

New Mexico's Unionized Employees earn more than their Non-Union Counterparts

**By Paul J. Gessing
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As the Legislature discusses the budget during the 2014 legislative session, pay hikes for State and local government workers are on the table. The Legislative Finance Committee has proposed relatively ambitious pay raises ranging from 1.5 percent to more than 3.0 percent.¹ Gov. Martinez, on the other hand, has proposed more modest pay hikes targeted at teachers. Martinez's plan would result in small raises for about 7,000 of the state's roughly 22,000 workers.²

With these competing proposals on the table, it is worth looking at the data to better understand the compensation premium that's already enjoyed by government workers in New Mexico. An earlier analysis from the Rio Grande Foundation demonstrated that government workers enjoy a greater than eight percent compensation premium over their private sector counterparts. Now, new research conducted for the Rio Grande Foundation demonstrates the source of that premium: In unionized sectors of New Mexico government, employee pay is higher than it is for government workers who aren't union employees. In other words, taxpayers pay more than they have to for basic public services.³

Economists from the University of Miami (OH) and Trinity University conducted a study of 819 public employees in the state, and found that collective bargaining in the state leads to less-affordable services for the taxpayers and artificially-inflated pay for unionized government employees.

Around the state, government employees who are working under a union-negotiated collective bargaining contract cost taxpayers 7.4% more in total compensation – the “union premium” – for services the taxpayers could be getting more affordably from a non-unionized counterpart. Regionally, Texas and Colorado taxpayers are hit with 5% and 4% union compensation premiums, respectively. However these figures are trumped in Utah and Arizona where unions are driving costs up for taxpayers at total union compensation premiums of almost 13% and 11%, respectively.

¹ Dan Boyd, “Legislative Committee Pushes Pay Raises for State Workers,” *Albuquerque Journal*, Jan. 4, 2014, <http://www.abqjournal.com/330819/news/legislative-committee-pushes-pay-raises-for-state-workers.html>.

² Dan Boyd, “Governor's Budget Proposal Focuses on Education,” *Albuquerque Journal*, Jan. 7, 2014, <http://www.abqjournal.com/332245/news/nm-news/governors-budget-proposal-focuses-on-education.html>.

³ William Even, Raymond E. Glos Professor of Economics, Miami University (OH) and David Macpherson, E.M. Stephens Professor of Economics, Trinity University.

Table 1.

	Wage and Salary		Total Compensation (including benefits)		Sample Size	
	<u>Union Premium</u>	<u>t-statistic</u>	<u>Union Premium</u>	<u>t-statistic</u>	<u>Total</u>	<u>Union</u>
UNITED STATES	6.8%	8.37	7.4%	11.76	69,339	33,528
NEW MEXICO	3.9%	1.45	7.4%	3.33	819	260
TEXAS	4.8%	3.36	5.1%	4.26	3,826	839
ARIZONA	10.9%	3.35	11.0%	4.32	710	211
COLORADO	2.5%	1.15	4.1%	2.33	1,493	444
UTAH	11.6%	3.87	12.7%	5.31	847	220
Bold = statistically significant at .05 level (t-stat > 1.96)						

In their study, the economists controlled for education, work experience, type of occupation, hours worked, other income, and demographics.⁴ As seen below, New Mexico’s state and local government employees who have obtained a high school degree or less and are working under a union-negotiated contract are costing taxpayers 13.3% more in total compensation. Compare that to Utah’s 11.6% union premium for similarly educated employees and to the nationwide union compensation premium of 8.6% for similar employees.

New Mexico’s 13.3% union premium ranks in the top ten in states around the country that pay their less-educated government union employees the most – all at the taxpayer’s expense. The national average union compensation premium for similarly educated state and local public employees sits at 8.6%.

Due to unions’ collective bargaining agreements, taxpayers are paying government employees more for the same services that they could get more affordably from their non-unionized counterparts. Comparatively, when faced with two identical products, one being substantially more expensive than the other, a sensible individual chooses the affordable option. So this begs the question: Why is paying for New Mexico’s public services different?

⁴ Demographics include sex, race, marital status, and urban/rural residence. The economists note that these controls match those used in several other studies of the union differential in compensation.

Table 2.

	<u>Education Level</u>	Wage and Salary		Total Compensation (including benefits)		Sample Size	
		<u>Union Premium</u>	<u>t-statistic</u>	<u>Union Premium</u>	<u>t-statistic</u>	<u>Total</u>	<u>Union</u>
UNITED STATES	HS or less	6.7%	10.04	8.6%	15.63	20,455	7,757
	Some College	6.8%	10.93	8.3%	12.68	24,247	10,235
	College graduate	2.8%	3.56	3.8%	5.71	53,199	27,184
NEW MEXICO	HS or less	9.6%	1.82	13.3%	3.14	294	81
	Some College	-3.8%	-0.77	0.7%	0.17	300	83
	College graduate	-1.2%	-0.27	2.6%	0.69	536	167
TEXAS	HS or less	3.9%	1.03	5.0%	1.63	1,251	120
	Some College	7.5%	2.28	8.2%	3.06	1,318	213
	College graduate	2.3%	1.27	2.7%	1.75	2,632	753
ARIZONA	HS or less	4.5%	0.63	6.8%	1.29	228	31
	Some College	14.7%	2.55	14.2%	3.21	284	76
	College graduate	9.6%	2.21	10.1%	2.91	530	183
COLORADO	HS or less	14.0%	2.41	14.2%	3.03	309	71
	Some College	-1.9%	-0.39	1.8%	0.46	480	117
	College graduate	-0.8%	-0.29	1.4%	0.61	1,169	395
UTAH	HS or less	9.3%	1.48	11.6%	2.42	200	41
	Some College	4.4%	0.73	7.3%	1.55	319	56
	College graduate	6.6%	1.54	8.4%	2.41	561	165

Bold = statistically significant at .1 level (t-stat > 1.64)

Conclusion

New Mexico's economy continues to struggle to recover from the recent recession. While people are leaving the state for greener pastures, there seems to be little reason for unionized government workers to leave their relatively well-paid government jobs. Rather than providing pay raises for government workers, New Mexico's elected leaders should look for ways to return resources to the private sector.