



Fed Workers: ‘An Elite Island...Separated from the Ocean of Average Americans’

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Federal employee salaries are a constant source of dispute. Different organizations sometimes use different sources of data to reach widely varying conclusions. GAO noted in 2012 that “several recent federal pay studies vary widely in their conclusions and should not be taken in isolation when trying to determine how federal pay and benefits compare with other sectors.” Nothing has changed in this regard since then.

While we refrain from weighing in with an opinion in this on-going dispute, it is important for readers to be aware of the arguments on the issue. Persuasive arguments, even if many who stand to benefit from higher pay for federal employees disagree with the contrary opinions, can become the basis for legislation that will impact federal pay and benefits.

A favorite finding by many federal employees is transmitted by the Federal Salary Council. It is made up primarily of federal employee union representatives and always concludes that the federal workforce is drastically underpaid compared to the private sector. As noted by Howard Risher: “The recommendations submitted by the Pay Agent to the President have been rejected annually for two decades. It’s clear the reported conclusions are not credible. I doubt if even the union members of the Federal Salary Council believe employees on average are paid 34.6% below market rates.”

Nevertheless, the Salary Council conclusions are frequently cited as a basis for paying federal workers more money and for adding a greater pay differential to the federal locality pay areas throughout the United States.

On the other hand, the Congressional Budget Office concluded in a 2012 study that when adding wages and benefits together, “on average, the federal government pays about 16% more than comparable private sector compensation levels.”

In a recent publication, another organization has reached a much different conclusion on federal pay. Frequently derided by some federal workers because their conclusions on federal pay vary dramatically with the Federal Salary Council, the Cato Institute wrote this:

“The federal workforce has become an elite island of secure and high-paid workers, separated from the ocean of average Americans competing in the global economy. Policymakers instituted a partial freeze on federal wages over three years, which was a step in the right direction and saved taxpayers billions of dollars.”

While the conclusions in the report are contrary to the economic self-interest of many federal workers, the report is worth reading as these conclusions may be considered in the annual political debate over whether federal employees will receive a generous, small or even any pay raise in 2016 as well as in future debates on whether federal employee benefits are too generous.

Cato takes into account some of the more common arguments regarding federal pay. The report relies on data from the Bureau of Economic Analysis. Here are some of the main points from this article:

In 2013, total federal worker compensation, including benefits, averaged \$115,524, or 74 percent more than the private-sector average of \$66,357.

In 2000, the average federal worker earned 50 percent more in total compensation than the average private-sector worker. That ratio increased to 74 percent by 2013.

Federal civilian workers had the seventh-highest average compensation level of the 72 industries studied by BEA in 2008. “The federal workforce had a higher average compensation level than such high-skill industries as computer systems design, chemical products, and legal services.”

The growing federal compensation package is the result of “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.

BEA data show average federal wages have grown faster than average private wages in most years, yet the official pay gap from the Federal Salary Council remains very large.

Rather than suffering from a large pay gap in 2009—federal workers typically were found to have wages 20 percent higher than private-sector workers. An analysis by USA Today found that “federal employees earn higher average salaries than private-sector workers in more than 8 out of 10 occupations. . . .”

Much of the advantage for federal employees is in the area of benefits. In 2013, federal workers had average benefits of \$34,448 compared to average benefits in the private sector of \$10,933.

The “quit rate in the federal government is only one-quarter the quit rate in the U.S. private sector. Federal workers know that they have a gold-plated compensation package and high job security, which is hard to match in the private market, and so they stay put.”

The overall conclusion of the article:

“With regard to immediate policy reforms, Congress should overhaul the federal benefits package to reduce costs. It should, for example, phase-out defined-benefit pension plans, as most private-sector employers have. To deal with today’s large budget deficits, we need to restrain all areas of spending, and so it is reasonable to cut federal pay packages and better align them with private-sector practices.”