



# Public Sector Employment: The Current Situation

by Stuart Greenfield

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### Introduction

There are about 84 million baby boomers -- defined to be those aged 42 to 61 in 2006 -- who account for more than 30 percent of the U.S. population and more than 45 percent of total nonfarm employment last year. As the cutting edge of the baby boom generation begins their seventh decade, this aging trend will have an impact on the general workforce and an even more pronounced impact on the public sector workforce.

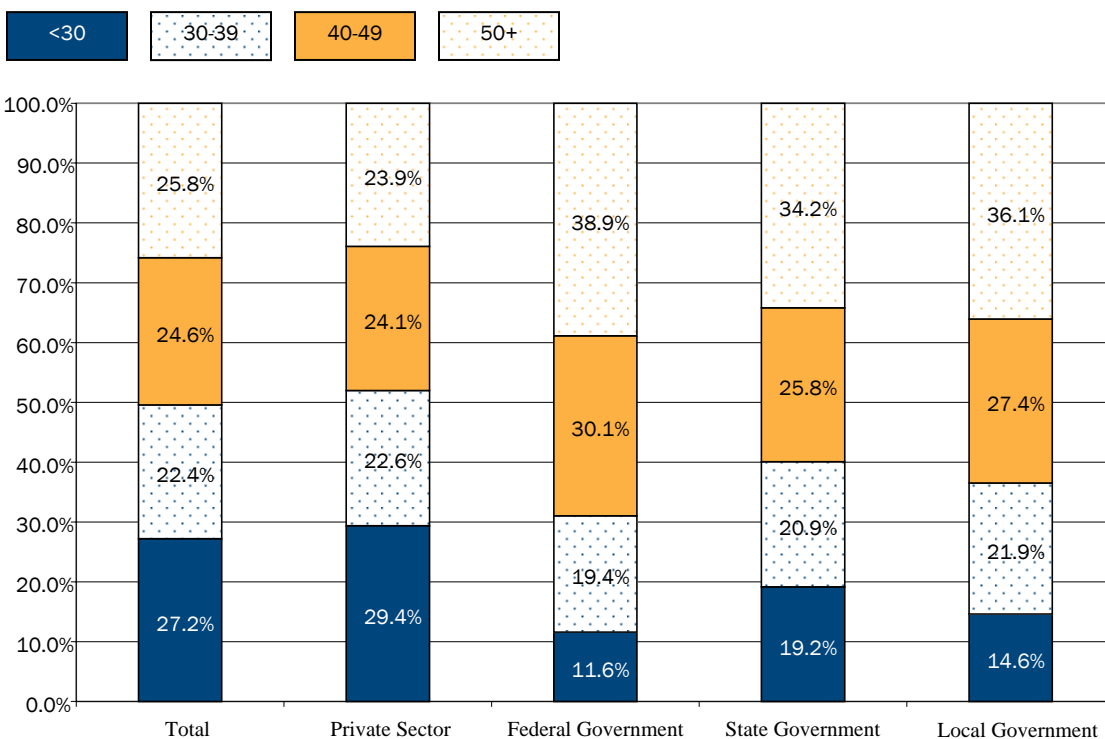
### More public sector workers are older

According to recent Census data, 45.3 percent of the civilian labor force is between 40 and 61 years of age. However, the proportion of the workers the same age in the public sector is substantially greater. Among federal workers, 64.1 percent of the workforce is within this age group, while 54.3 percent of those in the state government workforce and 57.2 percent of the local government workforce are within this group.

With the aging of the population, all employers will need to replace a growing number of retiring workers. As shown in Figure 1, the proportion of workers age 40 and older is substantially greater in the public sector than in the private sector. According to Census data for 2006, 48.0 percent of private sector workers were over 40 years of age, while 69.0 percent of the federal workforce was over 40. The percentages for state and for local governments were 60.0 and 63.5, respectively.

Figure 1: Age Distribution of Workers in Private and Government Sector, 2006

Source: U.S. Bureau of Census, Current Population Survey (CPS), Annual Social and Economic Survey File, March 2006



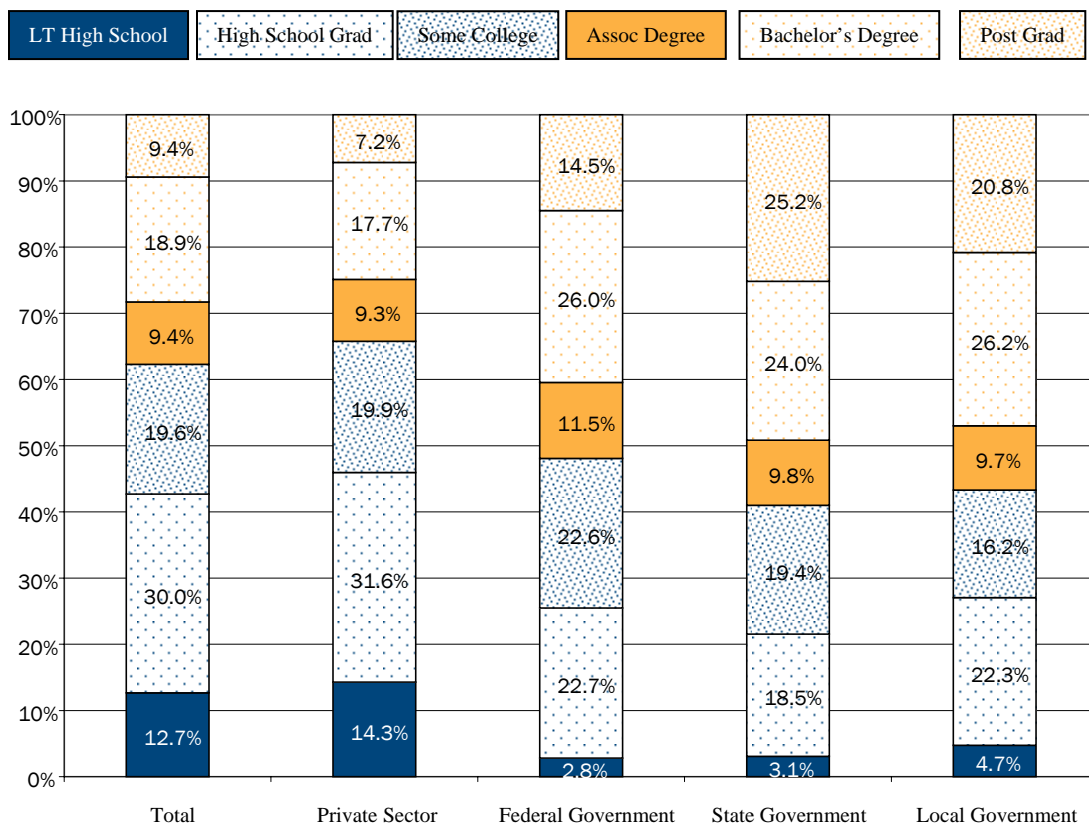
As Figure 1 also shows, the private sector has a greater proportion of younger workers. While more than 29 percent of the workers in the private sector was under 30 years of age, the comparable rate in the federal, state, and local sectors were 11.6 percent, 19.2 percent, and 14.5 percent respectively.

### More public sector workers are more educated

Along with an older workforce, the public sector also employs workers with higher educational attainment than workers in the private sector. While almost 46 percent of the workers in the private sector have no more than a high school diploma (see Figure 2), a little more than 25 percent of the workers in the public sector have this level of education.

Figure 2: Educational Attainment of Workers in Private and Government Sector, 2006

Source: Bureau U.S. Bureau of Census, Current Population Survey (CPS), Annual Social and Economic Survey File, March 2006



In fact, almost half the workers in the public sector have at least a college degree. In comparison, only 24.9 percent of workers in the private sector have at least a bachelor's degree.

### Changing economy requires different skills

As the economy has transitioned from manufacturing to a service orientation, the nature of work requires different skills. This transition has resulted in categorizing occupations as being either knowledge- or non-knowledge-based. Knowledge workers require specialized education, training or skills. Examples include educators, health care workers, legal professionals, engineers and managers. Almost 38 percent of all those employed in 2006 were in occupations that fall into the knowledge worker category. However, the percentage varies among sectors, with 32.3 percent of private sector workers classified as

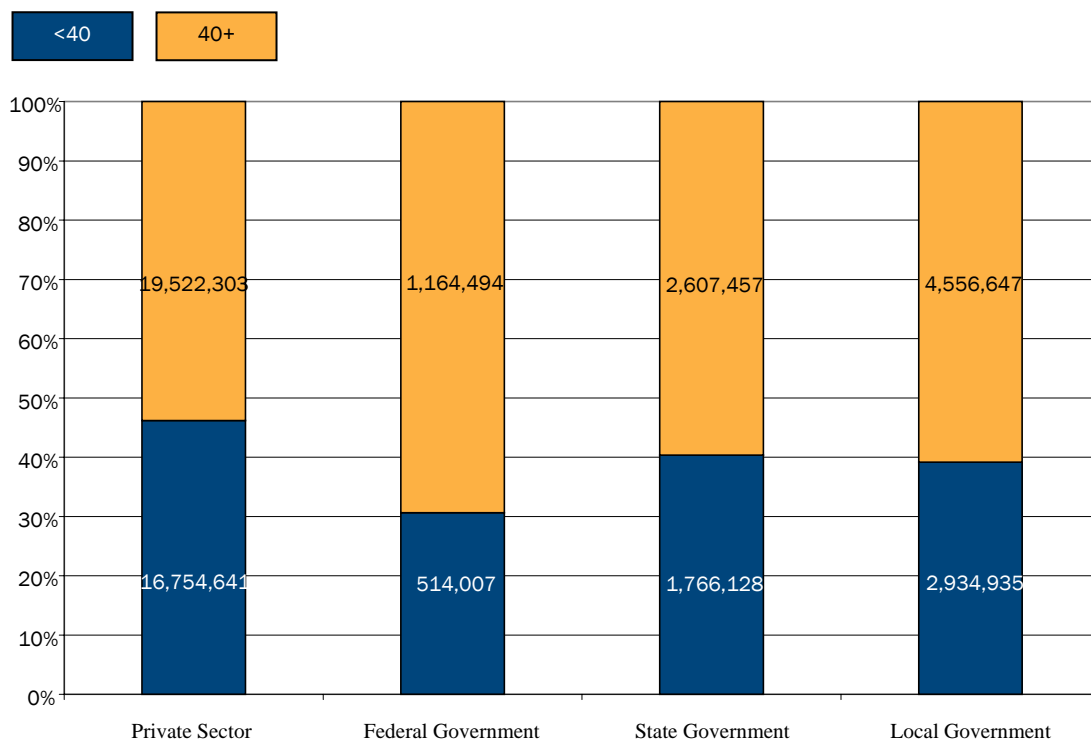
knowledge workers, while federal, state and local sectors have 49.8 percent, 68.7 percent and 67.5 percent, respectively, of their workforce in occupations that fall into the knowledge worker category.

### More public sector knowledge workers are older

As is the case with the government workforce in general, public sector knowledge workers are heavily concentrated in the age group of 40 and older (see Figure 3.) While around one-quarter of private sector knowledge workers are over 50 years of age, in the public sector, more than one-third is over 50. Given the expected retirement boom, the public sector will need to replace a greater percentage of knowledge workers than the private sector: around 40 percent of federal knowledge workers and more than a third of state and local government knowledge workers will be eligible to retire over the next decade.

Figure 3: Knowledge Workers by Age Group by Sector, 2006

Source: Source: Bureau U.S. Bureau of Census, Current Population Survey (CPS), Annual Social and Economic Survey File, March 2006

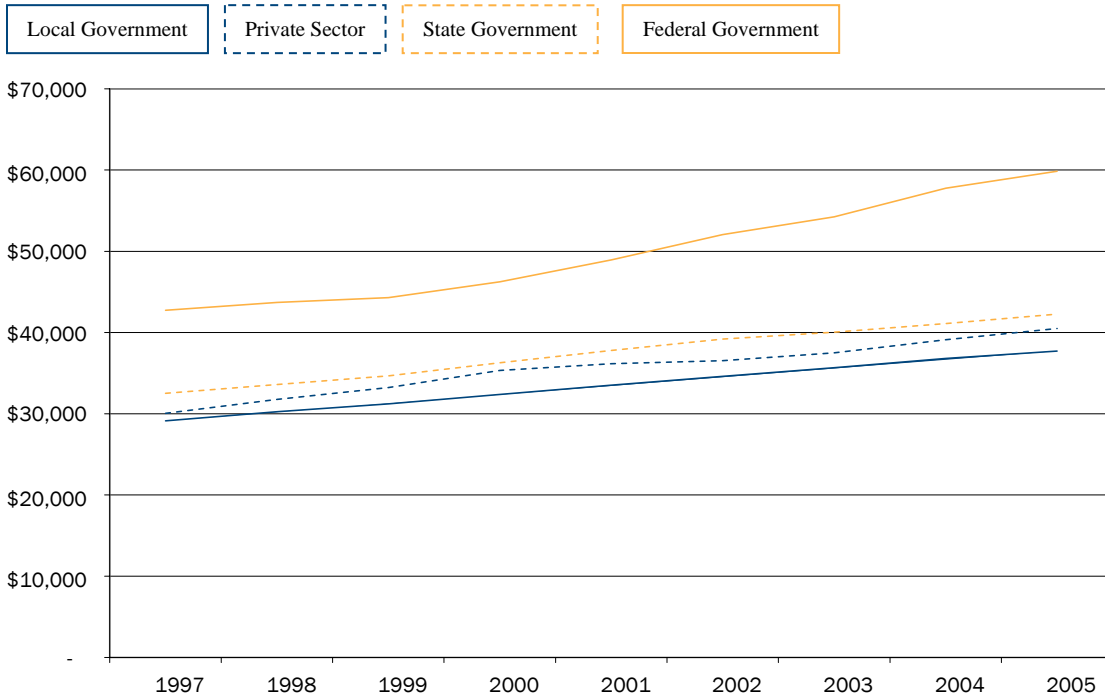


### Comparing public and private sector pay

According to the Bureau of Labor Statistics, the average pay of a public sector employee in the U.S. in 2005 was around 2.7 percent greater than that of a private sector worker. However, significant differences exist depending on which governmental sector is compared. Federal and state workers earned 4.8 percent and four percent more, respectively, than private sector workers, while local government workers earned seven percent less than a private sector worker. These sector differentials have been evident since the late 1990s (see Figure 4 below). The federal sector experienced the highest annual rate (4.3 percent) of increase in pay between 1997 and 2005. The average annual increase for state government and local government workers was 3.3 percent, while private sector workers' pay increased by 3.8 percent.

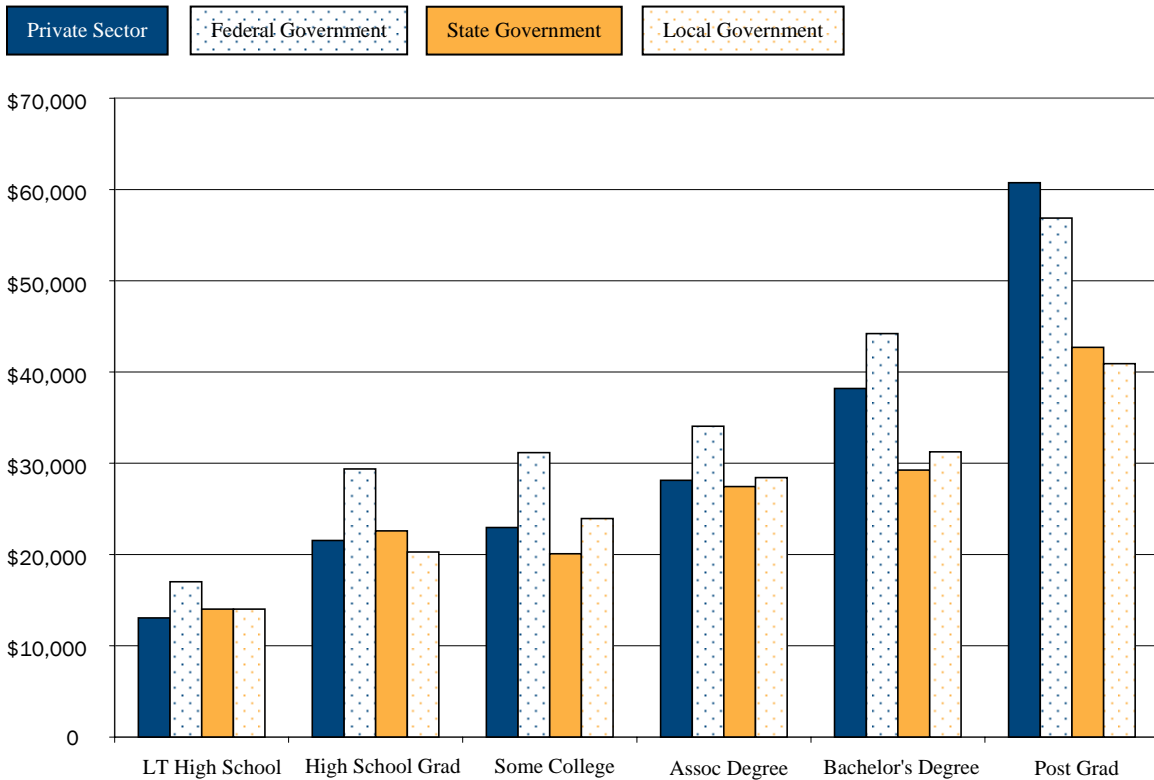
**Figure 4: Annual Earnings by Sector**

Source: BLS, State and County Employment and Wages, various years



**Figure 5: Earnings by Education and Sector, 2005**

Source: Bureau U.S. Bureau of Census, Current Population Survey (CPS), Annual Social and Economic Survey File, March 2006



While federal and state workers on average earn more than private sector workers, there are disparities, which will affect the ability of the public sector to attract needed replacement workers. As shown in Figure 5, only federal employees earn more than their private sector counterparts irrespective of their level of education. In the local and state sectors, those with less than a college degree earn more than private sector workers with comparable education; however, private sector workers with post-secondary degrees earn more than their local and state government counterparts. In fact, this disparity increases as education increases. Given that almost half of state and local government employees have at least a bachelor's degree, attracting new hires having similar education levels could require substantial increases in salary, since earnings for those with degrees are between 25 and 35 percent less than received by private sector workers with degrees.

### **Public sector knowledge workers earn less**

As knowledge workers have a more significant role in today's economy, the differential between knowledge worker earnings in the private versus the public sector is striking. While government workers on average earn more than private sector workers, knowledge workers in the public sector earn only 81.6 percent of what private sector knowledge workers earn. Again, there is a difference within the public sector, with state and local workers earning 20 and 25 percent less, respectively, while federal workers earn 15 percent more than private sector knowledge workers.

The public sector will need to develop ingress policies to address its demographic predicament, a workforce that is both older and more highly educated than workers in the private sector. While in the aggregate public sector workers earn more than those in the private sector, differentials exist depending on level of education and occupation. The federal workforce could be especially affected as its workforce is the oldest.

### **Reaching out to minorities**

The U.S. labor market will face at least two significant issues over the next 25 years: an expected slowing in the growth of the labor force and the loss of skills and talent as boomers retire. To address these issues the public sector will need to develop an effective ingress strategy. This strategy must provide mechanisms to:

- Attract new workers
- Retain young workers
- Energize and prolong careers

About 60 percent of public sector workers are over 40 years of age. More than half these boomers will be able to retire within the decade. With the anticipated changes the nation's workforce will face in the future, it will be critical to reach out to minorities, the groups that will account for the greatest growth. This will be especially needed to reach Hispanic youth, who will comprise a significant proportion of new entrants. Currently, Hispanics comprise 13.2 percent of the nation's workforce, but Hispanics also account for more than 20 percent of the population under 15 years of age.

### **Reaching young workers**

As the competition for young, well educated workers increases, government will be required to implement comprehensive and innovative recruiting strategies. According to a study by the Concours Group, young workers consider a "comprehensive benefits

package, an enjoyable workplace, work that enables one to learn and growth, and a comprehensive retirement package” important in their employment decision. Governments should use their comprehensive benefits and retirements packages in marketing to these new entrants. Developing policies to improve the workplace and promote learning should be undertaken to promote recruitment.

### **Scholarships, loan forgiveness, and retention bonuses**

Other ways to improve recruitment might include offering scholarships for college students in exchange for a commitment of a certain number of years of government service or college loan forgiveness for college graduates entering government service. Home purchase assistance could also be considered.

In some occupations -- e.g., information technology and health care -- governments have used retention bonuses to retain workers. With the coming exodus, it may be necessary to offer these to other occupations that require critical skills. While more than 27 percent of those employed currently have at least bachelor’s degree, this percentage is expected to decline. So while the workforce will grow, the proportion of the workforce having the educational attainment required for government jobs will decline. Using retention bonuses to retain these workers will be critical.

### **Flexible work arrangements**

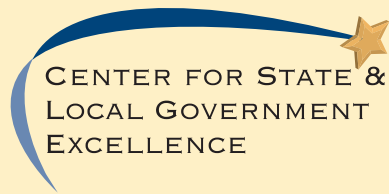
Another policy to investigate is flexible work arrangements. In the past, rehiring retirees has been used to address critical job vacancies. With the anticipated increase in retirements, governments should consider policies to promote this return. By offering arrangements, such as flexible scheduling, job sharing, part-time assignments, or temporary assignments, retirees would continue to work. Similar policies that provide flexibility could also be used to attract new workers.

### **Conclusion**

Government leaders will be required to develop more vigorous recruitment and retention policies to address its aging workforce. With the continued growth in the economy and increased competition for skilled workers, it is essential that greater attention be paid to having a public sector workforce that can effectively and efficiently provide public services to the citizens of this nation.

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*Stuart Greenfield worked for more than 20 years for the Comptroller of Public Accounts for the State of Texas. Since retiring from the state in 2000, he has taught economics at various universities in Austin and has continued to research various public sector issues, with a special focus on the public sector workforce. He has his Ph.D. in Economics from the University of Texas.*



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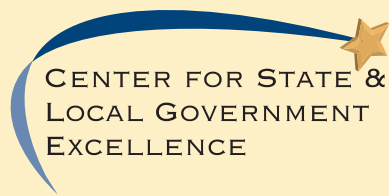
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