



## CBO pay gap study draws unions' fire, conservatives' praise

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Yesterday's [Congressional Budget Office report](#) on federal employee compensation is already renewing the debate over the federal-vs.-private sector pay gap. The report — which concluded federal employees are compensated 16 percent higher than private sector workers — prompted the conservative [Heritage Foundation](#) and [American Enterprise Institute](#) and the libertarian [Cato Institute](#) to take victory laps. Heritage's Jason Richwine and James Sherk quibbled with CBO's methodology (CBO's findings generally tracked with Heritage's conclusions that feds receive higher pay and benefits than the private sector, though CBO said the difference was much slimmer). But overall, they view the report as vindication and used it to swipe at Office of Personnel Management Director John Berry, federal unions, and other left-leaning organizations who criticized Heritage's assertions. Said Richwine and Sherk:

*Heritage's prior critics, however, must now either redirect their same harsh invective at the CBO or — much better — acknowledge the validity of our conclusions.*

The American Federation of Government Employees is choosing the former. In a statement released last night, AFGE National President John Gage blasted the study as "pointless," "absurd," "academic and irrelevant." Gage said:

*This human capital approach compares pay according to demographic traits such as age, gender and race. None of these is relevant for setting pay. No employer would justify paying a woman hundreds of dollars less per week than a man doing the same job, just because labor statistics show that men get paid more than women on average. The very idea is ludicrous, yet these comparisons are at the heart of the CBO report.*

But there's a lot more to CBO's methodology than comparing age, gender and race. In the report's Appendix A, CBO said it "adjusted for differences ... in the following factors: education, occupation, years of work experience, geographic location, size of employer and certain demographic characteristics." And on page 11 of this [working paper](#) detailing the methodology, CBO listed the categories it used to re-weight the private sector sample when comparing wages, which included 24 occupational categories. The National Treasury Employees Union's reaction was more tempered, but said the report should not be taken as gospel. NTEU President Colleen Kelley said:

*CBO is clearly the expert on congressional budget scoring but pay comparisons are not its principal expertise. That is the expertise of the Bureau of Labor Statistics.*

Kelley embraced CBO's conclusion that highly-educated federal employees earn much less than their counterparts in the private sector. But she questioned their conclusions that feds without college degrees earn much more than less-educated private sector employees. And even if that were the case, Kelley said:

*[T]he question is whether Congress would want to cut the salaries of the lowest-paid workers by the amount this report claims they are overpaid. For example, that would mean cutting the salary of a clerk earning \$20,000 a year by 20 percent, down to \$16,000, while increasing the salary of a highly-paid manager making \$200,000 by 20 percent to \$240,000.*

ohn Palguta, vice president of policy at the Partnership for Public Service, said in an interview today that CBO's report will put more pressure on the government to overhaul the six-decade-old General Schedule. Palguta thinks CBO's most interesting finding is that highly educated feds are undercompensated when compared to the private sector, while less-educated feds earn more, which he said shows the government's compensation system is way out of whack. Palguta said:

*We've got a "Goldilocks syndrome" going on. Some people are being paid above market rates, others below market. And every now and then we get it just right.*

*Eventually something has to happen. The evidence [suggesting problems with federal pay] simply keeps piling up. The CBO report is the latest piece that says the present system is inadequate, and there's got to be a better way.*