

Federal Pay vs. Private-Sector Pay

By: Veronique de Rugy – April 30, 2013

Back in 2010, *USA Today's* Dennis Cauchon published a piece arguing that federal employees were compensated much more generously than private-sector employees. Other scholars, such as Chris Edwards at the Cato Institute and Andrew Biggs at AEI, have made that case since. Now, Bryan Caplan points to some CBO data about the difference between federal and private levels of compensation. Here is the summary:

1. After adjusting for education, occupation, work experience, and other observable characteristics, federal salaries are only 2% higher than in the private sector.
2. HOWEVER, federal workers' fringe benefits are 46% higher than in the private sector. As a result, total compensation (salary + benefits) is 16% higher for federal workers than comparable private sector workers.
3. Overcompensation is highest for the least-educated federal workers — +36% if you've got a high school diploma or less. As education rises, the federal worker premium falls. Federal workers with professional or doctoral degrees actually earn 18% less than private sector counterparts.

And as Caplan adds:

Despite many virtues, the CBO report still ignores unmonetized fringe benefits, including the Big Kahuna: Job security. During the last five years, how much would the typical private sector worker have paid to enjoy the same level of job security that federal workers take for granted? We won't have an apples-to-apple comparison until we estimate that dollar figure and add it to the final tally.

Now after reviewing the CBO data, go back and look at the what Peter Orzsag, then director of the OMB, said on the issue back in 2010. Basically, he argued that the only reason federal workers made more money than their private-sector counterparts is that they're more educated — this doesn't seem to be the case.