

## New Data Suggests the Federal Pay Gap With the Private Sector Is Widening

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New data presented at a meeting of the Federal Salary Council last week indicates that the gap between the wages of federal employees and their private sector counterparts is once again widening.

In recent years, data comparing federal government and private sector compensation from the Bureau of Labor Statistics had indicated that the gap has slowly trended downward, with federal workers earning 22.47% less on average than private sector workers in similar jobs in 2021. But this year, the pay disparity spiked to 24.09%.

National Treasury Employees Union National President Tony Reardon cited the new data as further evidence that President Biden should implement a larger pay raise than the 4.6% average pay increase he has proposed for next year. NTEU and other federal employee unions prefer a proposal from Rep. Gerry Connolly, D-Va., that would grant a 5.1% average pay raise to federal employees in 2023, although Congress has thus far declined to adopt the measure in fiscal 2023 appropriations negotiations.

“As any federal employee can tell you, it’s getting harder to stretch their paycheck to keep up with the bills, and now we see that employers in the private sector have done a better job than the federal government in helping their workers support themselves and their families,” Reardon said in a statement. “This is just one more piece of data that supports our argument that federal employees deserve an average 5.1% federal pay raise starting this January. A pay raise would immediately improve the standard of living for hundreds of thousands of federal employees and their families in every state and community across the country.”

The methodology of calculating the difference in compensation between federal employees and workers in the private sector has long been the subject of debate. While federal employee groups prefer the current BLS model, conservatives have argued that policymakers should incorporate non-salary benefits, like retirement and health insurance programs, into the model to compare “total compensation” between sectors, and that such a model suggests that federal workers are overpaid compared to those in the private sector.

Last month, officials at the libertarian Cato Institute touted the “good news” that, by their own “total compensation” metric, the federal pay gap narrowed last year. According to the think

tank's analysis, although federal workers maintain an "advantage" over their private sector counterparts, high growth in real wages in the private sector—a 7.7% increase in 2020 and 5.9% in 2021—coupled with a much smaller increase in the federal sector reduced the overall pay gap.

The Senior Executives Association, an organization that represents career federal executives, testified before the salary council, an advisory body that issues annual recommendations to the administration on federal employee compensation, that a broader overhaul must occur if federal agencies hope to effectively recruit and retain high-performing employees.

Jason Briefel, SEA's director of policy and outreach, said the nearly 75-year-old General Schedule pay system is ill equipped to compete with the private sector on pay issues, particularly at the higher end of the scale, where pay compression has become a growing problem. And he put the blame at least in part on federal employee unions' opposition to efforts to change the government's compensation model.

"Trapped in a General Schedule created in 1949, the federal government is not able to compete for professional talent with industry, which receives \$631 billion in government contracts each year," he said. "A fraction of this money could be invested in the federal workforce itself to create lasting change in the competitiveness of the federal government. This is not a novel or partisan idea. Both the Trump administration and Biden administration's President's Pay Agents have called for statutory reform to federal compensation . . . What we need today is for the unions on the Federal Salary Council to stop standing in the way of widely accepted reforms to federal compensation policy."