

Why Privatizing Government Services Would Hurt Women Workers

by Annette Bernhardt, Ph.D., Laura Dresser, Ph.D., and Catherine Hill, Ph.D.

This Research In Brief summarizes key findings of the IWPR report *Why Privatizing Government Services Would Hurt Women Workers* by Annette Bernhardt and Laura Dresser (forthcoming). Using data from the 1998 Current Population Survey, Bernhardt and Dresser document job growth in the public and private sectors and examine the quality of jobs in terms of wages and benefits. Overall, this research finds that the public sector offers considerably better wages and benefits for women workers than does the private sector. For African American and Hispanic women, and for women who do not have a college education, the difference between public and private sector employment is especially pronounced. To a large extent, higher wages and better access to health and pension coverage in the public sector can be attributed to higher rates of union coverage.

Job Growth in the Public and Private Sectors

The quality of jobs in the public and private sectors has become increasingly important over the past two decades as employment in the public sector has grown much more slowly than employment in the private sector. In 1979, 16 percent of men held public sector jobs while in 1998, only 13 percent did. For women, the number employed in the public sector dropped from 20 percent of the

female work force in 1979 to 18 percent in 1998 (See Figure 1 and 2).

- Employment in the public sector declined for both women and men between 1979 and 1998, with especially pronounced declines for African American and Hispanic workers. Nevertheless, in 1998 almost one in five women held a public job (18 percent), a higher rate than among men (13 percent). This was especially true for African American women (22 percent).

Overall, public sector employment declined for both women and men during this period with a somewhat sharper decline among men.

Public Sector Employees Have Higher Wages and Better Access to Health and Pension Benefits

Focusing on the most current year for which data is available, 1998, IWPR finds that the median earnings in the public sector are higher than in the private sector for most categories of workers.

- Median wages for women without a college degree are 15 percent higher in the public sector. For women with a college degree, wages in the public sector are 7 percent higher than in the private sector.

Figure 1.
Percent of Wage and Salary Workers
Employed in the Public Sector by Sex

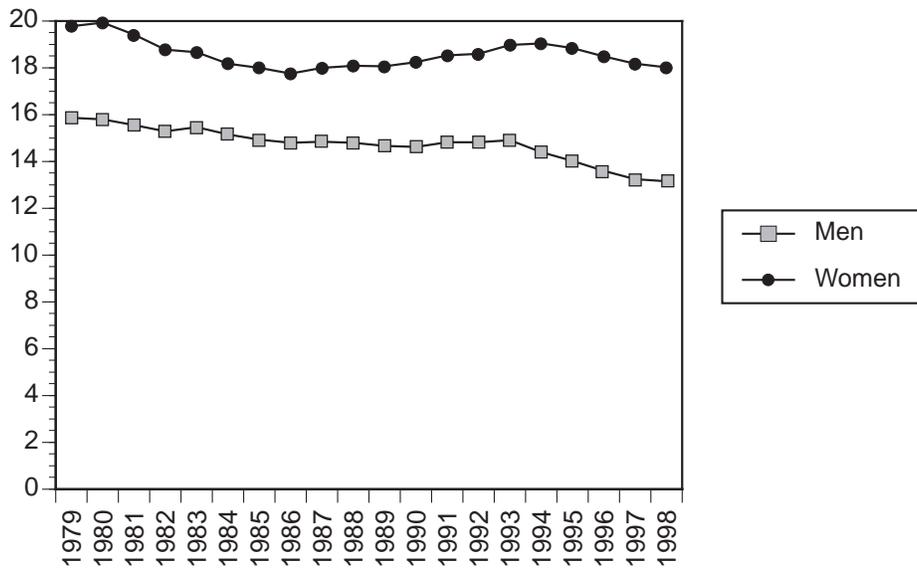
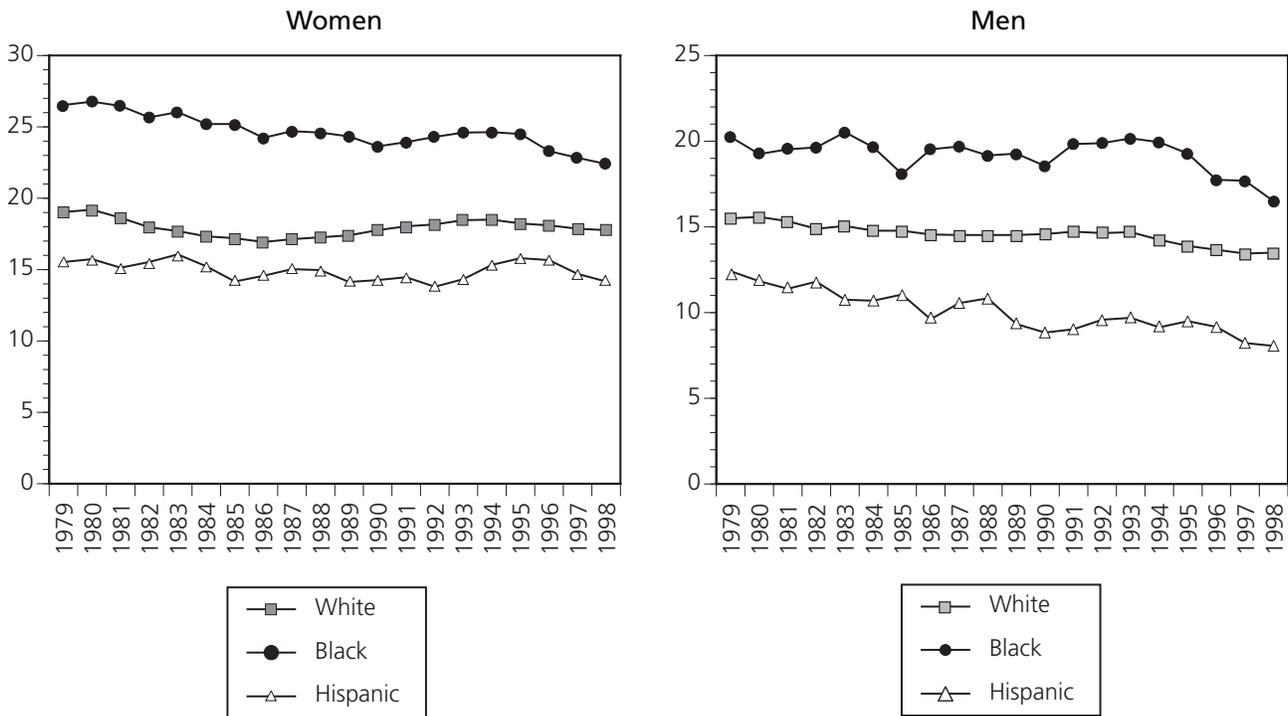


Figure 2.
Percent of Male and Female Wage and Salary Workers
Who Work in the Public Sector By Race and Sex



Source: Bernhardt and Dresser's analysis based on data from the 1979–1997 Merged Outgoing Rotation Group as compiled by the Bureau of Labor Statistics from data from the Current Population Survey.

- Among women, 72 percent of public workers participate in a pension plan and 69 percent have employer-provided health insurance. By contrast, in the private sector less than half have either benefit, and in the case of Hispanic women, less than a third do (see Table 2).

Thus, privatization is likely to erode the wages and benefits of women workers, especially for African American and Hispanic women and those with less formal education.

Explaining Why Wages in the Public Sector are Higher than in the Private Sector

While wage ratios shown above are useful descriptions of employment conditions, they can also be misleading in that they do not account for differences in the public and private sector workforces. For example, workers in the public sector tend to be older (and hence could be expected to have higher earnings). Bernhardt and Dresser use a statistical regression analysis to distinguish components of the wage differential that can be attributed to the public/private sector distinction. Overall, controlling for race, region and work experience, women in the public sector are still more likely to have higher wages and better access to health and pension benefits than their counterparts in the private sector. While non-college educated men also benefit from somewhat higher wages and benefits in the public sector, particularly African American and Hispanic men, the effect is more pronounced for women workers. For example, women without a college degree earn wages in the public sector that are 5 to 6 percent above the earnings of their private sector counterparts.

However, once union membership and occupation variables were included, the differences in public sector and private sector wages largely disappeared. In other words, for women who have the same occupation, union status, education, work experience and race, the public sector does not, on average, pay better than the private sector. Unionization emerges as a central factor in understanding why the public sector pays better than the private sector.

Gender Equity in the Public and Private Sectors

While women are paid better in the public sector in an absolute sense, the gap between men and women's wages remains (see Table 1). Comparison of the gender gap in public and private sector employment yields mixed results depending on race and educational background.

- The gender gap is smaller in the public sector, especially for women of color. But this overall result is driven largely by education. Only women with college degrees see greater pay equity in the public sector. For less educated women, gender inequality is as great in the public sector as in the private.

Overall, however, while there is clearly a gender bias in both sectors, women's wages are closer to men's wages in the public sector than in the private sector.

Another important indicator of equal opportunity is access to professional and managerial jobs. While the public sector is generally regarded as providing better access to professional and managerial occupations for women, Bernhardt and Dresser find that, if teachers are separated from other professional and managerial occupations, the public sector does not appear to provide greater opportunity for women.

- With the exception of teachers, women are no more likely to hold managerial, technical, or other professional jobs in the public sector than in the private sector (26.8 percent and 25.3 percent, respectively).

Because women in the public sector have more education than women in the private sector, we would expect them to be well represented in managerial and professional positions. That educational wealth has not translated into greater numbers of managerial jobs for women (while it has for men) indicates the continued presence of occupational barriers. Bernhardt and Dresser find that the public sector does not, in general, offer exceptional opportunities for women to hold managerial and professional positions (although other research by IWPR suggests that the

**Table 1.
Median Wages by Education, Sex and Sector**

Education	Median Wages (\$1998)		Ratio of Public/Private Wages		Ratio of Women's to Men's Wages
	Women	Men	Women	Men	
High School or Less					
Public	\$ 9.23	\$12.35	1.15	1.24	.75
Private	\$ 8.00	\$10.00			.80
Non-Profit	\$ 8.03	\$ 8.90			.90
Some college					
Public	\$11.00	\$14.00	1.15	1.14	.79
Private	\$ 9.60	\$12.25			.78
Non-Profit	\$10.80	\$11.05			.98
College					
Public	\$16.78	\$19.74	1.07	0.96	.85
Private	\$15.63	\$20.65			.76
Non-Profit	\$15.37	\$18.00			.85

Source: Bernhardt and Dresser's analysis based on data from the 1998 Current Population Survey.

**Table 2.
Access to Pension and Health Benefits (%)**

	Women		Men	
	Public	Private, for profit	Public	Private, for profit
Percent with pension plan	71.6	37.7	78.4	45.3
White	71.7	39.5	79.9	49.7
Black	73.5	39.3	75.6	40.6
Hispanic	67.9	24.0	77.1	26.8
Percent with health insurance	69.0	47.2	78.6	59.3
White	68.7	48.4	79.1	63.4
Black	71.3	52.9	81.6	55.2
Hispanic	67.2	32.4	73.5	42.8

Source: Bernhardt and Dresser's analysis based on the 1998 March Supplement of the Current Population Survey.

public sector does offer better opportunities for women of color than the private sector).

Risks of Privatization

The final part of Bernhardt and Dresser's research focuses on occupations, such as health care and child care workers, janitors, food preparation employees, and clerical and administrative staff, considered to be "at risk" for privatization. They find that women working in these "at risk" occupations have less education with close to half holding a high school degree or less.

- For women without college degrees, occupations "at risk" for privatization constitute 63.9 percent of their public sector jobs.
- Even though "at risk" occupations are not generally considered exceptional job opportunities, these jobs do pay better in the public sector than in the private sector.

Because the wage differential in the public and private sectors is largest for women without a college education, these women have the most to lose under privatization.

In sum, from a policy standpoint, there is good reason to be concerned about the continuing call for leaner government and the contracting out of as many public services as possible. On average, public sector jobs pay better and are more likely to include pension and health benefits. When government services are privatized, women – especially women of color and women who do not have a college education – could see significant declines in how much they earn and in their access to health and pension coverage. This does not mean that the public sector is a cure-all for inequality: glass ceilings and the gender gap in pay and benefits persist and in both the public and in the private sectors. But the bottom line is that privatization, and the de-unionization that frequently accompanies it, are likely to prove detrimental to the economic welfare of women workers.

This Research-in-Brief was written by Catherine Hill, Ph.D., Institute for Women's Policy Research, based on the report The Impact of Privatizing Government Services on Women Workers by Annette Bernhardt, Ph.D. and Laura Dresser, Ph.D. of the Center on Wisconsin Strategy. It will be available through the Institute for Women's Policy Research in November 2000.

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