



Cato: Federal employees make 78 percent more than private sector

Federal pay higher than in information, finance, and scientific industries

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If you want to get ahead, get a job in the federal government.

That's the gist of a new report by Chris Edwards, the director of tax policy studies at the libertarian-leaning Cato Institute, which finds that, in 2014, federal workers earned 78 percent more than private-sector workers, on average.

That's not all. They earned 43 percent more than state and local government workers.

All totaled, Edwards wrote, with 2.1 million civilian workers in hundreds of agencies at offices across the nation, the federal workforce imposes a substantial burden on America's taxpayers: In 2015 wages and benefits for executive branch civilian workers will cost more than \$260 billion.

"The federal government has become an elite island of secure and high-paid employment, separated from the ocean of average Americans competing in the economy," he wrote.

It's a culmination of a trend - faster compensation growth for federal government workers than for private sector employees - that has been occurring since the 1990s, Edwards found. He culled his figures from U.S. Bureau of Economic Analysis statistics.

Jobs in the federal government are so good, Edwards found, that few people quit them once they have them.

"A final piece of evidence can be found by looking at quit rates, or the rates that workers voluntarily leave their jobs," he wrote. "BLS data show that the quit rate in the federal government is just one-quarter the quit rate in the private sector. Federal workers know that they have a lucrative combination of compensation and job security, and so they stay much longer than in other industries."

The details

In 2014, federal civilian workers had an average wage of \$84,153, compared to an average wage of \$56,350 for the nation's 111 million private-sector workers, Edwards found. Average federal wages grew rapidly for a decade, he wrote, then slowed during the recent partial pay freeze between 2011 and 2013, and then started rising again in 2014.

But that's just wages. Add in benefits and the gap is more startling.

"When benefits such as health care and pensions are included, the federal compensation advantage over private workers is even larger, according to the BEA data," Edwards wrote. "In 2014 total federal compensation averaged \$119,934, or 78 percent more than the private-sector average of \$67,246."

By industry, the study reported, the federal government has the fourth highest paid workers after only utilities, mining, and company management, among 21 industries surveyed. Federal compensation is higher than compensation in the information industry, finance and insurance, and professional and scientific industries, the report stated.

So why the faster growth of compensation than in the private sector? There are a few reasons, Edwards concluded.

For one thing, he wrote, rising federal compensation stems from legislated increases in general pay, increases in locality pay, expansions in benefits, and growth in the number of high-paid jobs as bureaucracies become more top-heavy.

"Compensation growth is also fueled by routine adjustments that move federal workers into higher salary brackets regardless of performance, and by federal jobs that are redefined upward into higher pay ranges," Edwards wrote.

Then, too, he states, politics plays an important role.

"Federal workers are a powerful special-interest group, and they are effective lobbyists," he wrote. "Federal unions actively oppose legislators who support restraining worker pay. At a 2015 conference, for example, the head of a major federal union aggressively denounced lawmakers who stood in their way as 'fools,' and said that the union would 'open up the biggest can of whoop ass on anyone' who opposed its demands on pay and other issues."

Members of Congress who have large numbers of federal workers in their districts often lead the efforts to expand pay and benefits, Edwards reported.

All of that explains why federal workers make so much, but that begs the question: Do they deserve it?

"Some people argue that the government has a unique high-end workforce that deserves to be paid handsomely," Edwards observes. "But you can flip through the federal budget and find mundane bureaus where workers are paid highly for normal bureaucratic jobs."

For example, he reported, average compensation in the Department of Commerce's Economic Development Administration is about \$140,000, while average compensation in the Department of Agriculture's Office of Chief Economist is about \$174,000.

"So it is not just rocket scientists that earn high wages and benefits, it is also federal workers in regular white-collar jobs," he wrote.

And while it is true that that the federal workforce has a heavy contingent of skilled professionals, Edwards wrote, that's always been the case, so it does not explain why federal compensation has grown faster than private-sector compensation in recent decades.

Whining on

Despite the generous compensation federal employees receive, labor unions still complain that federal workers are underpaid, Edwards noted.

"Looking only at wages, they say that federal workers suffer from a large 'pay gap' compared to private-sector workers," he wrote. "They point to an annual memo released by the Federal Salary Council, which in 2014 indicated that federal workers were underpaid by 35 percent."

But these results differ from other studies, Edwards points out.

"Other studies based on comparisons between similar federal and private workers find either no wage gap or a federal wage advantage," he wrote. "A 2012 Congressional Budget Office (CBO) study found that, for comparable workers, federal wages were similar to private wages overall, with just a small two percent advantage for federal workers. However, the CBO also found large differences based on education levels. Among less-educated workers, the federal government pays better, but among highly educated workers, the private sector pays better."

In addition, Edwards continued, studies by think tanks have found a wage advantage for federal workers - a 2010 study by the Heritage Foundation found that federal pay was 22 percent higher - and a 2010 USA Today analysis of more than 200 occupations found that federal workers typically have wages 20 percent higher than private-sector workers.

Finally, Edwards acknowledged that "it is sometimes assumed that the federal government should employ the nation's highest-skilled workers, and that it should pay top dollar to get them."

"But federal hiring of the very best workers imposes an 'opportunity cost' on the economy by drawing talented people away from higher-valued activities in the private sector," he wrote.

"Unlike, say, France, where the best university graduates historically have gone into government, the United States has historically prospered because the best and brightest have flocked to places such as Silicon Valley."

In the end, Edwards summed up, federal pay should be reasonable, and we need competent people in federal jobs, assuming that the jobs are useful ones.

"But the government should not be one of the highest-paid industries in the nation," he wrote. "Indeed, an advantage of reducing federal pay would be to encourage greater turnover in the

static federal workforce. That would help more young people enter government and bring in fresh ideas."