

Networth: Federal work pays better than private-sector jobs, study says

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Federal civilian workers, on average, get 16 percent more in wages and benefits than their private-sector counterparts, according to a study released Monday by the nonpartisan Congressional Budget Office.

The study found that the pay differential varied significantly by education level but on average, the federal government paid its civilian employees 2 percent higher wages and 48 percent more in benefits than private-sector employers. That translates into a 16 percent premium in total compensation.

The report comes at a time when Republicans are trying to rein in the pay and size of the federal workforce.

The House is scheduled to vote this week on a bill that would extend a partial pay freeze for most federal civilian workers for a third year, through 2013. The freeze, imposed in late 2010 for two years, applies only to an across-the-board increase that federal workers typically get to cover inflation. Federal workers can still get raises when they move up within their pay grade or get promoted to a new grade.

Last year the Republican-controlled House passed a bill that would have helped pay for a one-year extension of the payroll tax cut by extending the federal-worker pay freeze for another year and gradually cutting the federal workforce by 10 percent through attrition. The Democratic-controlled Senate did not take up the bill and it died.

This year Rep. Dennis Ross, R-Fla., introduced a bill that would increase the amount federal employees have to pay for their retirement plans and sharply reduce pensions for new workers.

President Barack Obama, on the other hand, will propose a 0.5 percent salary increase for federal workers in his 2013 budget.

The CBO study was prepared at the request of Sen. Jeff Sessions, R-Ala., the ranking member of the Senate Budget Committee.

It used data from 2005 through 2010 reported by a sample of households and employers. It tried to compare the compensation of federal and private-sector workers with similar education, years of work experience, occupation, demographic and other characteristics. It found that:

-- For workers with no more than a high school education, federal workers received 21 percent higher pay and 72 percent more in benefits than their private-sector counterparts.

-- Federal workers with a bachelor's degree earned about the same in wages but 46 percent more in benefits than private-sector employees.

-- Federal workers with a professional degree or doctorate earned about 23 percent less pay and roughly the same benefits as ones in the private sector.

"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," the CBO's budget director Douglas Elmendorf wrote in a blog post.

The CBO conclusions fall in between previous studies suggesting the federal workforce is overpaid or underpaid.

A report by the libertarian Cato Institute found that in 2009, the average federal civilian wage was \$81,258 per year, compared with \$50,462 in the private sector, based on U.S. Bureau of Economic Analysis data. If you add benefits, total compensation swelled to \$123,049, roughly twice the private-sector average of \$61,051.

Critics said such studies are flawed because the federal workforce has a lot more college-educated, white-collar workers than the labor force at large, which increases its average pay. Other studies tried to compensate for such differences.

In a study published in March 2010, USA Today compared pay (excluding benefits) for more than 216 occupations that exist in both the public and private sectors. It found that average federal salaries exceeded average private-sector pay in 83 percent of these occupations in 2008. On average, federal workers earned \$67,691, almost 13 percent more than their private-sector counterparts, it said.

A 2010 study by Andrew Biggs and Jason Richwine of the American Enterprise Institute compared federal workers with similar private sector workers and estimated that federal workers receive 14 percent higher salary, a benefits premium of 63 percent and "extra job security" worth 17 percent of pay.

However, the President's Pay Agent, in its latest report, said that federal workers on average are paid 24 percent less than non-federal workers in the same positions. The report, which ignores benefits, is prepared annually by the U.S. Labor Department, Office of Management and Budget and Office of Personnel Management.

Colleen Kelly, president of the National Treasury Employees Union, said in a press release that she agreed with one of the CBO's major conclusions, "that highly-educated federal workers earn significantly less than their private sector counterparts," but she "cautioned against accepting the report as a definitive statement on federal compensation."

Kelley said that "CBO is clearly the expert on Congressional budget scoring, but pay comparisons are not its principal expertise; that is the expertise of the Bureau of Labor Statistics." She says BLS data "have shown a consistent pay gap of 26 percent in comparable public and private sector jobs in favor of the private sector."

Biggs says the CBO used a "cutting edge approach" in its analysis and although he has questions about some of its methods, "by and large it's correct." He says the CBO's estimates of a federal-compensation premium are probably on the low side and "if there is an error, I think the true (premium) is higher."