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DPPI Study: State Employee Compensation Exceeds Private Sector

Wilmington, DE (April 18, 2016) - Total average compensation of state employees substantially exceeds that of workers in Delaware's private sector with similar levels of education and experience, according to a study released today by the Delaware Public Policy Institute.

The study found that Delaware state government employees receive salaries that are about 12.4 percent lower than those of similarly-qualified private sector workers, after controlling for education, experience and other factors. But state government employees receive a benefits package that is approximately 53 to 102 percent more generous than is received by most private sector workers. In particular, health coverage, retiree health plans, and pension benefits are substantially more generous for state employees than for Delaware employees working in the private sector.

- **Salary and Benefits.** The average Delaware state government employee in the Census data sample earned an annual salary of \$48,967 plus annual benefits, either received in that year or accrued toward retirement, worth between \$36,563 and \$48,230, depending upon the method used to value the accrual of future pension benefits. A private sector employee with similar education, experience and other characteristics would receive about \$55,039 in annual salary, but only about \$23,775 in additional benefits.
- **Total Package.** In total, the average Delaware state government employee receives between \$88,530 and \$97,197, while a comparable private sector employee would receive total pay and benefits of about \$78,814 per year.
- **Difference.** On average, Delaware state government employees receive total pay and benefits that are between \$6,716 and \$18,383 per year higher than those employees would be likely to receive in private sector positions, a difference of between 8.5 percent and 23.3 percent.

Were Delaware to compensate state government employees at market rates, it would save between \$260 million and \$720 million in annual compensation costs.

"Pensions, health coverage and retiree health care programs are the three key elements of compensation that are most generous relative to the private sector; they are also growing rapidly." DPPI Interim President Bill Osborne said, "We offer this study to inform current discussions in Dover by providing the facts needed to make sound public policy."

The study was conducted by Andrew G. Biggs, Ph.D., a resident scholar at the American Enterprise Institute where he studies public sector pay and benefits, Social Security reform and state and local government pensions.

The report specifically excludes local government employees, public school teachers and public safety workers, since those workers have different salaries and may participate in different health and pension plans.

Decisions related to salary and benefit plans for state employees are under discussion in the Delaware General Assembly. Two recent studies – the Delaware Expenditure Review Committee established by Governor Markell and the Delaware Business Roundtable’s Study of State Finances – identified personnel costs as a major cost driver of the state budget. Both studies noted that the significant areas of expenditure growth associated with personnel are in employee health care, pension and retiree health care.

The complete report entitled Unequal Pay: Comparing State & Private Sector Employee Compensation in Delaware was delivered to the Governor, his cabinet and all members of the Delaware General Assembly. It is available to the public online at <http://www.dsc.com/affiliates/delaware-public-policy-institute.aspx>.

About the Delaware Public Policy Institute

The Delaware Public Policy Institute is a non-partisan, non-profit organization established in 1990 to conduct research and encourage study and discussions of policy, programs and issues affecting the State of Delaware and its citizens.

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