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No Perfect Way to Compare Private- and Public-Sector Pay, Study Finds

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Recent studies aiming to compare federal and private-sector pay have reached opposing conclusions based on differing data and methods used, according to a [watchdog report](#).

The Government Accountability Office analyzed six studies that measured the pay variations between feds and their private-sector counterparts and concluded that each study's methods and data provide an inconclusive picture.

"The differences among the selected studies are such that comparing their results to help inform pay decisions is potentially problematic," GAO wrote. "Given the different approaches of the selected studies, their findings should not be taken in isolation as the answer to how federal pay and total compensation compares with other sectors."

The report comes at a time when the House has voted several times to extend the current salary freeze and reject President Obama's recommendation of a 0.5 percent raise for federal employees. The six recent studies the report examined came from the Congressional Budget Office; the Office of Personnel Management's [President's Pay Agent](#); the Project on Government Oversight; the American Enterprise Institute; the Heritage Foundation; and the Cato Institute.

OPM's report from 2011 found that, on average, federal workers' pay was lower than nonfederal workers'--including private, state and local workers--by 24 percent, with some variations based on locality.

The other five reports, three of which came from right-wing think tanks, determined that the inverse was true: Federal workers' pay was found to be higher than private-sector workers', and the ratios varied from report to report. CBO's report found federal workers' pay was only 2 percent higher than the private sector's, and it was 23 percent lower among workers with professional degrees or doctorates.

GAO explained the disparities were due to varying approaches and data sets. The OPM study applied a job-to-job approach, comparing the two sectors by matching occupation and level of work. POGO used a similar approach, but its report still found federal workers' pay higher than private-sector workers' by "an unexplained 20 percent across the occupations studied."

This approach does not take into account "the personal attributes of the workers currently filling the jobs," whereas CBO, the Heritage Foundation, and AEI considered attributes such as education, job experience, occupation, locality, and firm size, as well as demographics such as race and gender upon concluding that federal workers were better compensated on average than their private-sector counterparts.

In addition, data sources differed from report to report. Studies that included personal attributes employed data from the U.S. Census Bureau's Current Population Survey. Studies that used the job-to-job method incorporated data from the Bureau of Labor Statistics National Compensation Survey. The National Treasury Employees Union said in a statement that it supports the latter approach.

"The jobs-to-jobs comparison by the Bureau of Labor Statistics is the most appropriate method available of examining the differences between federal and private-sector pay," NTEU President Colleen Kelley said in a statement. "Using that method, BLS consistently has found a substantial pay gap in favor of the private sector."

GAO found that study authors believe their own approach is best. Groups using the human capital model claimed the model was standard practice for economists' comparing pay across sectors; OPM officials and POGO told the watchdog agency that the job-to-job approach is not the best, because employees with similar attributes can elect to work in different jobs with large variations in pay.

In its response to GAO, OPM said methodology for estimating pay gaps should be "reexamined to ensure that private-sector and federal-sector pay comparisons are as accurate as possible." GAO made no specific recommendations.