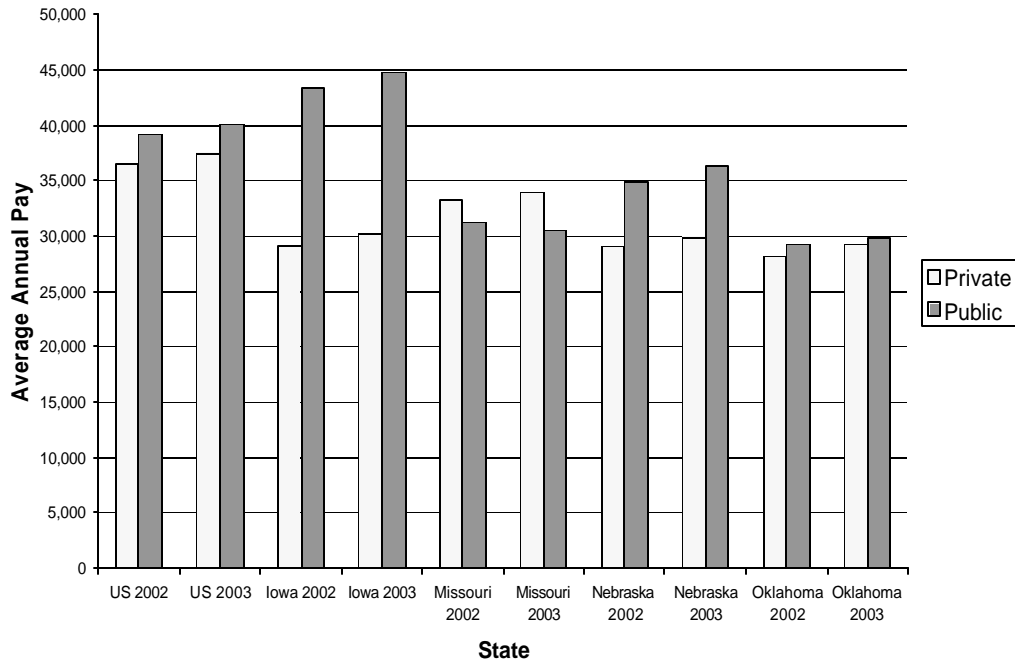
600 North Jackson Street

Mt. Pleasant, Iowa 52641-1328

Phone: 319-385-3462 Fax: 319-385-3799

E-Mail: public.interest.institute@limitedgovernment.org Website: www.limitedgovernment.org

Pay Gap Comparisons: 2002, 2003



The cost of operations and management of the government that serves taxpayers is often forgotten. Policymakers, whether conservative or liberal in philosophy, need to look at how they manage their use of Iowa tax dollars for operational purposes before evaluating how to collect, return, and appropriate tax dollars for policy programming. Whether increasing or decreasing spending, how is our government managing its own finances and where is that money coming from or going to? This argument is not over how big the pay gap between government- and private-sector employees is. We can continue to discuss the best ways to close that gap and improve the way Iowa manages our money.⁴

(Endnotes)

¹ For news on policy suggestions currently in debate, see the web edition of *Iowa Politics* at <http://www.iowapolitics.com> (August 5, 2004).

² All the statistical information is derived from the U.S. Department of Labor *Bureau of Labor Statistics Data* website at <http://data.bls.gov/labjava/outside.jsp?survey=en> (August 5, 2004).

³ See the Iowa Legislative Fiscal Bureau's report *Issue Review: State Employee Wages*. Also found online at <http://staffweb.legis.state.ia.us/lfb/docs/IssReview/1996/IR403G.PDF>. July 19, 2004.

⁴ See Steven B. Garrison's "Iowa's Privileged Class I-State Government Employees," from *Institute Brief* 9:13 (May 2002).

Laura P. Keith is a Research Analyst with Public Interest Institute.

Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from INSTITUTE BRIEF, a publication of Public Interest Institute." The views expressed in this publication are those of the author and not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry.