



Pay and Benefits Watch

Sooner or Later

By Kellie Lunney klunney@govexec.com July 14, 2011

Conventional wisdom says Congress and the White House will reach some sort of deal (details TBD) on raising the debt ceiling to avoid a government default before Aug. 2. That means federal employees will narrowly escape the threat of furloughs for the second time this year, and the Treasury Department will [refill the coffers](#) of the Thrift Savings Plan's government securities (G) fund.

A solution to the debt ceiling debate, however, does not mean the federal workforce is out of the woods. Most observers agree that government employees will feel more pain, either in the form of increased pension contributions, a further pay freeze, a hiring freeze, or some other cut to salaries and benefits. The question is when.

"If I'm a current federal employee, I just know I will be under the microscope and my benefits will be up for grabs to some extent, regardless of what happens here," said John Palguta, vice president for policy at the nonprofit Partnership for Public Service, referring to the outcome of the debt limit debate. But Palguta doesn't think negotiators necessarily will include provisions to cut federal employees' pay or benefits in any deal that raises the debt ceiling. "My prediction is that we won't see those decisions made in the next month," he said, adding that those proposals are still on the table and could be taken up again in the fall.

To recap for the three of you out there who haven't been paying attention, there are several proposals in the offing targeting federal pay and benefits in an effort to reduce overall spending. It's a tough time to be a fed, it seems. Ideas range from requiring workers to contribute more to their retirement pensions to imposing a hiring freeze across government, extending the pay freeze and increasing the amount of money feds pay in premiums under the Federal Employees Health Benefits Program.

At least one of those proposals -- higher employee contributions to pension plans -- is reportedly on the table in the debt ceiling negotiations and could still find its way into a final deal. Michael Tanner, a senior fellow at the libertarian Cato Institute, said he thinks negotiators likely will include something targeting the pay or benefits of federal employees in any deal on raising the debt ceiling. "It's probably an easy one for the administration to give," Tanner said, noting the political difficulties of tinkering with entitlement programs like Social Security and Medicare.

Whatever happens this summer, federal employees can be sure they'll have to make more pay and benefits sacrifices -- sooner or later.



