



Iowa's Privileged Class: State Government Employees

by Amy K. Frantz

Public Interest Institute first published an article highlighting the Pay Gap between Iowa's private-sector workers and the state's government workers in 1996. Since that time, we have periodically revisited this topic, providing updates with the latest economic data on the average annual wages of private-sector and government employees. Unfortunately, the results have remained the same throughout the years that the Institute has been publishing this information – Iowa has the largest Pay Gap in the nation. Iowa has held that status not only since 1996, but has held the top spot among states for the largest Pay Gap between government workers and private-sector workers for over two decades, beginning in 1987.

The Pay Gap is calculated using the data provided in the U.S. Department of Labor's Bureau of Labor Statistics' annual publication "Employment and Wages, Annual Averages." In 2007, the average private-sector worker in Iowa earned \$35,256, while Iowa's state government employees in Iowa earned an average of \$51,688. Iowa's state-government workers received an average wage that was 146.61 percent of what the average private-sector worker in Iowa was paid. For every \$1.00 an average private-sector worker earns in Iowa, an average state-government employee in Iowa earns \$1.47. This is the largest Pay Gap in the nation (see Table 1).

Public Interest Institute looks at the Pay Gap rather than a direct comparison of private-sector and government-sector wages to preclude some of the difficulties that arise when directly comparing the average wages of private-sector and government-sector employees. It is often argued that state-government workers make higher wages because the public sector has a higher percentage of jobs that require a college degree, are full-time and year round, and are substantively different than private-sector jobs.¹ However, the differences that exist between the typical types of jobs of private-sector workers and government-sector workers are not unique to Iowa; these differences exist in all states.

Another difficulty encountered in making state-to-state comparisons is the variation in cost of living between locations. However, the cost of living is the same in each state or location for private-sector workers and government-sector workers. Thus, in comparing the Pay Gap, rather than a direct comparison of pay levels from state to state, differences in cost of living are not a factor.

Some may say, particularly those working for the state government, it is not state-government wages that are too high, but rather private-sector wages are too low. While those of us working in the private sector would always appreciate higher wages, the difference is that in the private sector, a business cannot raise the prices of its goods and services and compel its customers to pay the higher prices. Consumers have the choice to shop elsewhere or not to pay the price at all by not buying that product. However, if the state government needs additional funds to pay its employees, it has the option of raising taxes, and its "customers" – the taxpayers of the state – must pay those higher taxes. Given the current state budget crisis, isn't it time we take a hard look at state-government employee salaries?

Public Interest Institute's POLICY STUDY, "Iowa's Privileged Class: State Government Employees," can be viewed at www.limitedgovernment.org.

¹ Dave Swenson and Liesl Eathington, "Do Public Sector Employees in Iowa Earn More Than Private Sector Employees?," Iowa State University, Department of Economics, March 2005, <http://www.econ.iastate.edu/research/webpapers/paper_12259.pdf> (November 11, 2009).

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Table 1. Average Annual Wages in Private and State Government Sectors, All States

State	Private Sector Average Annual Wages	State Government Sector Average Annual Wages	State Government Percent of Private Sector	State Ranking of Pay Gap
Iowa	\$35,256	\$51,688	146.61%	1
Rhode Island	\$39,832	\$54,496	136.81%	2
Wisconsin	\$37,700	\$48,932	129.79%	3
Montana	\$30,940	\$39,624	128.07%	4
Vermont	\$36,348	\$44,980	123.75%	5
South Dakota	\$31,252	\$38,584	123.46%	6
New Mexico	\$35,204	\$42,588	120.97%	7
Nevada	\$41,184	\$49,816	120.96%	8
Alabama	\$36,608	\$44,148	120.60%	9
Michigan	\$43,160	\$51,948	120.36%	10
Maine	\$34,476	\$41,080	119.16%	11
Ohio	\$39,416	\$46,696	118.47%	12
Nebraska	\$34,892	\$41,028	117.59%	13
Utah	\$36,660	\$43,004	117.30%	14
Kansas	\$37,596	\$43,732	116.32%	15
Wyoming	\$38,844	\$45,032	115.93%	16
Mississippi	\$31,668	\$36,660	115.76%	17
Pennsylvania	\$42,952	\$49,296	114.77%	18
Minnesota	\$44,668	\$51,168	114.55%	19
California	\$49,920	\$56,784	113.75%	20
Illinois	\$47,996	\$53,924	112.35%	21
South Carolina	\$34,736	\$39,000	112.28%	22
North Dakota	\$32,812	\$36,556	111.41%	23
Kentucky	\$36,192	\$40,248	111.21%	24
Hawaii	\$37,440	\$41,392	110.56%	25
Arizona	\$41,028	\$45,136	110.01%	26
Idaho	\$33,384	\$36,712	109.97%	27
Arkansas	\$33,748	\$37,076	109.86%	28
West Virginia	\$33,332	\$36,608	109.83%	29
Alaska	\$43,004	\$46,800	108.83%	30
North Carolina	\$38,636	\$41,860	108.34%	31
New Jersey	\$53,612	\$57,824	107.86%	32
Washington	\$44,616	\$48,100	107.81%	33
Florida	\$38,948	\$41,808	107.34%	34
Louisiana	\$38,428	\$40,768	106.09%	35
Indiana	\$37,596	\$38,584	102.63%	36
Colorado	\$45,656	\$46,696	102.28%	37
Maryland	\$46,436	\$47,476	102.24%	38
Delaware	\$47,216	\$47,632	100.88%	39
Massachusetts	\$55,796	\$56,264	100.84%	40
Connecticut	\$59,176	\$59,228	100.09%	41
Tennessee	\$39,156	\$39,156	100.00%	42
Oregon	\$39,208	\$39,052	99.60%	43
Oklahoma	\$35,464	\$33,072	93.26%	44
New Hampshire	\$44,356	\$40,976	92.38%	45
Virginia	\$45,552	\$41,964	92.12%	46
Missouri	\$38,896	\$35,256	90.64%	47
Texas	\$45,552	\$41,080	90.18%	48
D.C.	\$69,108	\$59,488	86.08%	49
Georgia	\$42,692	\$36,400	85.26%	50
New York	\$61,412	\$49,192	80.10%	51

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Wages, Annual Averages 2007"

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