

Maine's State Workforce is Too Big and Overpaid . . . But Where?

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2006 research by The Maine Heritage Policy Center, using data from the U. S. Department of Commerce's Bureau of Economic Analysis (BEA), concluded that the Maine state workforce was too big and overpaid.^[1] In 2007, if Maine's state workforce, as a percent of the private sector workforce, was at the national average there would have been 4,497 fewer state workers - 22,985 versus 27,482. This over-employment cost Maine taxpayers up to \$189,451,468 in 2007.

In addition, Maine's state workforce compensation levels are far above the national average for similar state government positions. In 2007, the average Maine state government worker took home \$51,073, including wages, overtime and benefits. If Maine state workers' compensation was at the average ratio of public versus private sector employees, it would have been \$42,130. This over-compensation cost the Maine taxpayers up to \$245,772,870 in 2007.

The total price tag for the combination of Maine's over-employment and over-compensation was a staggering figure of up to \$435,224,338 in 2007. If these savings could be used to lower Maine's state tax burden (as a percent of personal income) it would represent a reduction of about 12 percent: declining from 8.24 to 7.27 percent.

Details are more difficult to uncover. The BEA data does not detail the job functions of state government to give policy-makers a better idea of where to locate the over employment and/or over compensation. To investigate this information, data from the U.S. Department of Commerce's Census Bureau was used to break down employment into 32 different functions. These include police, firefighters, highways, public welfare, elementary, secondary, and higher education and many others.

However, keep in mind that the Census Bureau data is supplemental to the BEA data, which offers the most accurate and broadest picture of overall employment and compensation. For example, the Census Bureau data does not include any information on government benefits, which is actually the primary driver of Maine state government's over-compensation. As such, the dual-sourced numerical data presented in this analysis may not exactly match that from previous reports.

First, the employment ratio (Table 1) is calculated by dividing the number of state government workers by the total number of private sector workers. Maine state government employs 5.46 workers for every 100 private sector workers which exceeds the national average of 4.34 workers. Overall, Maine has the 19th highest employment ratio in the country.

Among the Census Bureau's 32 functions, Maine's employment ratio falls among the ten highest nationally for Financial Administration (6th), Other Government Administration (10th), Highways (5th), Water Transport and Terminals (7th) and Public Welfare (2nd). Higher Ed - Other (includes non-instructional employees) falls as the 14th highest in the country - but when combined with Public Welfare - is responsible for the vast majority of Maine's state government over-employment problem.

Second, the wages and salaries ratio (Table 2) is calculated by dividing the average state government wages and salaries (\$36,134) by the average private sector wages and salaries (\$34,186) yielding a ratio of +5.7 percent. This is significantly higher than the national average of -6.8 percent. Overall, Maine has the 10th highest wages and salaries ratio in the country.

Among the 32 job functions, Maine's wages and salaries ratio fell among the ten highest in the country for Other Government Administration (6th), Police Protection—Officers (3rd), Corrections (5th), Public Welfare (8th), Health (4th), Hospitals (2nd), Social Insurance Administration (10th), Parks and Recreation (4th), Natural Resources (6th), Higher Ed - Instructional (10th), Other Education (8th), and Other and Unallocable (7th).

One function that shows up in both ratios, and is thus the most worrisome, is Public Welfare. Public Welfare includes programs that directly aid individuals such as Medicaid and Temporary Assistance for Needy Families (TANF). High spending in this area is not entirely surprising given that previous research found Maine to have the most expensive Medicaid program in the country.^[2] This may be partially explained by the fact that the program is over-staffed and its workforce over-paid.

Introduction

Maine state government spends too much.^[3] A significant driver of this over-spending is the state workforce. This study delves into greater details provided by the Department of Commerce's Census Bureau to help policy-makers find the trouble areas.

Employment Ratios

The employment ratio (Table 1) is calculated by dividing the number of state government workers by the total number of private sector workers. Maine state government employs 5.46 workers for every 100 private sector workers which exceeds the national average of 4.34 workers by 25.8 percent. Overall, Maine has the 19th highest employment ratio in the country.

Among the 32 functions, Maine's employment ratio fell among the ten highest in the country for the following functions:

- ◆ Financial Administration (6th): Includes officials and central staff agencies concerned with tax assessment and collection, accounting, auditing, budgeting, purchasing, custody of funds, and other finance activities.
- ◆ Other Government Administration (10th): Includes administrative functions not included in financial, social insurance, judicial, and legal administration.
- ◆ Highways (5th): Includes the maintenance, operation, repair, and construction of highways, streets, roads, alleys, sidewalks, bridges, tunnels, ferry boats, and related structures, including those operated on a toll basis.
- ◆ Water Transport and Terminals (7th): Includes the provision, construction, operation, maintenance, and support of public waterways, harbors, docks, wharves, and related marine terminal facilities. Regulation of the water transportation industry.
- ◆ Public Welfare (2nd): Includes employees engaged in all public welfare activities, including the administration of public assistance and providing direct assistance such as Medicaid and Temporary Assistance to Needy Families (TANF).

Table 1
Employment Ratios by Function
Fiscal Year 2007

Employment Function	National Average	Maine		
		Employment Ratio	Difference	Rank
Total	4.34	5.46	1.12	19
<i>Financial Administration</i>	<i>0.15</i>	<i>0.28</i>	<i>0.13</i>	<i>6</i>
<i>Other Government Administration</i>	<i>0.05</i>	<i>0.11</i>	<i>0.06</i>	<i>10</i>
Judicial & Legal	0.15	0.15	0.00	28
Police Protection - Officers	0.06	0.07	0.01	18
Police - Other	0.03	0.04	0.00	24
Firefighters Only	--	--	--	--
Other Fire Employees	--	--	--	--
Correction	0.40	0.25	-0.15	45
<i>Highways</i>	<i>0.20</i>	<i>0.47</i>	<i>0.27</i>	<i>5</i>
Air Transportation	0.00	--	--	--
<i>Water Transport & Terminals</i>	<i>0.00</i>	<i>0.02</i>	<i>0.01</i>	<i>7</i>
<u>Public Welfare</u>	<u>0.20</u>	<u>0.61</u>	<u>0.41</u>	<u>2</u>
Health	0.16	0.24	0.08	17
Hospitals	0.37	0.12	-0.25	44
Social Insurance Administration	0.07	0.07	0.00	20
Solid Waste Management	0.00	--	--	--
Sewerage	0.00	--	--	--
Parks and Recreation	0.03	0.03	0.00	27
Housing & Community Development	--	--	--	--
Natural Resources	0.13	0.24	0.11	13
Water Supply	0.00	--	--	--
Electric Power	0.00	--	--	--
Gas Supply	--	--	--	--
Transit	0.03	--	--	--
Elem & Sec Instructional (a)	0.04	0.01	-0.03	7
Elem & Secondary - Other (a)	0.02	0.01	-0.01	7
Higher Ed Instructional	0.64	0.45	-0.19	46
<u>Higher Ed - Other</u>	<u>1.34</u>	<u>1.93</u>	<u>0.59</u>	<u>14</u>
Other Education	0.08	0.05	-0.03	42
Libraries	0.00	--	--	--
Liquor Stores (b)	0.01	0.00	-0.01	14
Other & Unallocable	0.17	0.32	0.15	12

(a) Only 9 states have any employment in these functions which inflates Maine's rank.

(b) Only 14 states have any employment in these functions which inflates Maine's rank.

Source: U.S. Department of Commerce: Bureau of Economic Analysis and Census Bureau, The Maine Heritage Policy Center.

While Higher Ed - Other does not fall into the ten highest in the country (14th), the absolute difference between the national average and Maine is the largest of all functions at 0.59. When combined with the difference in Public Welfare (0.41), 90 percent of the entire difference with the national average is explained. Higher Ed - Other includes all non-instructional employees.

Wages and Salaries Ratio

The wages and salaries ratio (Table 2) is calculated by dividing the average state government wages and salaries (\$36,134) by the average private sector wages and salaries (\$34,186) yielding a ratio of +5.7 percent. This is significantly higher than the national average of -6.8 percent. Overall, Maine has the 10th highest wages and salaries ratio in the country.

Among the 32 functions, Maine's wages and salaries ratio fell among the ten highest in the country for the following functions:

- ◆ Other Government Administration (6th): See "employment ratios" section for definition.
- ◆ Police Protection - Officers (3rd): Includes police employees with power of arrest.
- ◆ Correction (5th): Includes all institutional (confinement, correction, and rehabilitation of convicted adults or juveniles) and non-institutional (pardon, probation, and parole) correctional activities.
- ◆ Public Welfare (8th): See "employment ratios" section for definition.
- ◆ Health (4th): Includes the provision of services for the conservation and improvement of public health such as health-related inspections, air and water quality, rabies, and animal control.
- ◆ Hospitals (2nd): Includes hospital facilities that provide in-patient medical care and institutions for care and treatment of handicapped which are directly administered by government, including those operate at public universities.
- ◆ Social Insurance Administration (10th): Includes the administration of unemployment compensation systems and public employment services.

Table 2
Wages and Salaries Ratios by Function
Fiscal Year 2007

Employment Function	National Average	Maine		
		Wages and Salaries Ratio	Difference	Rank
Total	-6.8%	5.7%	12.5%	10
Financial Administration	6.4%	17.7%	11.3%	20
Other Government Administration	4.2%	28.5%	24.3%	6
Judicial & Legal	26.6%	49.7%	23.1%	11
Police Protection - Officers	48.0%	89.0%	41.0%	3
Police - Other	-3.5%	14.3%	17.8%	14
Firefighters Only	--	--	--	--
Other Fire Employees	--	--	--	--
Correction	3.8%	38.6%	34.9%	5
Highways	8.2%	26.1%	17.9%	12
Air Transportation	31.9%	--	--	--
Water Transport & Terminals	21.7%	5.0%	-16.7%	15
Public Welfare	-7.6%	16.6%	24.2%	8
Health	2.5%	36.1%	33.6%	4
Hospitals	2.3%	32.3%	30.0%	2
Social Insurance Administration	4.1%	20.3%	16.2%	10
Solid Waste Management	35.4%	--	--	--
Sewerage	50.1%	--	--	--
Parks and Recreation	-26.3%	11.2%	37.6%	4
Housing & Community Development	--	--	--	--
Natural Resources	-3.7%	24.4%	28.2%	6
Water Supply	38.5%	--	--	--
Electric Power	59.5%	--	--	--
Gas Supply	--	--	--	--
Transit	42.5%	--	--	--
Elem & Sec Instructional (a)	14.3%	-13.8%	-28.1%	7
Elem & Secondary - Other (a)	-42.8%	-50.9%	-8.0%	9
Higher Ed Instructional	8.7%	47.3%	38.6%	10
Higher Ed - Other	-36.3%	-40.0%	-3.8%	38
Other Education	1.3%	27.6%	26.3%	8
Libraries	-37.3%	--	--	--
Liquor Stores (b)	-33.7%	26.9%	60.6%	2
Other & Unallocable	16.0%	35.9%	19.8%	7

(a) Only 9 states have any employment in these functions which inflates Maine's rank.

(b) Only 14 states have any employment in these functions which inflates Maine's rank.

Source: U.S. Department of Commerce: Bureau of Economic Analysis and Census Bureau, The Maine Heritage Policy Center.

- ◆ Parks and Recreation (4th): Includes the provision and support of recreational and cultural-scientific facilities maintained for the benefit of residents and visitors.
- ◆ Natural Resources (6th): Includes the conservation, promotion, and development of natural resources (soil, water, energy, minerals, etc.) and the regulation of industries which develop, utilize, or affect natural resources.
- ◆ Higher Ed - Instructional (10th): Includes all instructional employees at government higher education facilities.
- ◆ Other Education (8th): Includes the support of special programs and institutions for the training and education of the blind, deaf, or other handicapped.
- ◆ Other and Unallocable (7th): Includes employees engaged in activities that are not applicable to other employment functions or are multifunctional such as voter registration and elections, economic development, and code enforcement.

Conclusion

When examining the two ratios together, the pattern that emerges is that functions which rank high in the employment ratio do not rank as highly in the wages and salaries ratio and vice-versa. For instance, the Hospitals employment ratio is ranked as only the 44th highest whereas their wages and salaries ratio is ranked as the 4th highest. This tells policy makers not only what functions to look at, but also which ratios to examine.

However, one function that shows up in both ratios is Public Welfare - which consists mostly of Medicaid. This analysis provides yet another piece of evidence for why Maine's Medicaid system needs to be reduced and reformed.

Methodology

The data used in this study is from the Department of Commerce's Census Bureau and is part of the their Government Finance and Employment data series. The data can be found here: <http://www.census.gov/govs/www/apes.html>

The wages and salaries data is based on one month's payroll - usually March. The yearly payroll data used in this study is based on multiplying this specific month's payroll by twelve. As a result, this may cause deviation from actual payroll due to overtime, unusual situations or part-year workers - such as teachers.

For more on the government functions definitions see: <http://www.census.gov/govs/www/06classificationmanual/chapter12.html>.

Notes and Sources:

- [1] For more information, albeit dated, see: J. Scott Moody, "Maine State Government Employment," Maine View, Vol. 5, Issue No. 12, November 13, 2007. <http://www.maineconomy.org/library/resources/49.pdf> and J. Scott Moody and Jason A. Fortin, "The State Government 'Gravy Train' An Analysis of Private versus State Government Compensation," Maine View, Vol. 5, Issue No. 4, June 5, 2007. <http://www.maineconomy.org/library/resources/57.pdf>.
- [2] Tarren Bragdon, "Maine's Choice: Have Medicaid Take Care of the Truly Vulnerable or Give Away Medicaid to the Middle Class," Medicaid Watch, Vol. 5, Issue No. 1, February 25, 2008. <http://www.maineconomy.org/library/resources/83.pdf>.
- [3] J. Scott Moody, "Maine Spends Too Much . . . But Where?" Fiscal Sanity, Issue One, November 12, 2008. <http://www.maineconomy.org/library/resources/123.pdf>.

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