

Budget Office Says Federal Workers Receive Higher Compensation

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Considering that four of the five wealthiest counties in these United States are in suburban Washington, D.C., it's probably no surprise that the Congressional Budget Office has determined federal government workers receive substantially more in total compensation than their counterparts in the private sector.

The [CBO in January announced](#) federal government workers average 16 percent more in compensation – wages and benefits combined -- than private sector workers doing similar jobs. The major difference is in fringe benefits. Federal workers typically enjoy far more non-wage benefits than private-sector workers. Federal workers average more than \$20 per hour in non-wage benefits — 48 percent more than the average pro-rated hourly benefits of \$13.60 in the private sector. Federal workers on average enjoy wages that are approximately 2 percent higher than similar private-sector workers.

\$52 vs. \$45

"For workers at all education levels, the cost of total compensation averaged about \$52 per hour worked for federal employees, compared with about \$45 per hour worked for employees in the private sector with certain similar observable characteristics," the CBO wrote.

The CBO noted, "The most important factor contributing to differences between the two sectors in the costs of benefits is the defined-benefit pension plan that is available to most federal employees. Such plans are becoming less common in the private sector."

Unlike in state and local governments, where government worker unions may negotiate for wages and benefits, federal employee unions don't negotiate for pay and perks. How then to explain such high total compensation for federal workers?

'Generally Sympathetic Relationship'

"There is a natural, generally sympathetic relationship between elected public officials and public employees. Public administrators, the ones who recommend compensation levels to elected officials, benefit by making generous recommendations," said David Denholm, president of the Public Service Research Foundation, a nonprofit research organization that studies the effects of government workers and labor unions on government policies.

"For example, if I were to propose that a 5 percent pay increase for public employees was in order, it would stand to reason that I ought to get at least as much of an increase myself. In addition, consider that most public officials consider what they do to be of importance and a 'public good,' so it is reasonable that they believe the public employees who actually carry out those functions are doing something important and a 'public good.'"

And, Denholm added, there is the ability of government workers "to make an elected official look bad if they had a mind to. If I were an elected official I would most likely want public employees to think well of me."

John Gage, president of the American Federation of Federal Employees, downplayed the CBO report. In comments to the *Washington Times*, he said the report is flawed because it looked at factors such as education level of workers in certain positions instead of at specific jobs. On that score, he said, federal workers likely are paid less than private-sector workers.

"Salaries and wages should be a function of the job, not the job-holder — and that's the case in the federal government," Gage said.

Less Education, More Compensation

The CBO report noted federal workers with lower education levels tended to have substantially higher wages and benefits than similarly educated workers in the private sector. The differences diminish higher up the education ladder. At the doctoral level of education, private-sector workers receive higher total compensation than federal workers.

Chris Edwards, director of tax policy studies at the Cato Institute, noted the CBO's observation that federal workers have much more job security than private-sector workers.

"High job security is an important federal benefit that should be considered when deciding on federal pay levels," he wrote on the Cato@Liberty blog. "Federal workers get laid off and fired at much lower rates than private-sector workers. That benefit has value, and thus federal pay rates should be set somewhat lower than for otherwise comparable jobs in the private sector."

Democrats and Republicans in Congress agreed to suspend cost-of-living adjustments for federal workers in 2011 and 2012. Congress is considering extending blocking cost-of-living increases in 2013. The freeze does not affect merit pay or pay increases for promotions.