

National Bureau of Economic Research

Public Sector Payrolls

Edited by David A. Wise This Page Intentionally Left Blank

Public Sector Payrolls



A National Bureau of Economic Research Project Report

Public Sector Payrolls

Edited by

David A. Wise



The University of Chicago Press

Chicago and London

DAVID A. WISE is John F. Stambaugh Professor of Political Economy at the John F. Kennedy School of Government, Harvard University. He is the co-editor of *The Youth Labor Market Problem: Its Nature, Causes and Consequences* and *Social Experimentation* and has most recently edited *Pensions, Labor, and Individual Choice,* all published by the University of Chicago Press.

The University of Chicago Press, Chicago 60637 The University of Chicago Press, Ltd., London

© 1987 by The National Bureau of Economic Research All rights reserved. Published 1987 Printed in the United States of America

96 95 94 93 92 91 90 89 88 87 54321

Library of Congress Cataloging-in-Publication Data

Public sector payrolls.

(A National Bureau of Economic Research project report) Papers presented at a conference held in Williamsburg, Va., Nov. 15-17, 1984. Bibliography: p. Includes indexes. 1. United States-Officials and employees-Salaries, allowances, etc.-Congresses. 2. United States-Armed Forces-Pay, allowances, etc.-Congresses. 3. Local officials and employees-United States-Salaries, allowances, etc.-Congresses. 4. Teachers-Salaries, pensions, etc.-United States-Congresses. I. Wise, David A. II. Series. JK776.P83 1987 331.2'8135'0000973 86-24962 ISBN 0-226-90291-9

National Bureau of Economic Research

Officers

Franklin A. Lindsay, chairman Richard N. Rosett, vice-chairman Martin Feldstein, president

Geoffrey Carliner, executive director Charles A. Walworth, treasurer Sam Parker, director of finance and administration

Directors at Large

Moses Abramovitz Andrew Brimmer Carl F. Christ George T. Conklin, Jr. Jean A. Crockett Morton Ehrlich Martin Feldstein Edward L. Ginzton David L. Grove

George Hatsopoulos Walter W. Heller Saul B. Klaman Franklin A. Lindsay Roy E. Moor Geoffrey H. Moore Michael H. Moskow James J. O'Leary Robert T. Parry

Peter G. Peterson Robert V. Roosa Richard N. Rosett Bert Seidman Eli Shapiro Stephen Stamas Donald S. Wasserman Marina v.N. Whitman

Directors by University Appointment

Marcus Alexis, Northwestern Charles H. Berry, Princeton James Duesenberry, Harvard Ann F. Friedlaender, Massachusetts Institute of Technology J. C. LaForce, California, Los Angeles Paul McCracken, Michigan James L. Pierce, California, Berkeley

Andrew Postlewaite, Pennsylvania Nathan Rosenberg, Stanford James Simler, Minnesota James Tobin, Yale John Vernon, Duke William S. Vickrey, Columbia Burton A. Weisbrod, Wisconsin Arnold Zellner, Chicago

Directors by Appointment of Other Organizations

Edgar Fiedler, National Association of Rudolph A. Oswald, American **Business Economists** Robert S. Hamada, American Finance Industrial Organizations Association Robert C. Holland, Committee for Association Economic Development James Houck, American Agricultural Board Economics Association David Kendrick, American Economic Association Association Douglass C. North, Economic History Association

Federation of Labor and Congress of Douglas D. Purvis, Canadian Economics Albert T. Sommers, The Conference Dudley Wallace, American Statistical Charles A. Walworth, American Institute of Certified Public Accountants

Directors Emeriti

Arthur F. Burns	Frank W. Fetter	George B. Roberts
Emilio G. Collado	Thomas D. Flynn	Willard L. Thorp
Solomon Fabricant	Gottfried Haberler	

Relation of the Directors to the Work and Publications of the National Bureau of Economic Research

1. The object of the National Bureau of Economic Research is to ascertain and to present to the public important economic facts and their interpretation in a scientific and impartial manner. The Board of Directors is charged with the responsibility of ensuring that the work of the National Bureau is carried on in strict conformity with this object.

2. The President of the National Bureau shall submit to the Board of Directors, or to its Executive Committee, for their formal adoption all specific proposals for research to be instituted.

3. No research report shall be published by the National Bureau until the President has sent each member of the Board a notice that a manuscript is recommended for publication and that in the President's opinion it is suitable for publication in accordance with the principles of the National Bureau. Such notification will include an abstract or summary of the manuscript's content and a response form for use by those Directors who desire a copy of the manuscript for review. Each manuscript shall contain a summary drawing attention to the nature and treatment of the problem studied, the character of the data and their utilization in the report, and the main conclusions reached.

4. For each manuscript so submitted, a special committee of the Directors (including Directors Emeriti) shall be appointed by majority agreement of the President and Vice Presidents (or by the Executive Committee in case of inability to decide on the part of the President and Vice Presidents), consisting of three Directors selected as nearly as may be one from each general division of the Board. The names of the special manuscript committee shall be stated to each Director when notice of the proposed publication is submitted to him. It shall be the duty of each member of the special manuscript committee to read the manuscript. If each member of the manuscript, the report may be published. If at the end of that period any member of the Board, requesting approval or disapproval of publication, and thirty days additional shall be granted for this purpose. The manuscript shall then not be published unless at least a majority of the entire Board who shall have voted on the proposal within the time fixed for the receipt of votes shall have approved.

5. No manuscript may be published, though approved by each member of the special manuscript committee, until forty-five days have elapsed from the transmittal of the report in manuscript form. The interval is allowed for the receipt of any memorandum of dissent or reservation, together with a brief statement of his reasons, that any member may wish to express; and such memorandum of dissent or reservation shall be published with the manuscript if he so desires. Publication does not, however, imply that each member of the Board has read the manuscript, or that either members of the Board in general or the special committee have passed on its validity in every detail.

6. Publications of the National Bureau issued for informational purposes concerning the work of the Bureau and its staff, or issued to inform the public of activities of Bureau staff, and volumes issued as a result of various conferences involving the National Bureau shall contain a specific disclaimer noting that such publication has not passed through the normal review procedures required in this resolution. The Executive Committee of the Board is charged with review of all such publications from time to time to ensure that they do not take on the character of formal research reports of the National Bureau, requiring formal Board approval.

7. Unless otherwise determined by the Board or exempted by the terms of paragraph 6, a copy of this resolution shall be printed in each National Bureau publication.

(Resolution adopted October 25, 1926, as revised through September 30, 1974)

Contents

	Acknowledgments	ix
1.	Overview David A. Wise	1
2.	Military versus Civilian Pay: A Descriptive Discussion Douglas W. Phillips and David A. Wise	19
3.	Investing in the Defense Work Force: The Debt and Structure of Military Pensions Herman B. Leonard Comment: Harvey S. Rosen	47
4.	Military Hiring and Youth Employment David T. Ellwood and David A. Wise	79
5.	Uncle Sam Wants You—Sometimes: Military Enlistments and the Youth Labor Market David T. Ellwood and David A. Wise	97
6.	Military Service and Civilian Earnings of Youths Jon R. Crane and David A. Wise Comment: D. Alton Smith Comment: Charles Brown	119
7.	Wages in the Federal and Private Sectors Steven F. Venti <i>Comment:</i> Sharon P. Smith	147

8.	How Do Public Sector Wages and Employment Respond to Economic Conditions? Richard B. Freeman Comment: Sam Peltzman	183
9.	Promise Them Anything: The Incentive Structures of Local Public Pension Plans Howard L. Frant and Herman B. Leonard <i>Comment:</i> Edward P. Lazear	215
10.	Comparable Worth in the Public Sector Ronald G. Ehrenberg and Robert S. Smith <i>Comment:</i> James L. Medoff	243
11.	Academic Ability, Earnings, and the Decision to Become a Teacher: Evidence from the National Longitudinal Study of the High School Class of 1972 Charles F. Manski <i>Comment:</i> Herman B. Leonard	291
	List of Contributors	317
	Author Index	319
	Subject Index	321