

Forbes

If Women are Underpaid by 23%, then Federal Employees are Overpaid by 78%

Andrew Biggs

October 9, 2015

A new report from the Cato Institute concludes that federal government employees are paid salaries 78% higher than the average private sector worker. That's the number that's generating headlines. And it's basically wrong. But if you don't believe that federal employees are overpaid by 78% percent, you also don't believe that women are paid only 77 cents for each dollar received by men, a progressive talking point that you'll hear from the Obama administration, Hillary Clinton and many others on the left. Because both figures are wrong for exactly the same reason.

Robert Goldenkoff, a Government Accountability Office analyst who authored a 2012 report on the federal-private pay gap, points out that the 78% federal pay advantage cited in the Cato study isn't an "apples to apples" number:

"Federal employees tend to be better educated and work in jobs that require higher skill levels compared to non-federal jobs, so Cato's results comparing average wages of feds to other sectors are both not surprising and don't tell the whole story. More rigorous, sophisticated analysis is needed."

Exactly right, which Edwards' article acknowledges when it later studies a number of studies – including one that I co-authored with Jason Richwine – that control for education, experience and other factors. These studies generally find a much smaller, though still significant, federal government pay advantage. For instance, Richwine and I found that federal employees receive salaries about 14% higher than similar private sector employees. When we included benefits, which are a lot more generous in the federal government than in private sector jobs, the overall compensation advantage for federal employees rose to 37%. We also calculated the value of federal employees' greater job security, which makes the federal package even more attractive. But critics are right when they say that federal-private pay comparisons absolutely must control for differences in the factors, like education and experience, that affect salaries. If I were a federal employee, I would push back *hard* on the 78% headline pay difference number.

But progressives forget all this when talking about the so-called "gender pay gap," which claims that women are paid less than men for doing the same work.

For instance, the White House website states,

“Did You Know That Women Are Still Paid Less Than Men? On average, full-time working women earn just 78 cents for every dollar a man earns. This significant gap is more than a statistic — it has real life consequences. When women, who make up nearly half the workforce, bring home less money each day, it means they have less for the everyday needs of their families, and over a lifetime of work, far less savings for retirement.”

There’s not a single mention by the White House of factors other than discrimination that would account for this pay difference. To remedy this supposed pay gap, the Obama administration and most progressives have favored legislation that would make it easier for women to sue their employers over pay differences.

And yet most studies find that it’s these outside factors, not gender discrimination by employers, that cause male-female pay differences. For instance:

- Male college students tend to cluster in majors that pay better later in life, while female-dominated majors pay less. It’s not discrimination that causes studio arts majors to earn less than petroleum engineers.
- Men work longer hours than women, even when we look only at “full time employees” working at least 35 hours per week. Men working full-time were almost twice as likely as women to work 41+ hours per week and six times more likely to work at least 60 hours per week.
- Men have more years of work experience than women, because they take less time out of the workforce to raise kids. You might want to blame society or culture for that – or you might not, since most women with kids don’t want to work full-time stay – but you can’t blame employers for paying higher salaries to more experienced employees.
- Men are more likely to take jobs that are financially or physically risky, and risky jobs generally pay a premium. Of the 20 most physically dangerous jobs, all 20 are male-dominated. In 2012, 92% of work-related deaths were to men.
- Women tend to work in jobs that pay more generous fringe benefits. Studies have found that, when benefits are included, women earn about the same amount as men.

Studies that control for all these factors, such as June and David O’Neill’s 2013 book published by the American Enterprise Institute, “The Declining Importance of Race and Gender in the Labor Market,” find that the potential role played by gender discrimination by employers is small. The O’Neills conclude that, “labor market discrimination is unlikely to account for more than 5% but may not be present at all.” (See my Wall Street Journal op-ed with Mark Perry for more details.)

The upshot is that you can believe that women are underpaid by 20+ percent versus men, but then you *also have to believe* that federal employees are overpaid by 78 percent. Or, you can argue for a much smaller pay advantage for federal employees, by comparing federal and private salaries after controlling for education, experience and other factors, but then you also have to acknowledge that the vast majority of the “gender pay gap” has nothing to do with discrimination.

But if you want to want to have any sort of logical consistency, you can't both reject the claim that federal workers are overpaid by 78% while also claiming that women earn only 78 cents on the dollar compared to men.