



Advocacy Groups Raise Concerns About Federal Pay System Amid Growing Wage Gap

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Federal employees' wages are falling further behind those in the private sector, according to new data from the Federal Salary Council.

The council reported that in 2022, federal workers earned 24.09% less in wages alone than their private sector counterparts. In 2021, the pay gap by the same measurement was 22.47%.

In comparison, the Biden administration's federal pay raise request is 4.6% for next year, composed of a 4.1% overall increase and a 0.5% pay locality increase. The National Treasury Employees Union, in light of the council's report, reemphasized its push for an even larger federal pay increase in 2023.

"Now we see that employers in the private sector have done a better job than the federal government in helping their workers support themselves and their families," NTEU National President Tony Reardon said in an Oct. 28 press statement. "This is just one more piece of data that supports our argument that federal employees deserve an average 5.1% federal pay raise starting this January."

The 5.1% raise that NTEU advocated aligns with the increase included in the FAIR Act, a bill that would increase federal locality pay by 1%, rather than 0.5%.

Still, there is a marked difference between the pay raise request for 2023 and the current federal pay gap that the council reported. Back in 1990, Congress passed the Federal Employee Pay Comparability Act (FEPCA), aiming to eliminate the pay gap between non-federal and civil service salaries. The act authorized the full pay raise needed to reduce the pay gap to a 5% difference, but no administration has ever fully adopted the allowable adjustments.

The Federal Salary Council calculates the pay gap using data from the Department of Labor, comparing salaries of public and private sector jobs that have similar responsibilities. Along with compiling reports on pay, the council provides pay adjustment recommendations for federal workers based on local conditions.

The way to calculate the federal versus private sector pay gap is also a long-standing point of contention. The Cato Institute, for example, said that by taking into account the value of benefits and incentives other than salary, federal pay is actually ahead of private sector pay.

“The benefits are more lucrative than in the private sector. The Bureau of Economic Analysis data show that the average value of benefits in the federal workforce was \$44,021 in 2021, far higher than the \$13,486 of average benefits in the private workforce,” the think tank wrote.

By that measure, the Cato Institute reported that in 2020 and 2021, federal pay growth slowed while private pay increased substantially. Average federal wages rose 1.8% in 2020 and 2.3% in 2021. At the same time, average wages in the private sector increased 7.7% in 2020 and 5.9% in 2021.

Regardless of how to measure the pay gap, though, organizations such as the Senior Executives Association have raised broader concerns about how federal salaries are set overall.

SEA Director of Policy and Outreach Jason Briefel said the 70-year-old system for federal employee compensation is flawed, and it’s creating some drastic consequences, particularly for the Senior Executive Service.

“It is failing to incentivize federal service and diminishing the pipeline into federal career leadership. Agencies are less effective and ill-equipped to adequately serve the American people as a result,” Briefel said in testimony at the Oct. 28 council meeting.

To try to correct the issue, among many other recommendations, Briefel said the council should review the current pay system, and make a shift toward an “occupation-based, market-oriented pay system.”

“The government’s current classification and General Schedule pay system is not meeting the needs of government nor for its employees,” Briefel said.

Briefel also raised concerns about the growing issue of pay compression, caused by salary caps for the Senior Executive Service, despite annual pay raises for federal employees. It’s possible that employees affected by pay compression are more likely to leave their positions, or the government altogether, Briefel added. He urged the council to conduct a study on the effects of pay compression.

“We must look at attrition, retention, promotion and other key human capital indicators to determine if employees affected by pay compression are acting similar or different from their peers who have not hit the cap,” Briefel said.