



## The Federal Salary War

**August 17, 2010**

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URL: <http://www.fedsmith.com/article/2530/federal-salary-war.html>

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Federal employee salaries are making news around the country. Literally over a hundred articles have appeared in the past few days in news media noting that federal employees **now make more than twice as much as the average American**. Moreover, the disparity between the average salary of federal employees and the rest of America continues to grow wider each year.

Whenever we run an article about average federal salaries, comments pour in about the unfairness of the comparison and calling into question the motives of the organizations that run the articles. Many of these comments assume the data was compiled by the writer for a personal or political agenda. In reality, the information is calculated by an organization within the U.S. Department of Commerce and that government information is used to calculate the well-publicized disparity between federal employee salaries and the rest of the American workforce. Whether it provides useful information depends on the economic interests involved--the taxpayers, politicians and newspaper writers wanting to reduce the cost of government on one side and the federal workforce and unions representing them that would prefer higher federal salaries on the other side.

Earlier this year, OPM director John Berry indicated he wanted to put an end to the controversy by having an independent assessment of salaries in the federal government and how these salaries compare to the private sector. With the latest round of controversy that started with an **article in USA Today**, it is unclear whether he still intends to pursue that independent assessment.

Attempts to determine OPM's intent have been unsuccessful as those from OPM making the statements were out of the office or otherwise unavailable.

*USA Today* reported that federal employees received average pay and benefits of \$123,049 in 2009, while private workers made \$61,051 in total compensation. The report also said the federal compensation advantage had grown from \$30,415 in 2000 to \$62,000 last year.

Without a doubt, the agency has gone on the offensive with a **press release** that stated the news items "regarding pay for Federal employees compared to private sector workers are unfair and untrue." OPM says that the "figures only look only at gross averages, including retail and restaurant service workers and other entry-level positions that reduce private sector average pay in comparison to the Federal average..."

Obviously, the articles struck a nerve on all sides.

Numerous editorials in news media in cities and towns around the country bemoan the fact that federal employees make so much more than most Americans and call into question the process of determining these salaries. (See, for example, ***Federal pay far exceeds the norm and Fat federal workers burden economy***)

I do not recall a similar outpouring of sentiment on this issue in having worked for and around government over several decades. This is probably due to a combination of reasons. One reason is because the disparity is growing, giving the impression of an overpaid workforce when many Americans are already upset at a federal government that is growing larger and more omnipresent in our lives. Another reason is that the economy has not recovered, unemployment is high, and people are angrier and more concerned about their future and the future of the country. Pessimism is high. Voters are angry and an editorial that says federal employees may more than twice as much as most taxpayers creates even more anger.

On the other hand, OPM officials contend that federal employees are paid an average of 22% less than employees in the private sector.

According to OPM, "Thirty years ago, over 22% of our workforce was in blue collar jobs. Now that percentage has dropped by half while the percentage of IT and Health professionals has doubled. Data clearly show that many of these highly specialized workers - doctors, nurses, cybersecurity professionals - are paid less than their private sector counterparts and are making a significant sacrifice in pay to serve their neighbors."

Sheldon Friedman, **described** in the *Washington Post* as "a salary expert who heads an OPM panel that reviews labor management issues of blue-collar federal worker" says that the data used in arriving at the 22% deficit are "the best we're aware of." Friedman may in fact be a salary expert but there is no information about his background on the OPM website. A call to the public affairs office at OPM was unsuccessful as the office indicated they did not have any biographical information and we were advised to "call Mr. Friedman directly" and were given his phone number. Attempts to contact him by phone over a couple of days were unsuccessful but, on one attempt, I did reach an answering machine that indicated it was his office and to leave a message. There was no return call or any information forthcoming about his salary expertise or other background information.



Mr. Friedman is described on the **OPM website** as being on the Federal Prevailing Rate Advisory Committee and he is apparently the chairman of this committee. According to *Leadership Directory*, he has a non-career senior executive service appointment. He is presumably the same Sheldon Friedman who was an economist and research coordinator for the AFL-CIO where **he wrote**: "There is...little reason to believe, that capitalism and democracy can be compatible in the long run absent a strong independent labor movement and strong legal protections for workers' freedom to form unions and bargain collectively" and that "America's workers were suffering through a wage drought that is now well into its fourth decade, with no end in sight."

Whether this is the objectivity sought by OPM director in putting an end to the wage controversy remains to be seen.

In the meantime, after the Cato Institute and *USA Today* were called out in the OPM press release,

Cato's Tad DeHaven **has responded** with a lengthy reply.

The Cato column states that "BLS data shows that a federal employee is more than 8 times less likely to quit than a private sector employee. We've argued that this indicates that federal employees recognize that the generous combination of wages, benefits and job security is hard to match in the private sector, so they stay put."

The author also agrees with OPM director Barry that there is an "apples and oranges" comparison but sees this in a different light. "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." (See ***Federal vs. Private Pay: A Response to OPM Director John Berry***)

The bottom line for the federal workforce is this: Federal salary levels are determined through the political process. You will be paid what Congress and the president agree upon later this year. Currently, the president has proposed an average increase of 1.4%. (See the **2011 estimated pay calculator** to determine how much this may add to your salary next year.) The Cato column asks the question: "What does that figure have to do with a federal employee's worth?"

The reality is that the controversy is going to continue, at least in the short term.

The Office of Personnel Management may eventually follow through on the director's initiative to provide transparency and credibility to the federal pay process to quell the political storm. In the meantime, OPM has succeeded in generating more heat than light or transparency. Whether the increased publicity and the more aggressive behavior by OPM will be advantageous for the federal workforce will be determined by Congress when it makes a decision on next year's salary increase (if any) for the federal workforce.

In the meantime, some in the federal workforce will be angered in the belief they are significantly underpaid. Many Americans are angered in the belief the federal workforce is significantly overpaid. So far in this war of words, there is more heat than enlightening information.

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