



Report: Federal workers are underpaid

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Federal workers earn about 65 cents for every dollar earned by their private-sector counterparts, according to an advisory panel to the federal government.

Or they make \$1.78 for every private-sector dollar, according to a Cato Institute economist.

The release of the annual Federal Salary Council report, mandated by Congress to help set pay rates each year, has reopened the age-old debate over whether federal workers earn more or less than they could be making in the private sector.

Enthusiasts of small government tend to argue that government employees are overpaid. Supporters of the federal workforce say they are a bargain.

The Federal Salary Council was created by Congress; its nine members are appointed by the president. Its report comes as officials consider new pay rates for 2016.

Federal workers are supposed to receive a 1.3 percent pay raise in January — well short of the increase the salary council says would be needed to close a pay gap that has existed for decades.

"The takeaway is federal salaries continue to lag," said Jacque Simon, policy director for the American Federation of Government Employees and a member of the salary council. "The size of the gap varies by location, but throughout the country, federal workers are paid less."

Others have taken issue with the council's conclusions. Some say it doesn't take into account the range of benefits that federal workers receive.

Jeffrey Neal was the top human resources executive for the Defense Logistics Agency and the Department of Homeland Security. He is now a senior vice president at the professional services firm ICF International and blogs on human resources and management at ChiefHRO.com.

"There are very few people who actually agree with what the Federal Salary Council says," he said. "That number is not credible."

A key point of contention: The council considers only wages, not the other benefits that federal employees receive. For example, few workers in the private sector have access to both a traditional pension and a 401(k).

The effects of other differences are less clear. Private-sector workers often receive bonuses and stock options unavailable to public workers. But they do not enjoy the job security that comes with a federal position.

The panel was created under a 1990 law, but, as Neal noted, it reviews pay schedules set up in the 1950s, when much of the federal workforce consisted of clerks.

Many of those jobs have gone away as the tasks involved have become automated, leaving a workforce that Neal describes as more highly skilled. As a result, the method for determining whether federal jobs are paid on par with the private sector becomes skewed.

"There's very little value in it," Neal said. "Even if, in fact, we could prove that those numbers were accurate and we could prove beyond any doubt that federal employees are paid so much less, could we realistically think that anyone would raise the pay of millions of federal employees by that much money?"

"It's never going to happen. The Congress would never approve that."

Simon agrees that closing the pay gap in the current political climate is unlikely. But, she said, she is hopeful that with the improved economy an era of austerity in government is ending.

Federal workers' salaries were frozen for three years, after which workers received 1 percent raises in 2014 and 2015.

The libertarian Cato Institute used its own method of reviewing federal workers' pay — comparing average worker salaries beneath a certain cap to the average of all federal worker salaries — and reached a different conclusion.

Cato economist Chris Edwards concluded that federal workers make 78 percent more than private-sector workers.

He is critical of the council's work.

"Every other detailed analysis that tries to compare similar federal jobs to similar private jobs comes out with different results," he said. "It is to the benefit of federal workers and their unions to have this controversy every year."

Simon called Edwards' approach "pure propaganda." She said the salary council compares each job in the public sector to the same job in the private sector — "the proper way to do a comparison."

The Government Accountability Office reviewed six different methods for determining federal employee pay in 2012, and concluded that the approaches varied so widely it was impossible to determine which was correct.

Neal said the debate will continue as long as federal employees feel they are underpaid, and as long as "people who are against the government use the federal workforce as proxy for their anti-government policies," Neal said.

"This little stalemate over whether federal employees are overpaid or underpaid will continue because it serves a lot of people's political needs."