



CBO: Feds out-earn civilians; report fuels push for extended pay freeze

By STEPHEN LOSEY | Last Updated: February 6, 2012

Republican lawmakers aiming to further extend the two-year federal pay freeze were handed powerful ammo last week for their cause: a new congressional study showing that **feds earn 16 percent higher pay and benefits** than those in the private sector.

The study by the nonpartisan Congressional Budget Office is the first government study to conclude feds are overcompensated when both pay and benefits are taken into account.

CBO found compensation levels vary greatly by education. Federal employees with no more than high school diplomas receive average pay and benefits worth 36 percent more than the compensation of comparable employees in the private sector.

But highly educated federal employees with doctorates or professional degrees receive, on average, 18 percent less overall than their private-sector counterparts.

Conservative and libertarian groups, such as the Heritage Foundation, American Enterprise Institute and Cato Institute, have all produced their own studies that found similar results as CBO.

But because CBO is a highly respected nonpartisan government agency, its report cannot be dismissed as partisan, the way previous reports have been.

Republican lawmakers cited the study on the House floor last week, while debating a bill to freeze federal pay for one more year. The House passed that bill, HR 3835, but it is unlikely to come up for a vote in the Democratic-controlled Senate.

"An across-the-board pay increase for federal workers is unwarranted, and the claim that federal employees are underpaid is a demonstrable myth," Rep. Dennis Ross, R-Fla., said in a Feb. 1 statement urging lawmakers to pass HR

3835. Ross chairs the House subcommittee responsible for overseeing federal workforce and pay matters.

Sen. John McCain, R-Ariz., [is also pushing to extend the pay freeze through June 2014](#) to help hold off steep sequestration budget cuts to the Defense Department.

But Office of Personnel Management Director John Berry said he's skeptical of the report and wants to look more closely at how CBO reached its conclusions.

Berry's primary concern is that CBO may not have taken into account the complexity of federal jobs. For example, Berry said in an interview, a forklift operator in the federal government could have a much more complicated job than a forklift operator in the private sector, even if they have the same level of education.

"Private-sector forklift operator is moving furniture and boxes," Berry said. "Public-sector forklift operator is taking nuclear-tipped torpedoes and loading them into a multibillion-dollar nuclear submarine, where one wrong move could have very dire implications. Would you pay both people the same? No."

The report only looked at salary data between 2005 and 2010. The Office of Management and Budget said that meant it did not take into account the two-year pay scale freeze that began in 2011. That freeze may have helped narrow the gap between public and private compensation.

Federal unions also criticized CBO's findings. American Federation of Government Employees National President John Gage blasted the study as "pointless," "absurd," "academic and irrelevant."

National Treasury Employees Union President Colleen Kelley also said pay comparisons are not CBO's specialty.

But Kelley embraced CBO's conclusion that highly educated feds earn much less than their counterparts in the private sector.

John Palguta, vice president for policy at the Partnership for Public Service, also said the education differences were the report's most interesting finding. He said the CBO's findings show the government's compensation system is deeply flawed, and he said the report will put more pressure on the government to overhaul the six-decade-old General Schedule.

"Eventually, something has to happen," Palguta said. "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."

Benefits accounted for much of the discrepancy between federal and private pay. Feds with no more than bachelor's degrees earned roughly the same average hourly wages as their private-sector counterparts, but received benefits worth 46 percent more on average.

CBO said federal pensions account for most of the difference in benefit costs.

CBO's findings on pay alone differ wildly from the government's official position, which is that federal employees are vastly underpaid when compared to private-sector counterparts.

A nine-member group of labor relations and pay experts and federal employee representatives, called the Federal Salary Council, studies how federal and nonfederal pay compares and advises the president on how big of a raise to give to federal employees.

Last year, the council concluded that General Schedule salaries fell 2.25 percentage points further behind private-sector wages, and said feds suffered a pay gap of 26.3 percent behind their private-sector counterparts.

Critics of the salary council say that can't possibly be so when private-sector wages have been hampered by a recession and vast unemployment for years.

Ross, a frequent critic of what he sees as federal overcompensation, said on Twitter that CBO's report "reinforces the notion that wage rates, especially amongst non-management, are hugely out of sync with [the] private sector."

CBO's findings support conservatives' conclusions that federal employees are overcompensated, but CBO reported a much smaller pay difference than organizations like the Heritage Foundation found.

For example, Heritage's James Sherk — who spoke to CBO during its research — said at a March 2011 House hearing that he found federal employees earn hourly wages that were 22 percent higher than their private-sector counterparts. But CBO found that the federal government paid 2 percent higher average wages.

Sherk also concluded that when benefits are included, the federal compensation premium rises to between 30 percent and 40 percent. That is much higher than the 16 percent premium CBO estimated.

Berry said CBO's report will be of little help when trying to design a new pay system. He called on Congress to form the civil service reform commission that President Obama called for last September, as part of his deficit reduction plan. But there has been no movement on that effort.

Even with CBO's latest findings, Palguta thinks no real action on civil service reform will come until at least 2013, after the election is over.

But eventually, he said, something will have to happen.

"We can't keep going down this road," Palguta said. "I can't see spending the next 100 years trying to operate the General Schedule system and having these kinds of arguments."