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What's a Federal Employee Worth?

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In the debate over the [difference in pay](#) between private and federal employees, the Cato Institute's Tad DeHaven makes [some very good points](#) that I hadn't heard before:

I think the most valid criticism defenders of federal pay offer up is that we're comparing "apples and oranges." However, although they have a point, it's not for the reasons they suggest.

In the private sector, an employee's compensation is a reflection of his or her value in the market. For instance, one may not like that LeBron James makes millions of dollars playing basketball, but that's what the market for professional basketball players says his production is worth. It's no different for a considerably lower-paid employee in the restaurant industry.

What's a federal employee worth? How does one measure a government employee's production? Government isn't subject to market disciplines. It can't go out of business. It has no competitor. It doesn't need to earn a profit or even break even. It doesn't receive its revenue from voluntary transactions – its revenues are obtained via taxation, which is paid by individuals under compulsion and force.

Therefore, federal employee compensation is a function of the political process. Government employees are plugged into a pay scale, and can move up the scale by simply sticking around. President Obama proposed in his fiscal year 2011 budget that federal civilian employees receive an arbitrary across-the-board 1.4 percent pay increase. What does that figure have to do with a federal employee's worth?

Federal and private employees are apples and oranges because the former is dependent on the latter for its existence.

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