



## Study questions federal, private sector pay gap

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October 13, 2015

After a three-year lull, the war between fiscal conservatives and federal employees and their allies in Congress over whether civil servants are overpaid is heating up again, thanks to a new study from the Cato Institute.

The libertarian think tank weighed in last week on the debate over whether federal employees make more than private-sector workers with 2014 data from the Bureau of Economic Analysis. It claims that federal employees make on average 78 percent more than their private-sector counterparts. And it is sure to add fuel to the long-standing and acrimonious debate over federal pay and benefits.

"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," Chris Edwards, Cato's director of tax policy, said in the study, titled "Reducing the Costs of Federal Worker Pay and Benefits."

Edwards pointed to new data from the BEA, part of the Commerce Department, that shows the average federal employee earning about \$119,000 a year compared with his or her private-sector counterpart, who makes \$67,000.

These numbers include health insurance and other benefits. When those expenses are taken away, federal workers' average wage comes to \$84,153, compared with \$56,350 for private sector employees, Edwards said.

He and other conservatives have made similar assessments before, when large budget deficits during the recession led Congress and the Obama administration to impose a three-year freeze on raises for federal employees.

Edwards said in an interview last week that the freeze, which ended in 2014, "helped the private sector catch up to federal employees on wages." Now the gap is growing again, he said, so it's worth reconsidering the public-private pay gap.

(Federal employees are on track to get a 1.3 percent raise in January, which follows pay hikes of 1 percent in 2014 and 2015.)

"There was a deliberate policy, and it had an effect," Edwards said. Now, he said, policymakers "should turn their attention to the generous benefits received by federal workers."

The Cato study is one of several in recent years that has used widely differing methods and data to reach opposing conclusions about how federal and private-sector pay compares, depending, not surprisingly, on the authors' ideology.

The BEA data, for example, does not account for demographic differences between the workforces, namely that the average civil servant is better educated and more likely to be a professional than the average private-sector worker. It also cuts off at less than \$120,000, so it does not capture incomes of the country's richest people.

Occupations at the lower end of the pay scale tend to be better paid in government. But at the higher end, lawyers, doctors and many other professionals can earn far more money in the private sector.

"I believe that at its core this is an attack on the middle class," Tony Reardon, the president of the National Treasury Employees Union, said of the Cato report, singling out the institute's board of directors. "What I find rather ironic is that some of the folks on the board are some of the richest people in this country."

Jacqueline Simon, policy director for the American Federation of Government Employees, the largest federal employee union, said Edwards "completely misrepresented the issue" of who makes more. "It is not an apples-to-apples comparison," she said.

Simon noted that the federal pension system is invested almost entirely in Treasury bonds, which have a lower rate of return than many investments used by private-sector pensions. The federal system looks more generous "because you have to put more in it each year for the same rate of return," she said.

In recent years, Republicans in Congress have targeted federal employees with budget-cutting proposals that included not only hiring freezes but also pay cuts and pension changes that calculate retirement on an employee's highest five earning years instead of the highest three, as is currently done.

The substantive change to the law was a higher pension contribution, so employees hired after 2014 pay 4.4 percent of their salaries.